

## Chapter 07 -- Fiscal Management

### 07.00 Definitions.

- 07.00.1 "FDIC" means the Federal Deposit Insurance Corporation.
- 07.00.2 "TPSS" means the Texas Procurement and Support Services of the State of Texas.
- 07.00.3 "HEAF" means Higher Education Assistance Funds.
- 07.00.4 "HUBs" means Historically Underutilized Businesses.
- 07.00.5 "OAS" means the Office of Audit Services.
- 07.00.6 "RFS" means the Revenue Financing System.
- 07.00.7 "CAE" means the Chief Audit Executive.

07.01 **Fiduciary responsibility.** The board and the principal officers of the TTU system have the responsibilities of a fiduciary in the administration of all funds subject to the control and management of the TTU system.

### 07.02 Audits.

- 07.02.1 Mission statement. The Office of Audit Services (OAS) is to assist the board and other units of the TTU system in identifying, avoiding, and mitigating risks.
- 07.02.2 Objectives. The OAS shall:
  - a. provide independent, objective assurance and consulting services designed to add value and improve the operations of the TTU system; and
  - b. assist the TTU system in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- 07.02.3 Standards of audit practice. The OAS will comply with generally accepted government auditing standards, the international standards for the professional practice of internal auditing, and the code of ethics promulgated by The Institute of Internal Auditors.
- 07.02.4 Organizational responsibility and reporting relationships.
- a. The OAS is established by the board in accordance with the Texas Internal Auditing Act (“the Act”). The board, through the Audit Committee, is responsible for the employment and dismissal of a Chief Audit Executive (the “CAE”) to manage the affairs of the OAS. The chancellor has the authority to make recommendations to the Audit Committee on the employment and dismissal of the CAE. The CAE reports functionally to the board through the Audit Committee and administratively to the chancellor. Administrative reporting to the chancellor facilitates the day-to-day operations of the OAS and includes:
    - (1) approval of travel or other expenses;
    - (2) human resource administration, including compensation and evaluation of OAS staff members other than the CAE; and
    - (3) other functions as may be delegated to the chancellor by the Audit Committee.
  - b. Annually, the Audit Committee will evaluate the performance of the CAE.
- 07.02.5 Independence. To ensure independence and objectivity, OAS reports to the board through the Audit Committee. Additionally, the staff of OAS has no direct responsibility or authority for activities or operations that may be audited or reviewed. Auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. Auditors are not, however, precluded from making recommendations and suggestions for the improvement of internal controls or operating policies and procedures. An audit or review does not substitute

for or relieve other TTU system personnel of their assigned responsibilities.

07.02.6 Scope of work. The comprehensive scope of work of the OAS is to determine if the TTU system's network of risk management, control, and governance processes is functioning in a manner that will enable goals and objectives of the TTU system to be met. Specifically, the scope of work should provide reasonable assurance that such processes are designed and operating in a manner to ensure:

- a. risks are effectively identified and managed;
- b. the system of internal control is adequate, effective, and efficient;
- c. organizational performance management and accountability systems are effective;
- d. the governance process facilitates organizational effectiveness, appropriate communications, and promotion of ethics and values;
- e. financial, managerial, and operating information is accurate, reliable, and timely;
- f. employees' actions are in compliance with policies, standards, procedures, and applicable statutes and regulations;
- g. resources are acquired economically, used efficiently, and adequately protected;
- h. programs, plans, and objectives are achieved; and
- i. systems are designed and implemented with proper control structures.

07.02.7 Accountability and responsibility. The CAE, in the discharge of his or her duties, shall be responsible and accountable to the board through the Audit Committee to:

- a. develop a flexible annual audit plan using appropriate risk-based methodology and submit the plan to the board through the Audit Committee for review and approval; the CAE shall consider for inclusion in the plan any risks or control concerns identified by management, and consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the TTU system at a reasonable overall cost;
- b. report significant issues related to the risk management, control, and governance processes of the TTU system, including potential improvements to those processes, and provide information concerning the resolution of such issues;
- c. report annually to the board, the chancellor, the governor, and state agencies, as required by the Act, on the activities of the OAS;
- d. provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources, including OAS personnel, to address identified risks within a reasonable time frame;
- e. coordinate with other control and monitoring functions (including, but not limited to, the Office of the General Counsel, the police departments of the component institutions, the state auditor's office, and external auditors);
- f. maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the audit mission and objectives;
- g. establish a quality assurance and improvement program to ensure compliance, consistency, and quality in OAS operations;
- h. consider performing advisory services to assist management in meeting its objectives, examples of which may include facilitation, process design, training, and other advisory services;

- i. evaluate significant new or changing services, processes, operations, systems, and control processes coincident with their development, implementation, and/or expansion;
- j. report to the Audit Committee when the CAE has reason to believe that senior management has accepted a level of residual risk that may be unacceptable;
- k. keep the Audit Committee informed of emerging trends and successful practices in internal auditing;
- l. assist in the investigation of suspected fraudulent activities within the TTU system and keep appropriate management, the chancellor, and the board, through the Audit Committee, informed of such investigations; and
- m. coordinate any external audit or investigative effort performed by certified public accountants, the state auditor's office, or other auditors; this coordination may include scheduling of entrance and exit conferences, assisting with fieldwork, and/or reviewing management responses to findings and recommendations of the external auditors.

07.02.8 Authority.

- a. The CAE and staff of the OAS are authorized to:
  - (1) have full, free, unrestricted access to all functions, manual and electronic records (including student, personnel, and medical records), property, and personnel relevant to any audit or review; documents and information entrusted to auditors during the course of an engagement will be handled in a prudent manner;
  - (2) have full and free access to the board through the Audit Committee and to the chancellor;
  - (3) allocate resources, set frequency and duration of audits, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and

- (4) obtain the necessary assistance of personnel in units of the TTU system where the OAS performs audits, as well as other specialized services from within or outside the TTU system.

b. The CAE and staff of the OAS are not authorized to:

- (1) perform any operational duties for the TTU system;
- (2) initiate or approve accounting or other transactions external to the OAS; or
- (3) direct the activities of any TTU system employee not employed by the OAS, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the auditors.

