College of Osteopathic Medicine

Element 1.4e: Ethics, Incorporating the AOA Code of Ethics

Sam Houston State University
1. GENERAL

As a part of the Texas State University System (TSUS), the SHSU-COM follows the TSUS Rules and Regulations Chapter VIII. Ethics Policy, and the Texas Government Code, Title 5 after which the TSUS policy is modeled. In addition, SHSU-COM has adopted the Code of Ethics established by the American Osteopathic Association (AOA) formulated to guide its member physicians in their professional lives.

2. AOA CODE OF ETHICS¹

The standards presented are designed to address the osteopathic physician's ethical and professional responsibilities to patients, to society, to the AOA, to others involved in health care and to self. Further, the American Osteopathic Association has adopted the position that physicians should play a major role in the development and instruction of medical ethics.

Section 1. The physician shall keep in confidence whatever she/he may learn about a patient in the discharge of professional duties. The physician shall divulge information only when required by law or when authorized by the patient.

Section 2. The physician shall give a candid account of the patient's condition to the patient or to those responsible for the patient's care.

Section 3. A physician-patient relationship must be founded on mutual trust, cooperation and respect. The patient, therefore must have complete freedom to choose her/his physician. The physician must have complete freedom to choose patients who she/he will serve. However, the physician should not refuse to accept patients for reasons of discrimination, including, but not limited to, the patient's race, creed, color, sex, national origin, sexual orientation, gender identity, or handicap. In emergencies, a physician should make her/his services available.

Section 4. A physician is never justified in abandoning a patient. The physician shall give due notice to a patient or to those responsible for the patient's care when she/he withdraws from the case so that another physician may be engaged.

¹ The AOA Code of Ethics state herein is modified only to conform with Texas law as appropriate for state agencies and the TSUS Rules and Regulations.
Section 5. A physician shall practice in accordance with the body of systematized and scientific knowledge related to the healing arts. A physician shall maintain competence in such systematized and scientific knowledge through study and clinical applications.

Section 6. The osteopathic medical profession has an obligation to society to maintain its high standards and, therefore, to continuously regulate itself. A substantial part of such regulation is due to the efforts and influence of the recognized local, state and national associations representing the osteopathic medical profession. A physician should maintain membership in and actively support such associations and abide by their rules and regulations.

Section 7. Under the law a physician may advertise, but no physician shall advertise or solicit patients directly or indirectly through the use of matters or activities, which are false or misleading.

Section 8. A physician shall not hold forth or indicate possession of any degree recognized as the basis for licensure to practice the healing arts unless she/he is actually licensed on the basis of that degree in the state in which she/he practices. A physician shall designate her/his osteopathic school of practice in all professional uses of her/his name. Indications of specialty practice, membership in professional societies, and related matters shall be governed by rules promulgated by the American Osteopathic Association.

Section 9. A physician should not hesitate to seek consultation whenever she/he believes it advisable for the care of the patient.

Section 10. In any dispute between or among physicians involving ethical or organizational matters, the matter in controversy should first be referred to the appropriate bodies of the profession with authority to review such disputes.

Section 11. In any dispute between or among physicians regarding the diagnosis and treatment of a patient, the attending physician has the responsibility for final decisions, consistent with any applicable osteopathic hospital rules or regulations.

Section 12. Any fee charged by a physician shall compensate the physician for services actually rendered. There shall be no division of professional fees for referrals of patients.

Section 13. A physician shall respect the law. When necessary a physician shall attempt to help to formulate the law by all proper means in order to improve patient care and public health.

Section 14. In addition to adhering to the foregoing ethical standards, a physician shall recognize a responsibility to participate in community activities and services.
Section 15. It is considered sexual misconduct for a physician to have sexual contact with any current patient whom the physician-patient relationship currently exists.

Section 16. Sexual harassment by a physician is considered unethical. This policy adopts the definition of sexual harassment as defined in the Texas State University System Sexual Misconduct Policy.

Section 17. From time to time, industry may provide some AOA members with gifts as an inducement to use their products or services. Members who use these products and services as a result of these gifts, rather than simply for the betterment of their patients and the improvement of the care rendered in their practices, shall be considered to have acted in an unethical manner.

Section 18. A physician shall not intentionally misrepresent himself/herself or his/her research work in any way.

Section 19. When participating in research, a physician shall follow the current laws, regulations and standards of the United States or, if the research is conducted outside the United States, the laws, regulations and standards applicable to research in the nation where the research is conducted. This standard shall apply for physician involvement in research at any level and degree of responsibility, including, but not limited to, research, design, funding, participation either as examining and/or treating provider, supervision of other staff in their research, analysis of data and publication of results in any form for any purpose.