07.03 **Fraud policy.** The TTU system is committed to the highest standards of moral and ethical behavior. These standards and the subject of appropriate behavior are outlined in the operating manuals of the component institutions and in various TTU system and board policies, which should be observed by all TTU system students and employees.

The purpose of this policy is to address fraudulent acts. Fraudulent activity of any kind, including for the benefit of the TTU system, is expressly prohibited. This policy establishes the procedures and responsibilities for reporting and resolving instances of known or suspected fraudulent acts. For purposes of this policy, fraud is defined as follows:

An intentional perversion of truth for the purpose of inducing another in reliance upon it to part with some valuable thing belonging to him or to surrender a legal right. A false representation of a matter of fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives and is intended to deceive another so that he shall act upon it to his legal injury. Any kind of artifice employed by one person to deceive another.

- 07.03.1 For purposes of this policy, the definition of fraud as per the above shall include, but not be limited to, the following:
- a. an intentional or deliberate act;
  - b. depriving the TTU system or a person of something of value or gaining an unfair benefit; and
  - c. using deception, false suggestions, suppression of truth, or other unfair means which are believed and relied upon.
- 07.03.2 A fraudulent act may be an illegal, unethical, improper, or dishonest act, including but not limited to:
- a. embezzlement;
  - b. misappropriation, misapplication, destruction, removal, or concealment of property;
  - c. alteration or falsification of documents;
  - d. false claims by students, employees, vendors, or others associated with the TTU system;
  - e. theft of any asset including, but not limited to, money, tangible property, trade secrets or intellectual property;
  - f. inappropriate use of computer systems, including hacking and software piracy;
  - g. bribery, rebate, or kickback;
  - h. conflict of interest; or
  - i. misrepresentation of facts.
- 07.03.3 Fraudulent act determination. While a fraudulent act may have criminal and/or civil law consequences, the TTU system is not required to use a determination by a criminal justice authority to criminally prosecute as the basis for determining whether an act is

fraudulent. It is the internal determination that the above criteria are present that defines an act as fraudulent under this policy.

- 07.03.4 Duties and responsibilities. Administrators at all levels of management are accountable for setting the appropriate tone of intolerance for fraudulent acts by strictly displaying the proper attitude toward complying with laws, rules, regulations, and policies, including ethics policies. In addition, administrators should be cognizant of the risks and exposures inherent in their area of responsibility, and should establish and maintain proper internal controls which will provide for the security and accountability of the resources entrusted to them.

Any member of the campus community who has a reasonable basis for believing a fraudulent act has occurred has a responsibility to promptly notify one of the following:

- a. his or her supervisor;
- b. the appropriate administrator;
- c. the OAS; or
- d. the component institution's police department.

Employees who, in good faith, report unlawful activity are protected by the Texas Whistleblower Act against any retaliation by the TTU system for making such a report. The reporting member of the campus community shall refrain from confrontation of the suspect, further examination of the incident, or further discussion of the incident with anyone other than the employee's or student's supervisor or others involved in the resulting review or investigation. Persons found to be making frivolous claims under this policy will be disciplined, up to and including termination of employment or expulsion from the TTU system.

- 07.03.5 Investigation. Supervisors and administrators at all levels of management who become aware of suspected fraudulent activity are to respond in a consistent and appropriate manner and shall report the suspected activity to the OAS. With the concurrence of the CAE, the

supervisor or administrator may treat the incident as an administrative issue and have a qualified individual or individuals perform an objective review as considered necessary.

The OAS has the primary obligation for investigating reported incidents to the extent considered necessary for resolution. The OAS may contact other TTU system departments, including, but not limited to, the Office of General Counsel and the component institution's police department, to establish the necessary team to proceed with the review or investigation. The investigative team will attempt to keep source information as confidential as possible. In those instances where the investigation indicates criminal activity, the investigation shall be turned over to the component institution's police department or other appropriate law enforcement agency. As required by law, the OAS will notify the state auditor's office of suspected fraudulent activity.

All affected departments and/or individuals shall cooperate fully with those performing a review or investigation, including the OAS, law enforcement officials, regulators, and any other parties involved. During all aspects of the review or investigation, the constitutional rights of all persons will be observed. Suspects and others involved in the review or investigation shall be treated consistently without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.

#### 07.03.6 Disciplinary actions.

- a. Employees found to have participated in fraudulent acts as defined by this policy will be subject to disciplinary action, including termination. Additionally, employees suspected of perpetrating fraudulent acts may be placed on paid administrative leave during the course of the investigation. In those cases where disciplinary action is warranted, the Office of Personnel/Human Resources, Office of the General Counsel, or other appropriate office shall be consulted prior to taking such actions. Criminal or civil actions may be pursued against employees who participate in fraudulent acts.

- b. An employee terminated by reason of involvement in the perpetration of a fraud will ordinarily be terminated without eligibility for rehire. Actions to be taken will be determined without regard to past performance, position held, length of service, race, color, religion, sex, age, disability, national origin, or veteran status.
- c. Students found to have participated in fraudulent acts as defined by this policy will be subject to disciplinary action pursuant to the operating manuals of the component institution. In those cases where disciplinary action is warranted, the Dean of Students, Office of Student Services, Office of the General Counsel, or other appropriate office shall be consulted prior to taking such actions. Additionally, criminal or civil actions may be pursued against students who participate in fraudulent acts.

The relationship of other individuals or entities associated with the TTU system found to have participated in fraudulent acts as defined by this policy will be subject to review, with possible consequences including termination of the relationship. In those cases where action is warranted, the Office of the General Counsel or other appropriate office shall be consulted prior to taking such actions. Additionally, criminal or civil actions may be taken against individuals or entities associated with the TTU system who participate in unlawful acts.