3. COVERAGE
This policy covers all faculty and professional employees at SHSU-COM and affiliated clinical sites to ensure timely review and updating of credentials to determine their qualifications are appropriate.
CHAPTER III. SYSTEM - COMPONENT OPERATIONS

1. ITEMS REQUIRING BOARD APPROVAL.

The following items shall be submitted to the Board of Regents for approval at either a regular Board meeting or a special called Board meeting. Each item shall be presented in the form of a motion to the Board for consideration. Inconclusive, open-ended, or multifarious motions shall not be submitted to the Board.

1.1 Contracts.

1.11 Contracts, purchases, and agreements in the amount of $1 million or more (contracts, purchases, and agreements between $500,000 and $1 million require approval by the Chancellor), whether said amount is income or expenditure, with the exception of:

(1) Private, governmental, and foundation grants or agreements in which the donor or agency stipulates the purpose for which the funds are to be expended.

(2) Materials purchased for resale in auxiliary operations and in central supply.

(3) Materials purchased for normal inventory stock for the physical plant operation.

(4) Maintenance, testing, and service contracts on elevators, computers, office equipment, campus utility systems, and life safety systems.

(5) Library subscription services.

(6) Recurring printing orders.

(7) Contracts with outside organizations for continuing education or professional programs that use campus facilities.

(8) Diesel fuel purchased for the operation of a co-generation plant.

(9) Purchased utilities, including water and waste hauling, but excluding electricity and natural gas, which are subject to approval by the Chancellor.

(10) Contracts involving planning, design, renovation, or construction of buildings and other physical facilities.

(11) Indefinite quantity services contracts as described in Subsection 1.19 of this Chapter.
(12) “Special Employment Contracts” as described in Subsection 1.13 of Chapter V.

(13) Renewal or extension of software and network service and maintenance contracts previously approved by the Board.

(14) Consortia purchasing or interagency agreements through the Texas Connection Consortium (TCC) for Student Information System (SIS) licensing and maintenance.

1.12 Financial institution depository contracts, which shall be put out for bid, in accordance with state law, no less frequently than every six (6) years, through the Office of the Vice Chancellor for Finance.

1.13 Food services contracts.

1.14 Vending machine contracts over $1 million.

1.15 Contracts and agreements with support or development foundations.

1.16 Contracts for operation of bookstores on campus.

1.17 Contracts for lease of Component golf course and related services.

1.18 Leases of personal property, including equipment, for one year or more, involving expected aggregate payments exceeding $1 million. Payments between $500,000 and $1 million must be approved by the Chancellor.

1.19 Indefinite quantity services contracts—including but not limited to job order construction contracts, contracts for architectural and/or engineering services, and consulting contracts—with the exception of contracts which expressly provide for a maximum total compensation not exceeding $1 million, including any renewals. The Chancellor is delegated authority to approve indefinite quantity services contracts that exceed $1 million but are not greater than $2 million, including any renewals. For job order construction contracts, the limits of authority delegated in this sub-paragraph shall be $2 million to the presidents and $4 million to the Chancellor, including any renewals. Notwithstanding these limits, no individual project with a total project cost in excess of $1 million may be executed under presidential authority. The Chancellor may further delegate his authority to appropriate System office staff and/or to a Component president.

1.20 Amendments, Modifications, Renewals or Extensions. Amendments, modifications, renewals or extensions of contracts
and agreements previously approved by the Board must be submitted to the Board. Such items shall undergo the same System Administration Office review as the original contracts and agreements. This subparagraph shall not apply to options to renew or extend for specified term(s) that were part of a contract or agreement approved by the Board.

1.2 Personnel.

1.21 Employment of administrative officers, faculty, and non-classified employees.

1.22 Termination of administrative officers, faculty, and non-classified employees (including resignations, retirements, and discharges).

1.23 Changes of position status of administrative officers, faculty, and non-classified employees.

1.24 Changes in tenure status.

1.25 Dual employment of administrative officers, faculty, and non-classified employees.

1.26 Intra-system Contracts. Agreements between or among system Components or between a Component and employee(s) of a sister institution shall be first approved by the appropriate vice chancellor upon review and approval of the Vice Chancellor and General Counsel.

1.3 Financial Matters.

1.31 Operating budgets (including Component employee salaries).

1.32 Each budget adjustment in excess of $100,000 for the four year institutions and $25,000 for the two-year institutions.