07.03.7 Fraud reporting. The results of investigations conducted by the OAS shall be communicated, either orally or in writing, as determined by the CAE, to the board and to the chancellor and/or other appropriate administrators.

**07.04 Budget rules and procedures.**

07.04.1 Fiscal year. The TTU system fiscal year shall be September 1 through August 31.

07.04.2 General.

- a. The board is required by law and Section 01.01, *Regents' Rules*, to approve an annual budget covering the operation of the ensuing

fiscal year. This budget shall be prepared within the limits of revenue available from legislative appropriations and estimated local and other funds.

- b. The budget is to be constructed along organizational lines and using appropriate fund groupings required by state law or recommended by the State Auditor's Office or the State Comptroller's Office.
- c. The board has the overall responsibility for the budget; however, limitations of time make it impractical for the board to address budget issues other than major policies and priorities. The board effectively discharges its budgetary responsibilities by reviewing and approving general policies. Detailed budgetary development and control is delegated to the chancellor, the presidents, and the chief fiscal officers.
- d. The annual budget shall be prepared and adopted well in advance of the fiscal period and shall include all anticipated operating revenues, expenditures, transfers, and allocations. Adjustments to the budget will be approved in accordance with board policy set forth in Section 07.04.5, *Regents' Rules*.
- e. The chief fiscal officers are responsible for the compilation of estimates of revenues and the development of appropriate contingencies.
- f. The principal officers of the TTU system will develop recommendations on major budgetary policies and programs. These policies include such items as salary and wage increases, differential allocations to certain programs, implementation of new programs, reduction or elimination of existing programs, and other budgetary items. The board's budgetary policies will be communicated by the presidents, with the assistance of the chief fiscal officers of the component institutions, to the deans, directors, and departmental heads.
- g. The chancellor and presidents, with the assistance of the chief fiscal officers, shall present budget recommendations to the board that will include a comparison of the proposed budget

with those of previous years, explanation of major changes, description of programs added or eliminated, and salary and wage policies.

- h. The chief fiscal officers are responsible for communicating with budgetary units and providing each unit a copy of its approved budget.

#### 07.04.3 Budgetary control.

- a. An essential element of budgeting is the establishment of effective budgetary control. Budgetary control shall ensure that expenditures do not exceed available funds.
- b. The chief fiscal officers are responsible to the presidents, the chancellor, and the board for maintaining budgetary controls. All expenditures in the institutions must be made within approved budgets. Administrators are not authorized to commit funds without a budget approved by the chief fiscal officers or designee. The chief fiscal officers shall inform the chancellor, the respective president, and the board of any deviations greater than \$100,000 from this policy, including a list of individual fund accounts with deficit fund balances at the end of each fiscal quarter.
- c. It is the responsibility of the department head (e.g., dean, chair, director) to exercise budget control. These officers have the primary responsibility to control expenditures within the department. Upon approval of the budget, department heads are responsible for assuring there is no deviation from the approved budgets.
- d. The chief fiscal officers shall assure that monthly reports of revenues and expenditures are made available to each budget unit.

#### 07.04.4 Budgets and other expenditure certifications.

- a. Administrators must receive an approved budget from the chief fiscal officer or designee prior to expending funds or committing

to expenditures. The chief fiscal officers are responsible for certifying that funds are available for each approved budget.

- b. Expenditures requiring board approval, including the annual operating budget and certain construction projects, must have a separate written certification statement by the chief fiscal officer. The purpose of the statement is to provide the board an objective analysis for the adequacy of the funding proposed. Certification of the adequacy of funding may be made with or without qualifications. If the certification is qualified, these qualifications will be specifically identified by the chief fiscal officers.

07.04.5 Budget adjustments. Budget adjustments to the annual operating budget or to other expenditures requiring board approval are defined in the following sections. Budget adjustments may not be divided to fall within lower levels of approval. Approvals must be obtained prior to the effective date of action for the following:

- a. Board approval:
  - (1) Board approval is required for:
    - (a) adjustments that establish a new budget or increase an existing budget by an amount of more than \$500,000; and
    - (b) non-statutory adjustments to the salary of the chancellor.
  - (2) Emergency approvals. In an emergency, adjustments of more than \$500,000 may be approved by either the chair of the board or chair of the Finance and Administration Committee, with subsequent notification to the board at the next regular board meeting.
- b. Chancellor's approval is required for the following:
  - (1) Adjustments to the salary of TTU system officers and individuals who report directly to the chancellor, except for

positions covered under the provisions of Section 02.03.1, *Regents' Rules*.

- (2) Non-statutory adjustments to the total salary or wage rate of a TTUSA employee when such an adjustment is 10% or more per annum. However, this requirement does not apply to:
  - (a) bona fide promotions or reclassifications;
  - (b) supplemental compensation payments required by law; or
  - (c) adjustments to an employee's total salary or wage rate that result in an annual increase of \$2,000 or less.
- (3) Adjustments authorized by law.

c. President's approval is required for the following:

- (1) All budget adjustments of \$500,000 or less to the institution's original operating budget.
- (2) Non-statutory adjustments to the total salary or wage rate of an employee of the institution when such an adjustment is 10% or more per annum. However, this requirement does not apply to:
  - (a) bona fide promotions or reclassifications;
  - (b) supplemental compensation payments required by law;
  - (c) adjustments to the total salary or wage rate of an employee of the institution that result in an annual increase of \$2,000 or less; or
  - (d) adjustments to the total salary of a position covered under the provisions of Section 02.03.2, *Regents' Rules*.

- (3) Adjustments to establish a budget for new activities that will be conducted at external facilities.
- d. Approval of any agreement or contract, in accordance with Section 07.12.1, *Regents' Rules*, constitutes authority to establish a maximum budget that does not exceed the amount of the approved agreement or contract.
- e. The chancellor and presidents may delegate budget authority to appropriate budget and financial officials.