1.33 Salary supplements.

1.34 Proposals for issuance of bonds.

1.35 Capital leasing projects.

1.4 Charges, Fees and Rates. No course fee shall be presented for the Board’s consideration unless the Vice Chancellor for Finance has first approved such fee as both reasonable and necessary.

1.41 Registration fees.

1.42 Student services fees.

1.43 Medical services fee.

1.44 Student center fees.
1.45 Student transportation fees.
1.46 Room and board rates.
1.47 Special course fees.
1.48 Diploma, certificate, auditing, and extension and correspondence instruction fees.
1.49 Board authorized tuition.
1.4(10) Designated tuition.
1.4(11) International fee.
1.4(12) Computer related charges, including but not limited to computer or technology service, computer access and computer use.
1.4(13) Concurrently Enrolled Students. Upon prior written approval of the Chancellor, upon the recommendation of the Vice Chancellor for Finance, system component institutions are authorized to waive all or part of the tuition and fees charged by the institution for a student enrolled in a course for which the student is entitled to receive, simultaneously, both:

(1) Course credit toward the student's high school academic requirements; and,

(2) Course credit toward a degree offered by the institution.

1.5 Construction Matters.
1.51 Prior to submission to the Board for consideration and approval, the following items must be first submitted to and approved by the Vice Chancellor for Contract Administration (“VCCA”) in consultation with the Chancellor:

(1) Component Comprehensive Facilities Master Plan and any amendments thereto.

(2) A Capital Improvements Program (CIP) encompassing the next six years of construction projects needed to preserve, enhance, and add to facilities assets in line with the approved Master Plan. A Component may amend its CIP at any time with Board approval. It is anticipated that the Board will review and approve a revised six-year CIP prior to the beginning of each Fiscal year.

1.52 Public Art Program. Believing that a university or college campus should be a pleasant and aesthetic environment that inspires reflection and learning, the Board of Regents directs that one percent of the construction budget of each new major
construction project, as defined by the Chancellor, be allocated for the acquisition of works of public art.

1.521 “Public art,” as used in this Paragraph, refers to any visual, pictorial, graphic or sculptural work of art that is commissioned or purchased for purposes of public display.

1.522 Guidelines for Acquisition. The Chancellor may promulgate guidelines or policies (for the acquisition of public art) that address the following:

(1) The work’s provenance, i.e., is it well known and can its authenticity or genuineness be clearly established;

(2) Whether the vendor or owner can establish clear legal ownership, title, and copyright to the work, as well as his or her right to sell it;

(3) Whether the artist, living or dead, has achieved recognition or renown through an exhibition history or a provenance of being in public or private collections or museums;

(4) The work’s exhibition history or published references, if any;

(5) If the artist is not well known, whether the work has aesthetic value or historical significance;

(6) The contribution an individual work of art can be expected to make to the Component’s educational mission, as well as to its existing collection of public art;

(7) The Component’s ability to assure the proper long-term care of the individual work of public art, including security, conservation, and maintenance;

(8) Whether the work is appropriate to the proposed location or building;

(9) Such other factors as he or she judges to be appropriate.

1.523 Location of the Art. These works of public art shall be located at or near the site of the construction project or the funds may be aggregated, as described in subparagraph 1.524.

1.524 Aggregation of Funds. Insofar as permissible under the law and applicable to the source of funds, the funds may be aggregated and expended pursuant to the
comprehensive art and aesthetic improvement plan, as approved by the Chancellor.

1.525 Separate Budgets. The budgets for such works of public art shall be separate from and in addition to the aesthetic features incorporated into the building itself.

1.526 Selection Process. Prior to any such purchase of public art, a Component shall identify to the Chancellor the name, position, title and qualifications of any and all individual(s) responsible for its selection as well as document that selection process in writing.

1.53 Landscape Enhancement Program. One percent of the construction cost limitation at the design development phase of each new major construction project, except grounds and landscaping projects, will be allocated to the enhancement of exterior landscape, hardscape, and waterscape features, unless an exception is granted by the Board. These enhancements shall be located either at or near the site of the construction project or, insofar as is permissible under the law and applicable to the source of funds, aggregated and expended pursuant to a comprehensive art and aesthetic improvement plan, as approved by the VCCA, the Chancellor, and Board.

1.54 Appeal. Any Component may appeal the requirement to allocate project funds to the Public Art Program and/or Landscape Enhancement Program. Any such appeal shall be decided by the VCCA, with right of further appeal to the Chancellor, and then to the Board.