## 07.05 Debt management policy.

### 07.05.1 General debt management policy.

- a. All debt programs will be made in accordance with applicable state and federal statutes and regulations. The board will authorize the issuance of all TTU system indebtedness.
- b. To the extent permitted by law, the board may grant to the chancellor the authority to issue short-term indebtedness. The short-term debt program will be utilized for capital projects during construction and for equipment acquisition. All conversions to long-term or bond indebtedness shall be approved by the board.
- c. The chief financial officer is authorized to approve the pricing of bond and note issues and is responsible for assuring that all bond covenants are in compliance and that all necessary approvals, certifications, and authorizations are fully documented and made available to the board and to all bondholders.
- d. The chief financial officer is responsible for assuring that all debt service payments are made to the appropriate paying agents in a timely manner.
- e. Debt service funding is the responsibility of each institution participating in the RFS and the HEAF programs.

- f. If a project requires Texas Higher Education Coordinating Board approval, no debt proceeds will be allocated to that project prior to receiving such approval.

07.05.2 RFS debt management policy.

- a. The TTU system and its components are eligible to participate in the RFS.
- b. The TTU system will use the following guidelines for the RFS:
  - (1) Buildings and other major capital projects will be financed for a period of up to the lesser of the project's estimated useful life or 40 years.
  - (2) Equipment will be financed for a period up to the lesser of its projected useful life or 10 years.
  - (3) To the extent required by law, Texas Higher Education Coordinating Board approval will be obtained if project costs exceed \$1,000,000 for new construction or \$2,000,000 for major repair and rehabilitation. Debt proceeds will not be allocated to a project prior to receiving Coordinating Board approval. If Coordinating Board approval is not required, documentation of the exception criteria will be provided to the chancellor by the chief financial officer.
  - (4) Individual revenue streams considered for debt service must meet a 1.15 debt coverage ratio test, unless the debt is issued as tuition revenue debt, in which case it must meet a 1.00 debt coverage ratio test. Debt coverage is defined as total revenue divided by total debt service.
  - (5) Debt service will be collected from departments at the component institutions in the amount of the 1.15 ratio, as noted in Subdivision (4) of this subsection, until the maximum reserve accumulated is equal to a department's maximum annual debt service for the remaining debt outstanding. When the maximum reserve is reached, the debt service will be collected in the amount of a 1.00 ratio.

- (6) The board shall approve designated debt financing prior to a project's initiation. Reimbursement clauses, revenue stream certification, non-default certification, and all requirements of the RFS Master Resolution will be included in the agenda items submitted for board approval that authorize the debt financing.
  - (7) Application to and approval of the Texas Bond Review Board is required for all new long-term issues. Long-term issuances also are subject to the approval of the Texas Attorney General.
- c. The TTU system will use the following general guidelines for the RFS:
- (1) As long as RFS debt remains outstanding, the TTU system will prepare end-of-fiscal-year certifications. The certifications, signed and approved by the president and vice president for fiscal affairs of the component institution, will be submitted to the chief financial officer no later than November 15 of each year and will be used for reporting on the status of the RFS to the chancellor and the board. The certifications will include the following:
    - (a) A comparison of revenue projections with those actually collected in the previous year and an updated assessment of anticipated future revenues. If actual revenues were not sufficient, a written report to the board must be provided. This report must address why the revenues were insufficient and the impact on the institution's current and future ability to pay for its share of debt service.
    - (b) Verification that the institution has sufficient funds that may be pledged and are available for the next fiscal year's principal/interest payments.

- (c) Verification that the institution is in compliance with all RFS bond covenants and *Regents' Rules* requirements relative to the issuance of RFS debt.
- (2) The chief financial officer will prepare an annual report on the status of RFS obligations for the chancellor and the board. The report will include the following:
  - (a) The balance of RFS obligations outstanding at the beginning of the fiscal year and on the date of the report.
  - (b) A listing of projected needs (by institution and funding source) for the next year.
  - (c) The amount of RFS obligations that will be necessary to fund each institution's needs for the next year.
  - (d) A certification that the TTU system is current on debt service funding for RFS obligations outstanding. If an institution is not in compliance, the steps being taken to bring the institution into compliance will be included and will be reported quarterly until compliance is achieved.

07.05.3 HEAF debt management policy.

- a. Component institutions are eligible to participate in HEAF debt financing.
  - (1) Except as described in Subdivision (4) of this subsection, HEAF debt proceeds may be used for acquiring land, construction, and equipping permanent improvements, major repair and rehabilitation of permanent improvements, and refunding previously issued HEAF indebtedness.
  - (2) HEAF indebtedness will be payable with state appropriated moneys. Maturities will not exceed 10 years and will be limited to the current HEAF funding cycle. HEAF bonds will be competitively bid. HEAF notes (e.g., com-

mercial paper notes) need not be competitively bid. HEAF indebtedness is subject to approval by the Texas Attorney General.

- (3) No more than 50% of the annual HEAF allocation of component institutions will be used for paying debt service on HEAF indebtedness issued on behalf of component institutions.
- (4) HEAF debt proceeds are not permitted by law to be used for maintenance, minor repairs, operating expenses, student housing, intercollegiate athletics, or auxiliary enterprises.
- (5) Prior approval of the Texas Legislature or the Texas Higher Education Coordinating Board is required for expenditure of HEAF debt proceeds for new construction in excess of \$1,000,000, major repair and rehabilitation in excess of \$2,000,000, and land acquisitions.

07.05.4 Equipment financing. Procedures for equipment financing under the commercial paper program(s) are as follows:

- a. In order to obtain approval for the issuance of RFS debt to purchase equipment, the component institutions must, by July 1 of each fiscal year, determine equipment needs for the following fiscal year. For equipment costing \$250,000 or more, the board shall authorize the financing through the equipment financing program. For equipment costing less than \$250,000 but more than \$100,000 that is to be financed through the equipment financing program, the approval of the chancellor with the concurrence of either the chair of the board or the chair of the Finance and Administration Committee is required. The approval of the chancellor is required for equipment costing less than \$100,000 that is to be financed through the equipment financing program. The Office of Investments will submit the required notice to the Texas Bond Review Board.
- b. The minimum aggregate amount of equipment value to be financed under the equipment financing program is \$100,000 for

each component institution. Multiple smaller equipment purchases may be combined to achieve the minimum amount. Each piece of equipment must have a useful life of not less than three years. The equipment will be purchased from the vendor by the component institution. RFS debt will be issued to reimburse the component institution for the equipment purchase. The debt will be amortized each February 15 and August 15 and will be fully amortized up to the lesser of its projected useful life or 10 years.