1.55 New Major Construction Project. The term “new major construction project” for purposes of this Rule shall mean any new building or addition to an existing building with a total project cost of $1 million or more. The term “new major construction project” does not include projects that consist solely of improvements to campus infrastructure, athletic fields and stadiums, greenhouses, parking facilities, chill plants, utility plants, and offices and facilities located off-campus. The final decision as to whether a specific project is a “new major construction project” that triggers the requirements of this Rule shall be made by the Chancellor or his or her designee.

1.56 All agreements for construction, design and associated services for capital projects with a total project cost of $1 million or more shall utilize standard forms promulgated by the VCCA.

1.6 The Texas State University System Policies and Procedures Manual for Planning and Construction (which must also be reviewed and approved by the Vice Chancellor and General Counsel) shall include a comprehensive set of policies and procedures governing the conduct and administration of the system-wide planning, design and construction program. These policies and procedures shall require compliance with
all governing Federal and State laws and regulations and shall list all the current building codes that designs will be required to follow. The Board may direct changes to the Chancellor’s published policies and procedures at its discretion.

1.7 Each construction project in excess of $4 million shall require specific Board approval at each of the following stages:

1.71 Provision for the project on the Master Plan;
1.72 Inclusion of the project on the CIP;
1.73 At the completion of the Design Development phase (prior to submission of the project to the Texas Higher Education Coordinating Board, when required under Coordinating Board Rules), and prior to starting construction of the project.

1.8 The Board delegates to the Chancellor authority to enter into contracts for the design and construction of capital projects with a total project cost under $4 million and to promulgate policies, and otherwise conduct any and all activities necessary to make each project ready for approval by the Board at the stages listed above. The Chancellor may further delegate his authority to appropriate System office staff and/or to the Component Presidents.

1.81 The Chancellor shall be delegated the responsibility and authority to approve and sign contracts for the design and construction of any capital project with a total project cost of $1 million or more, provided that the project is included in the CIP approved by the Board.

1.82 The President of each Component shall be delegated the responsibility and authority to enter into contracts for the design and construction of any capital project with a total project cost of less than $1 million.

1.83 Notwithstanding the limits stated in 1.81, the President is delegated the authority to enter into contracts for the purchase of furniture, fixtures and equipment for capital projects approved by the Board, to the extent such items are included in the project budget presented to and approved by the Board.

1.9 As soon as practicable after the time each project previously approved by the Board is completed, the Vice Chancellor for Contract Administration shall submit a comprehensive Project Completion Report to the Board.

1.(10) Curriculum Matters.

1.(10)1 Twelfth and fourth class day reports.
1.(10)2 Course additions, deletions, and changes.
1.(10)3 Degree program additions, deletions, and changes.
1.(10)4 Academic department additions, deletions, and changes.

1.(10)5 Out-of-state course offerings.

1.(11) Admission Requirements/Standards. Student admissions standards, entrance requirements, and degree qualifications as determined, prescribed and recommended by each Component as specified in Chapter VI, Section 2 of these Rules and Regulations.

1.(12) Gift Acceptance.

1.(12)1 Gifts of real property regardless of value.

1.(12)2 Other gifts which exceed $10,000 in value except cash and securities. When necessary to comply with donor desires, and when recommended by the President of the Component and approved by the Chairman of the Local Committee of the Board, such gifts may be accepted prior to the next Board meeting, but will be reported to the Board at its next regular meeting.

1.(12)3 The President of each Component will report all gifts with a value of at least $5,000 (including cash, personal property, and intellectual property) to the Chancellor for reporting publicly to the Board. Upon written request of the donor, the Board report and minutes shall not state the donor’s name and/or the gift’s value.

1.(13) Real Property.

1.(13)1 Purchases, Exchanges, or Sales. The Board retain authority to approve all purchases, exchanges, or sales of Components’ real property. If the Chancellor determines that the best interests of the Component or System require immediate action, he may authorize a purchase, exchange or sale of up to $500,000; provided the Vice Chancellor and General Counsel has approved the operative documents as to legal form and the matter is reported to the Board at its next regular, quarterly meeting.

1.(13)2 Leases. All leases involving Components’ facilities or real property (whether the Component is a lessor or lessee), require Board approval except the following:

(1) Ground leases of five (5) years or less;

(2) Leases that do not exceed the Chancellor’s delegated authority under Paragraph 1.1 of this Chapter III; and

(3) Leases that exceed the presidents’ delegated authority under Paragraph 1.1 of this Chapter III are subject to the Chancellor’s approval.
1.(14) Naming of Buildings. See Section 9 of this Chapter.