07.05.5 Failed remarketing procedures. Procedures to be used in the event of a failed remarketing of RFS commercial paper debt will be maintained in the Office of Investments.

07.06 **Credit extension.** The chancellor, or the chancellor's designee, is authorized to approve the sale of goods and services on credit provided that: there is a public purpose for the sale that can be documented; and controls limiting risk of loss have been established and reviewed by the OAS.

07.07 **State comptroller deposits.**

07.07.1 Cash receipts. State statutes and the current state Appropriations Act require that all cash receipts accruing to component institutions be deposited in the state treasury, with the exception of those funds listed in Section 51.008, *Texas Education Code*. Funds to be deposited within the TTU system include funds from auxiliary enterprises, non-instructional services, agency, designated and restricted funds, endowment funds, trust funds, other gift funds, student loan funds, funds retained under Chapter 145, *Texas Education Code*, and Constitutional College Building Amendment Funds.

07.07.2 Depositing rules. Cash receipts that are required to be deposited in the state treasury shall be so deposited in the manner prescribed by state statutes and the current state Appropriations Act.

07.07.3 Revolving funds. Component institutions of the TTU system are authorized by the current state Appropriations Act to establish Revolving Funds under certain prescribed procedures to facilitate the payment of nominal expenses and to pay bills within cash discount periods, as well as for regular monthly, weekly, and special payrolls.

07.08 **Primary and secondary depositories for the TTU system.** Only those banks selected as prescribed by this policy and in compliance with all existing statutes shall be used to deposit and safeguard all funds subject to the control of the board.

07.08.1 Primary depository. A primary depository is defined as the bank or banks selected as the financial institution(s) in which all funds of the component institutions, except as herein provided, are deposited for operating or investment purposes. The board, in its sole discretion, shall select the primary depositories.

07.08.2 Secondary depositories.

- a. Secondary depositories may be selected by the chief fiscal officers with the approval of the chancellor or appropriate president as banks in which the component institutions may maintain deposits temporarily, prior to transmittal to primary depositories.
- b. Balances in secondary depository accounts shall be fully secured by the FDIC (or its successor) and in accordance with the provisions of Section 09.01, *Regents' Rules*, with a pledge of qualified securities held by a custodian bank and in an amount equal to 102% of the difference between the amount insured by FDIC and the greatest amount expected to be on deposit at any time. The chief fiscal officers may exempt secondary depositories from the affiliated custodian provisions of Section 09.01, *Regents' Rules*.
- c. Funds in secondary depository accounts will be transferred to the primary operating depository as soon as possible but at least once each seven calendar days. In no event shall the amount on deposit exceed the amount insured by FDIC plus any collateral pledged against the account.

07.09 **Travel authorization, reimbursement, and institutional regulations.**

07.09.1 Travel approval. Each component of the TTU system shall promulgate operating policies, procedures, rules and regulations governing employee travel in conformity with federal and state laws.

07.09.2 Board members' travel and other expenses.

- a. All travel by board members that is paid from TTU system funds shall be for official business only.
- b. When traveling on official business, members of the board are authorized to be reimbursed from appropriated funds for the actual cost of:
  - (1) meals and lodging, subject to the rates and limitations established in statutory authority;
  - (2) local transportation;
  - (3) parking fees; and
  - (4) airfare at the next lowest rate below first class, unless such a rate is not available.
- c. When the board member's spouse is required to accompany the board member for a valid public purpose, as determined by the board member, the spouse's expenses shall be reimbursed from non-appropriated funds.
- d. Vouchers for travel or other expenses of board members will be prepared in the Office of the Board of Regents, forwarded to the Office of the Chief Financial Officer for review, and returned to the Office of the Board of Regents for further approval. Either the chair of the board or the chair of the Finance and Administration Committee must approve all vouchers for board members. A board member may not approve his or her own voucher.
- e. Vouchers for reimbursements to board members for other expenses shall be processed in accordance with Subsection d. of this section. These expenses must be for a valid public purpose, as certified by the board member. Any extraordinary expenses must be approved in advance by either the chair of the board or the chair of the Finance and Administration Committee.

- f. The chief financial officer will assure that expense vouchers for board members are audited annually.

07.09.3 Chancellor's travel and other expenses.

- a. The chancellor's travel that is paid from TTU system funds shall be for official business only.
- b. The chancellor is the executive head of a state agency and, when traveling on official business, is authorized by law to be reimbursed from appropriated funds for the actual costs of meals, lodging, local transportation, and parking fees, and for airfare at the next lowest rate below first class unless such a rate is not available.
- c. When the chancellor's spouse is required to travel for a valid public purpose, as determined by the chancellor, the spouse's expenses shall be reimbursed from non-appropriated funds derived from gifts received from private sources.
- d. Vouchers for travel or other expenses of the chancellor will be forwarded to the chief financial officer for review and then forwarded for approval to the chair of the Finance and Administration Committee or, in his or her absence, the board chair. Normally, vouchers shall be submitted within ten days of the travel.
- e. When official business requires the chancellor to be absent from the campus for a period in excess of seven business days, excluding official TTU system holidays, the Office of the Board of Regents shall be notified in writing, with notification provided to the chair and vice chair of the board.
- f. The chief financial officer will assure that travel expense vouchers for the chancellor are audited annually by an external auditor.

07.09.4 Faculty, staff, and student travel. Each component will develop and disseminate policies and procedures in operating manuals for travel of faculty, staff, and students that adhere to state guidelines.

07.10 **Approval of tuition and student fees.**

- 07.10.1 Assessment. Each year, the board shall approve the assessment of tuition and fees for students of component institutions of the TTU system. The amounts to be assessed shall be presented annually to the board in a document to be entitled "Global Fee Schedule."
- 07.10.2 Collection. The authority of the board to collect tuition, fees, and other charges in accordance with the methods and manners prescribed in state statute is delegated to the presidents.
- 07.10.3 Exemptions and waivers. The authority of the board to grant exemptions and waivers from tuition, fees, and other charges in accordance with state statutes is delegated to the presidents.

07.11 **Aircraft use and operation.** All TTU system staff, faculty, and students traveling on official business or activities will use only those aircraft and aircraft operators that meet the requirements set forth below. The travel regulations contained in the state Appropriations Act and applicable state statutes will be followed by the TTU system. Regardless of the source of funds, allowable reimbursements are established by the state Appropriations Act. In addition, TTU system employees are encouraged to be as conservative as possible in the use of air travel, using charter flights only when such flights are cost-effective or absolutely necessary.

- 07.11.1 Air travel requirements. The TTU system will only use aircraft and aircraft operators that are flightworthy and are certified and operate under Subchapters F & G, Parts 91, 119, 121, 125, or 135, as applicable, in Chapter 1, Federal Aviation Regulations, 14 Code of Federal Regulations (the "C.F.R."). In addition, all aircraft used pursuant to this provision must, at a minimum, be piloted by pilots that are fully qualified and insured in the aircraft being flown, possessing a commercial pilot certificate with instrument rating. All flights involving student travel must be piloted by two pilots.
- 07.11.2 Foreign air travel. Air travel to or in foreign countries by TTU system faculty, staff or students will be arranged only through commercial air carriers regularly engaged in scheduled passenger air transportation.

- 07.11.3 Information requirement. With the exception of commercial, certified domestic and flag air carriers, aircraft operators will provide the TTU system with the following information:
- a. type of certificate;
  - b. certificate number;
  - c. date the certificate was issued;
  - d. expiration date for the certificate;
  - e. type and registration number of aircraft authorized;
  - f. name of the Federal Aviation Administration Flight Standards Office having jurisdiction over the certificate holder; and
  - g. schedule of insurance coverage in effect, showing insurance companies, policy numbers, type, amounts, period of coverage, and special conditions, exceptions and limitations.
- 07.11.4 Aircraft made available to the TTU system by other than commercial operations. Aircraft and crew made available to the TTU system by other than commercial operators must, as a minimum, qualify under all regulations regarding aircraft and crew outlined in 14 C.F.R., Chapter 1, Subchapter G, Part 91, and conform to the insurance provisions set forth in Section 07.11.5, *Regents' Rules*. In addition, all aircraft used pursuant to this provision to transport students must, at a minimum, contain a multi-turbo prop engine or jet engine and be piloted by two pilots who are fully qualified and insured in the aircraft being flown and who possess a commercial pilot certificate with instrument rating.
- 07.11.5 Insurance. Aircraft owners/operators must furnish a certificate of insurance to the TTU system as proof of at least \$300,000 coverage per passenger, or the minimum amount required by law, whichever is greater.

- 07.11.6 Administrative requirements. The following are administrative requirements:
- a. All flights involving leased or chartered aircraft, or aircraft made available to the TTU system pursuant to Section 07.11.4, *Regents' Rules*, must be approved in advance by the chancellor or the chancellor's designee.
  - b. All flights involving student travel, other than travel on commercial air carriers, must be approved in advance by the chancellor or the chancellor's designee.
  - c. The TTU system department arranging travel under Subdivision a. or b. of this subsection will ensure that contracts and other appropriate documents are reviewed by the Office of the General Counsel prior to approval by the chancellor or the chancellor's designee.
- 07.11.7 TTU waiver. This policy may be waived by the TTU chief academic officer's prior written approval for employees and graduate research assistants involved in research projects requiring aerial surveys. Such research projects must be supported by fund grants that have been approved by the Office of Research Services.
- 07.11.8 Aircraft piloted by TTU system personnel on official business. A TTU system employee may pilot an aircraft owned or leased by the employee for travel on official business and may be reimbursed for such travel in accordance with state regulations (see State of Texas Travel Allowance Guide, Chapter 6, Section 6.02). Any aircraft piloted by TTU system personnel for travel on official business must be maintained in accordance with all applicable Federal Aviation Regulations and shall have all instrumentation required for flying in the meteorological conditions then existing and as forecast. The pilot must be current and qualified in accordance with all applicable Federal Aviation Regulations for the type aircraft flown and for the meteorological conditions then existing and as forecast. No flight shall be piloted by TTU system personnel with other faculty, staff, students, prospective students, or guests aboard. Any TTU system personnel desiring to travel under this provision must execute a written

release of liability releasing the TTU system from any and all liability associated with such travel.

## 07.12 Contracting policies and procedures.

### 07.12.1 General.

- a. This policy shall establish the authority for the board and authorized TTU system personnel to approve, sign, and execute contracts committing the TTU system to any approved act. The policy shall be compatible with all other board policies.
- b. Written contracts shall be executed whenever a TTU system component enters into a binding agreement with another party which involves any material consideration.
- c. Contracts include, but are not limited to: letter agreements, cooperative agreements, memorandums of understanding, inter-agency contracts, grants, loans, easements, licenses, leases, permits and restrictions on acceptances of gifts and bequests. Other parties include, but are not limited to: federal, state and local agencies, nonprofit organizations, private businesses, corporations, partnerships and individuals.
- d. Except as provided in Section 07.12.1.a., *Regents' Rules*, this policy shall apply to all contracts for the initial periods, amendments or extensions thereto and shall also apply to, but not be limited to: loans from the U.S. Department of Housing and Urban Development; grants and/or loans under the Higher Education Facilities Act of 1963; loans under the National Defense Education Act; fellowships under the National Defense Act; State of Texas Interagency Cooperation Contracts, including those among component institutions; and cooperative agreements with affiliated and nonaffiliated hospitals and other health care agencies, private corporations, sole proprietorships, federal agencies, private partnerships, and individuals. This contracting policy does not apply to purchasing documents, which shall be processed in accordance with state law and purchasing regulations.