1.(15) Proposed Legislation. Proposed legislation on behalf of the System or its Components, unless, during a legislative session, the Chancellor, after consultation with the Board Chair, determines that the best interests of the System or its Component(s) require pursuit of legislative action.

1.(16) Attorney General Requests. Requests for Attorney General Opinions pertaining to Component or System operations must be requested by the Board Chairman, unless, in the Chancellor’s judgment, the best interests of the System or of a Component require immediate action. In such a case, the Chancellor shall notify the Board Chairman prior to, or as soon as practicable after filing the request, and share the same with the full Board. A Component President is authorized to request a Public Information Act\(^5\) (PIA) opinion when such opinion relates exclusively to the President’s Component. The Chancellor is authorized to request a PIA opinion when such opinion relates to the System Administration or to two or more Components. All PIA opinion requests shall be submitted through the Vice Chancellor and General Counsel, who shall designate a System Public Information Act Coordinator to work with Component Public Information Act Coordinators to manage submission of such requests.

1.(17) Holiday Schedules. Holiday schedules deviating from those established by the Legislature.\(^6\)

1.(18) Athletics.

1.(18)1 The addition or reduction of university supported athletic teams.

1.(18)2 Changes in athletic association classification.

2. RELATIONSHIP BETWEEN SYSTEM AND COMPONENTS.

2.1 System Affiliation. It is the policy of the Board that membership in the Texas State University System by the components is to be made readily known to those who interact with any component of our system.

2.11 Publications. All official printed documents (including, by way of example only, letterhead, email letterhead, electronic/internet websites, publications and reports, catalogs, handbooks, and campus master plans), created, maintained, or circulated by any System component, shall prominently state that the component is member of The Texas State University System.

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\(^5\)Government Code, Chapter 552.

\(^6\)Government Code, Chapter 662.
2.12 Identification of Regents and Chancellor. Magazines, books, newsletters, annuals and similar publications, shall include the names and home cities of current regents and of the Chancellor.

2.13 Format. Placement of System affiliation shall appear prominently on a single line on the cover and the first page of all such documents and publications.

2.14 Off Campus Signage and Advertisements. Off-campus advertising or signage in which the component’s name appears shall clearly state that the component is a member of the Texas State University System.

2.2 Component Communication with Board and System. No Component shall prohibit communication between any member of the Board of Regents or member of the System Administration and any employee or student of the Component. Any direction or instruction from the Board member or System Administration employee will be made to the Component President or a representative designated by the President.

3. LEGAL AFFAIRS.

The Office of the General Counsel is designed to provide positive support to the Board, System and Component administrations in the effective discharge of their respective responsibilities. The Vice Chancellor and General Counsel shall have responsibility for all System and Component legal affairs, including, but not limited to, hiring and termination of attorneys, setting of salaries, and otherwise establishing terms and conditions of employment. He or she will be responsible for establishing the annual budgets and staffing levels for the Office of General Counsel subject to approval of the Chancellor.

The following items shall be subject to review, approval, and/or monitoring by the Vice Chancellor and General Counsel or his or her designee prior to execution or implementation:

3.1 All Component contracts and agreements (as defined in Chapter III, Paragraphs 1.11 and 1.12) shall be reviewed prior to their submission to the Board of Regents. Other contracts and agreements involving the Components may be reviewed at the discretion of the Component or as requested by the Vice Chancellor and General Counsel.

3.2 All legal opinions, in whatever form, submitted to the Board of Regents or to be issued for the review of or for reliance upon by parties outside the System or its Components.

3.3 All lawsuits brought against or for the System or a Component, together with the resolution or settlement thereof, shall be monitored and/or approved by the System Office or Vice Chancellor and General Counsel.

3.4 Modifications of the student and employee handbooks and other policy-setting documents of the Component.
3.5 Special personnel contracts.

3.6 Major disciplinary proceedings initiated against faculty, staff, or students which involve hearings or appeals shall be transmitted as soon as practicable. If an emergency situation exists, the Component shall inform the System Office or Vice Chancellor and General Counsel of any action taken as soon as possible. Occurrence reports on any employee of a Component against whom disciplinary action is contemplated, exclusive of disciplinary warnings, shall be provided to such office as soon as possible.

3.7 Retention, supervision and monitoring of outside legal counsel.

3.8 Communications and interactions with the Attorney General's Office or other legal, contractual, or regulatory dealings with state, federal or private organizations, including but not necessarily limited to the NCAA, athletic conferences, and similar agencies.

3.9 Sting operations on campus to be conducted by component or outside law enforcement personnel.

4. CONSTRUCTION PROCEDURES.

See Section 1.5 of this Chapter and the Texas State University System Policies and Procedures Manual for Planning and Construction.

5. CURRICULUM PROCEDURES.

5.1 Curriculum Policies. Each of the Components shall follow the curriculum policies of the Board of Regents and Education Code, Sections 61.051 and 61.052.

5.11 Approval of Requests. Each request for new courses, degree programs, or departments must be approved by the Board of Regents with subsequent approval by the Texas Higher Education Coordinating Board before being included in the catalogue.

5.12 Notice of Requests. All requests for curriculum changes must be submitted to the members of the Academic Affairs Committee and the System Administration at least eight calendar days prior to the scheduled Board meeting.

5.13 Nature of Requests. The nature of each request for a curriculum change and its justification shall be set out in a brief written statement. The statement shall show the title and number of the course, the semester credit hour value, and the department in which the course or program will be offered.
5.14 Degree Programs. Each request for a new degree program shall include a request for the new courses which the program requires.

5.15 Graduate Programs. Each request for a graduate program shall be evaluated on the need of the program and qualifications of the faculty.

5.16 Deletions. Any course which has not been taught at anytime for the previous three years, as designated by the Coordinating Board, shall be dropped unless authorized for continuation by the Academic Affairs Committee.

5.17 Committee Considerations. In passing upon requests for new courses, the Academic Affairs Committee shall give consideration to the number of courses already available in that department and the enrollment in such courses.

5.18 Off-Campus Courses. Off-campus courses shall be offered only in accordance with guidelines approved by the Texas Higher Education Coordinating Board.

5.19 Short Courses. The Components shall not offer or allow a student to register for any short courses (any course taught over a period of less than three weeks) where the combined academic credit to be earned for all course work attempted would exceed an average of one semester credit hour per contact week. (Effective the fall semester, 1985)

5.1(10) Before any course previously authorized by the Board of Regents and the Texas Higher Education Coordinating Board, can continue to be taught, the course syllabus shall be reviewed once a year by the appropriate departmental chair or head.

5.1(11) Out-of-Country Courses or Programs. As a condition of being permitted to take or participate in Component approved out-of-country courses or programs, a student shall first execute a liability waiver and release of claims in favor of the Board of Regents, the Component, and their officers and employees.

5.2 Twelfth and Fourth Class Day Reports. The Academic Affairs Committee shall also examine twelfth and fourth class day reports of each Component. Each Component President shall present to the Board, on appropriate occasions, a twelfth or fourth class day report stating the total number of students (headcount) registered for resident instruction in classes of the Component; the total number of students registered in off-campus extension classes; the total number of students registered in correspondence courses; the total number of full-time faculty equivalents registered; the total number of semester hours taught by each faculty member; the number of semester credit hours taught; the number of full-time student equivalents registered; and the student/teacher ratio. Such enrollment reports shall be submitted by the Component President to members of the Academic Affairs Committee and the Chancellor at the
same time as the class reports (CBM-004) are submitted to the Coordinating Board pursuant to its educational data reporting system for senior colleges and universities, and shall be considered by the Board at its next meeting.

See Chapter I, Subsection 6.2, for the responsibilities of the Academic Affairs Committee.

6. FINANCIAL AFFAIRS.

6.1 Insurance Coverage. The Texas State University System is authorized to purchase policies of insurance for the System and its Components as provided by this Subsection or for other purposes that may be specifically authorized by statute.

6.11 Blanket Fidelity Bonds. Blanket fidelity bonds shall be required to cover all employees of the Components under the governance of the Board. The System's Vice Chancellor for Finance is responsible for coordinating acquisition of the blanket fidelity bonds.

6.12 Director’s and Officer’s Liability Insurance. Director’s and officer’s liability insurance shall be required to cover all regents, directors and officers of the System and its Components. The System's Vice Chancellor for Finance is responsible for coordinating acquisition of the Director’s and Officer’s coverage.

6.13 Intercollegiate Athletic Activities. The Components are authorized to purchase policies of insurance providing for the medical care, treatment, and services for injuries sustained by students while participating in or during supervised practices for intercollegiate athletic activities and to pay the premiums for such insurance out of the Component’s auxiliary funds.