- e. In the event a contract executed under other provisions of this policy is subsequently found to be required by law or by this policy to be approved by and/or executed by the board, the contract shall continue to be in full force and effect, but shall be submitted for ratification at the next available board meeting.
- f. Approval and signature execution of a contract pursuant to the provisions of this policy constitutes approval to establish an operating budget, which shall not exceed the consideration of the contract. The operating budget then will be considered approved in accordance with the provisions of Section 07.04, *Regents' Rules*, and related implementing procedures.
- g. Contracts shall not be divided to fall within lower levels of approval.

07.12.2 Board approval.

- a. Upon recommendation of the chancellor, board approval is required for contracts that involve a stated or implied consideration in excess of \$500,000 per annum, unless a different consideration is specified by this policy. This requirement is applicable to both cash and non-cash considerations.
- b. The board delegates to the presidents, or their designees, the authority to approve the proposals and execute and sign contracts for sponsored program projects in excess of \$500,000 per annum. Sponsored program projects are those grants, contracts, and cooperative agreements from either the public or private sectors that support research, instructional, and service projects. A list of such contracts for sponsored program projects in excess of \$500,000 per annum shall be provided to the board as an information item at the next regular board meeting.
- c. The board delegates to the chancellor, the presidents, or their designees, the authority to execute and sign contracts related to minor construction projects as defined by Section 08.01.4, *Regents' Rules*.

- d. Consulting contracts.
  - (1) Upon recommendation of the chancellor, board approval is required for contracts that provide for the services of a consultant with an initial consideration in excess of \$25,000 and all modifications increasing that contract.
  - (2) For contracts that provide for the services of a consultant with an initial consideration of \$25,000 or less:
    - (a) prior notice of the proposed contract must be provided to the chair and the chair of the Finance and Administration Committee;
    - (b) a report of the contract shall be provided as an Information Agenda item at the next board meeting; and
    - (c) approval of the board is required for any modification to a consulting contract where the initial consideration was \$25,000 or less and the modification will cause the total consideration to exceed \$25,000.
- e. Contracts involving a sale or lease of land, a commitment of funds or other resources for more than four years, and employment agreements.
  - (1) Upon recommendation of the chancellor, board approval is required for the following contracts or agreements:
    - (a) contracts that involve: a sale of land, or a lease of land for more than four years;
    - (b) contracts that involve a commitment of funds or other resources for more than four years; and
    - (c) all employment contracts, including but not limited to letters of agreement and memoranda of understanding.

- (2) The following are exempted from the provisions of Section 07.12.2.e(1), *Regents' Rules*:
- (a) Multi-year employment contracts and employment contract modifications and extensions that are governed by the provisions of Sections 02.03.1 and 02.03.2, *Regents' Rules*.
  - (b) Employment contracts and employment contract modifications and extensions for assistant coaches of intercollegiate athletics programs if: the total compensation (including cash and non-cash considerations) over the entire term of the contract is \$1,000,000 or less; and the term of the contract does not exceed three (3) years. Such contracts, modifications, and extensions shall have the recommendation of the director of intercollegiate athletics and receive the final approval of the president, with prior notification to the chancellor.
  - (c) TTUHSC faculty employment contracts. Such contracts of four years or less shall receive the final approval of the president. Such contracts in excess of four years shall be approved by the president, with prior approval of the chancellor and prior notification to the board.
  - (d) Contracts other than employment contracts that may be terminated without cause with notice of 120 days or less.
- f. Upon recommendation of the chancellor, board approval is required for contracts involving the initial placement of vending machines, games, or any other coin operated food, refreshment and amusement devices placed in service in any facility owned, operated, or controlled by the TTU system. The president, or the president's designee, is delegated the authority to determine and approve the location of vending machines, games, or other coin operated food, refreshment and amusement devices placed in all

buildings and property under the charge and control of the president's institution.

- g. Unless prohibited by law and upon recommendation of the chancellor, emergency approval may be given for a contract by verbal approval of the chair of the board or of the chair of the Finance and Administration Committee and four other board members. Contracts approved in this manner will be presented to the board as an information item at the next board meeting.
- h. Contracts approved by the board will be executed as specified in the board order.

07.12.3 Chancellor's approval.

- a. Approval of the chancellor is required for TTUSA contracts that involve a stated or implied consideration of \$500,000 or less. This requirement is applicable to both cash and non-cash considerations.
- b. TTUSA contracts may be signed by the chancellor or the chancellor's designee.

07.12.4 President's approval.

- a. Approval of the president is required for all component institution contracts that involve a stated or implied consideration of \$500,000 or less per annum. This requirement is applicable to both cash and non-cash considerations. Provisions in the *Regents' Rules* regarding employment contracts shall govern the approval of those employment contracts.
- b. Approval of the president is required for all component institution contract renewals or amendments. A list of those renewal contracts in excess of \$500,000 per annum, including the amount of the contract, will be provided to the board as an information item at the next board meeting.
- c. Component institution contracts may be signed by the president or by the president's designee.