6.14 Automobile Liability and Physical Damage. The Components are authorized to purchase liability insurance to insure their administrative officers and other employees from liability arising from the use, operation, and maintenance of automobiles, trucks, tractors, power equipment, aircraft and motor boats or watercraft that are or may be used in the operation of the Component. The System’s Vice Chancellor for Finance is responsible for coordinating acquisition of this coverage.

6.15 Property, Equipment Breakdown and Terrorism Insurance. The Components are authorized to purchase insurance for equipment, buildings, and facilities, as allowed by statute. The System’s Vice Chancellor for Finance is responsible for coordinating acquisition of this coverage.
6.2 Debt Issuance Services

6.21 Bond Counsel. The Board shall employ bond counsel to advise and represent it in all matters pertaining to the issuance or proposed issuance of bonds of any type, the pledge of institutional credit, the assumption of deferred fiscal obligations, or the encumbrance of facilities of any Component under the governance of the Board. Bond counsel shall be employed by the Board upon such terms and conditions and under such fee arrangement as the appointing order of the Board shall designate.

6.22 Financial Advisor. The Board shall employ a financial advisor to provide financial advice and represent the Board in concert with bond counsel in all matters pertaining to the issuance or proposed issuance of bonds of any type, the pledge of institutional credit, the assumption of deferred fiscal obligations, and the encumbrance of facilities of any Components under the governance of the Board. The financial advisor shall be employed by the Board upon such terms and conditions and under such fee arrangement as the appointing order of the Board shall designate.

6.3 Institutional Funds. All institutional funds not required to be deposited in the State Treasury must by law be deposited in official depository banks for safekeeping or invested in accordance with the current Depository Funds Policy as adopted by the Board of Regents.

Depository agreements with official depository banks shall be negotiated, as necessary, with those banks approved by the Board and in accordance with the then current policies of the Board. Such depository agreements shall be executed by the Chairman of the Board.

6.31 Depository banks selected shall furnish adequate securities to assure safety of these funds. Institutional funds shall be deposited in the depository banks as soon as possible, but in no event later than seven days from the date of collection. Demand deposits and time deposits will be maintained in accordance with the current policies of the Board.

6.32 The Board and the Component Presidents may not, by law, borrow money from any person, firm, or corporation to be repaid from institutional funds except as specifically authorized by the Legislature.

6.33 As permitted by statute, interest received from depository banks for funds on time deposit shall be credited to the appropriate accounts in either general funds or trust funds, in relationship to the sources of balances on time deposit, provided that deposition of such earning was not specified by the grantor.

6.4 State Appropriated Funds - Including Local Funds in State Treasury. The Board delegates authority to the Chancellor for the System’s Office and the Presidents for their respective Components to sign state
vouchers. The Chancellor and Presidents are permitted to delegate this signature authority to other personnel by letter and signature card to the Texas State Comptroller’s Office. Local Funds in the State Treasury are to be accounted for and utilized for the Component's operation in accordance with Education Code, Section 51.008.

6.5 Purchase Vouchers. Each Component President is authorized to delegate signature authority for purchase vouchers to one or more fiscal officers. At the time of approval, purchase vouchers shall have attached all relevant documentation to support the disbursement.

6.6 Local Bank Accounts. The Board delegates authority to the Chancellor for the System Administration Office and the presidents for their respective Components to establish local bank accounts as deemed necessary. All local checks must be signed by at least one Component fiscal officer. A check signer with authorized facsimile signatures may be used on checks for less than $35,000. All checks in the amount of $35,000 and over shall have the original signature of two fiscal officers. Payments in the amount of $35,000 and over made by Automated Clearing House (“ACH”) shall have the original signature of two fiscal officers on the voucher documentation supporting the payment.

6.61 Banks with an Automated Payment Fraud Prevention Process. If the Component’s local bank provides an automated payment fraud prevention process (e.g., positive payee) for payments, the Component may use the electronic signature of one of its fiscal officers for processing checks. Before the payment is finalized by the bank, the Component shall utilize a fraud prevention process to review and approve electronically both check and Automated Clearing House (“ACH”) individual payments exceeding $50,000.

6.7 Financial Reports. All Component books, records, ledgers, and accounts shall be kept and maintained in conformity with recommendations of the State Auditor and the State Comptroller of Public Accounts, subject to approval of the Board. All proposed operating budgets and all biennial appropriation requests shall be examined, considered, and approved by the Board in open meetings.