07.12.5 Required approvals summary.

<b>Contract Terms</b>	<b><i>Regents' Rules</i> Section Citation</b>	<b>Approval Required</b>
Contracts in excess of \$500,000 per year	07.12.2.a	Board
Contracts in excess of four years (unless the contract can be terminated without cause with notice of 120 days or less)	07.12.2.e	Board
Consulting contracts in excess of \$25,000 per annum, and all modifications that increase such contracts	07.12.2.d	Board
Initial contracts for vending machines	07.12.2.f	Board
Location of vending machines	07.12.2.f	President
TTUSA contracts of \$500,000 or less per year	07.12.3	Chancellor
Component institution contracts of \$500,000 or less per year	07.12.4.a	President
Amendment or renewal of component institution contracts	07.12.4.b	President
Sponsored program project contracts	07.12.2.b	President
Multi-year employment contract, employment contract modification, or contract extension for: president; vice chancellor and general counsel; vice chancellor and chief financial officer; other vice chancellor; or other TTU system administration officer	02.03.1.d	Chancellor
Multi-year employment contract, employment contract modification or contract extension for: provost; vice president; vice provost; dean of a school or college; director of intercollegiate athletics; or head coach of an intercollegiate athletics program	02.03.2	President & Chancellor

<b>Contract Terms</b>	<b>Regents' Rules Section Citation</b>	<b>Approval Required</b>
Employment contracts, modifications or extensions for an assistant coach of an inter-collegiate athletics program if: -- total compensation over the life of the contract exceeds \$1,000,000; AND/OR -- term of the contract exceeds 3 years	07.12.2.e(1)(c) and 07.12.2.e(2)(b)	Board
Employment contracts, modifications or extensions for an assistant coach of an inter-collegiate athletics program if: -- total compensation over the life of the contract does not exceed \$1,000,000; AND -- term of the contract does not exceed 3 years	07.12.2.e(2)(b)	Athletic Director & President
TTUHSC faculty employment contracts of 4 (four) years or less	07.12.2.e(2)(c)	President of TTUHSC
TTUHSC faculty employment contracts in excess of 4 (four) years	07.12.2.e(2)(c)	President of TTUHSC ... <i>with prior approval of Chancellor and prior notice to Board</i>
Any employment contract or employment contract modification or extension not governed by a provision shown above	07.12.2.e(1)(c)	Board

### 07.13 HUBs

- 07.13.1 TTU system commitment. The TTU system is committed to providing procurement and contracting opportunities to HUBs.
- 07.13.2 HUB Coordinators. The chancellor and the presidents of the component institutions shall have the responsibility for planning, coordination, implementation, and enforcement of HUB policies within their respective components. The chancellor or president, as appropriate, will appoint a HUB Coordinator for their respective component to carry out the provisions of this policy. The HUB Coordinator must be at least equal in position to the component's procurement director. The HUB Coordinators shall:

- a. coordinate training programs to recruit HUBs and to assist HUBs in conducting business with the TTU system and its components;
- b. report required information to the TPSS;
- c. match HUBs with key TTU system staff to ensure that HUBs interact with the appropriate personnel of the TTU system; and
- d. make a good faith effort to increase the award of goods and service contracts to HUBs in accordance with state statutes and the TPSS's promulgated rules.

The TTU system will implement policies and procedures in its operating manuals setting forth its HUB programs and procedures. The chancellor and the presidents will provide support, as needed, to implement these HUB policies.

**07.14 Professional Medical Malpractice Self-Insurance Plan settlement authority.**

- 07.14.1 Board authority. This policy establishes the board's authority to settle claims arising under the TTUHSC Medical Malpractice Self-Insurance Plan ("the Plan").
- 07.14.2 Board approval. Board approval is required to settle claims in excess of \$250,000 arising under the Plan.
- 07.14.3 Chancellor approval. Settlements in excess of \$100,000 but less than or equal to \$250,000 require the chancellor's approval.
- 07.14.4 Vice chancellor and general counsel approval. The vice chancellor and general counsel may approve settlements of \$100,000 or less.
- 07.14.5 Approval during period between board meetings. If necessary during periods between board meetings, the chair or the vice chair of the board may authorize settlements of claims in excess of \$250,000 upon the recommendation of the chancellor.

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***Index of Chapter 07 amendments adopted since December 12, 2008  
(in chronological order):***

<u>Section</u>	<u>Date</u>	<u>Description of Amendment</u>
07.12.2.d	12-17-09	For consulting contracts below the \$25,000 threshold for board approval, new reporting requirements were added, as follows: -- the board chair and the chair of the Finance and Administration Committee must be provided notice in advance; and -- a report must be provided to the board as an Information Agenda item at the next board meeting.
07.12.2.e	12-17-09	Revisions were made to clarify that any employment contract not separately addressed and governed by Sections 02.03.1.d, 02.03.2, or 07.12.4.a, <i>Regents' Rules</i> : -- is governed by the contracting provisions in Section 07.12.2.e, <i>Regents' Rules</i> ; and -- requires the approval of the board.
07.12.2.e(2)	5-13-11	For the provision regarding employment contracts that must be approved by the Board: -- an exception was added for assistant coach contracts if the compensation and term of the contract do not exceed certain thresholds; and -- an existing exception for TTUHSC faculty contracts in excess of 4 years was moved from Sec. 07.12.4.a to this section.
07.12.4.a	5-13-11	-- An existing exception from Board approval for TTUHSC faculty contracts in excess of four years was moved from this section to Sec. 07.12.2.e(2). -- A clarification was added to ensure that the language of this subsection regarding a President's approval of a contract does not override other provisions of the <i>Regents' Rules</i> that govern the approval of employment contracts.
07.12.5	5-13-11	The summary table of approvals required for contracts was revised to: (1) include the new approval process for assistant coach contracts; and (2) expand and enhance the summary through the addition of references to employment contract provisions found in Chapter 02.

07.12.2.e(2)(c)	12-16-11	<p>The approval authority for TTUHSC faculty employment contracts was revised as follows:</p> <p>(1) such contracts of <u>4 years or less</u> may be approved by the TTUHSC President; and</p> <p>(2) such contracts of <u>more than 4 years</u> may be approved by the TTUHSC President, but with the prior approval of the Chancellor and prior notification to the Board.</p>
07.12.2.f	12-16-11	<p>Presidents were delegated the authority to determine the location of vending machines on the campus of the President's institution, while the Board retained its authority to approve initial contracts for vending machines.</p>
07.12.5	12-16-11	<p>The summary table of approvals required for contracts was revised to conform with the changes made to the approval authority for TTUHSC faculty employment agreements.</p>
07.12.5	12-16-11	<p>The summary table of approvals required for contracts was revised to conform with the changes made to the authority to approve the location of vending machines.</p>