6.71 Annual Operating Budget and Budget Summary. The President of each Component shall prepare and submit annually to the Board at its May or August meeting, as specified each year by the Board, a proposed budget for the operation of the Component for the next fiscal period. Copies of all proposed operating budgets shall be available to all members of the Board and the Chancellor at least eight calendar days in advance of such Board meeting. A budget summary is to be prepared and submitted in writing at least eight calendar days in advance of such Board meeting. The proposed operating budget and budget summary shall be in the form and detail recommended by the Chancellor with the approval of the Board, with all income estimated and itemized by fund, project, or department. A true and correct copy of the adopted operating budget of each Component shall be filed with
the System Administration as a public document and a conformed copy delivered to the Chancellor and to all appropriate agencies by the President of the Component. Upon adoption of the operating budgets by the Board, all subsequent expenditures shall conform therewith. Changes in a current operating budget and all transfers of funds between appropriated items shall be subject to Board approval.

6.72 Annual Financial Report. The Annual Financial Report shall be prepared in accordance with the provisions of the statutes, the General Appropriations Act (Article III-Special Provisions and Article IX-General Provisions), as may be amended or superseded, and with the requirements established by the Comptroller of Public Accounts. The reports shall be approved by the chief fiscal officer and submitted to the System Administration for inclusion in the Consolidated System-wide Report. This submission should allow sufficient time for consolidation and subsequent submissions to the required State agencies within the time requirements as specified by State law.

6.73 Monthly Operating Report. The chief fiscal officer of each Component under the governance of the Board shall submit one copy of the Monthly Operating Report to the System's Vice Chancellor for Finance on or before the end of the following month. When possible, the report may be submitted electronically. The Monthly Operating Report shall show, as of the last day of the preceding month, a summary statement of budget position, general ledger trial balance by fund groups, statement of realization of estimated income, and statement of departmental and other balances (including appropriations and credits, expenditures and debits, unexpended balances, encumbrances, and unencumbered balances).

6.74 Sinking Fund Reports. The chief fiscal officer of each Component shall incorporate in the Annual Financial Report the true condition as of the thirty-first day of August of all bonds, interest, and pledged revenue sinking funds maintained under all bond or warrant obligations of the Component. Each Sinking Fund Report shall identify the bond contract and facility to which it pertains, the sinking fund maintained thereunder (including date established and date of scheduled retirement), the depository and account in which the sinking fund is maintained, and the cash balance on hand in the sinking fund and withdrawals therefrom (if any) during the preceding calendar year. Sinking funds shall be maintained by each Component in accordance with the contractual provisions creating them. Withdrawals from sinking funds, other than required bond and interest payments, shall not be authorized by the Board, except in the manner and to the extent provided in the bond or warrant contract establishing it and upon recommendation of the Local Committee. System-wide issues will be reported by the System Administration beginning with the 1994 Fiscal Year.
6.75 Investment Report. A quarterly investment report will be prepared by each Component as prescribed by The Texas State University System Investment Policy for Operating Funds and Endowment Funds. The report shall be posted on the web page of the reporting Component in accordance with state statute and the State Auditor’s and System Administration Office reporting guidelines. Each Component’s quarterly investment report is due in the System Administration Office not later than the last workday of the month following the end of each quarter. A combined report shall be created for use by the Board and for purposes of conveying the information externally as may be required.

6.8 Purchase of Food, Refreshments, and Awards with Institutional Funds that are not otherwise restricted. The Board of Regents has determined that the expenditure of institutional funds that are not otherwise restricted for the purchase of food, refreshments, and achievement awards assists the Components in the System in carrying out their educational functions, promotes education in the State of Texas, and provides an important public purpose. Accordingly, the Board authorizes each Component to use such funds for the purchase of food, refreshments, and achievement awards in accordance with the following guidelines. The President of each Component is delegated the authority to determine if specific expenditures for the purchase of food, refreshments, and achievement awards, using institutional funds, fall within the following objective guidelines established by the Board, and the Component President is authorized to implement this policy through appropriate directives and delegation.

6.81 Direct Purpose. Expenditures of Component funds that are not otherwise restricted for food, refreshments, and achievement awards must have one or more of the following guidelines as a direct purpose:

6.811 The recognition or promotion of academic achievement, athletic achievement, scholarship, and/or service to the Component or State.

6.812 The promotion of the communication of intellectual ideas among students, faculty and staff, administrators, and/or representatives of the public.

6.813 The support of student events and activities which are sponsored by the Component.

6.814 The recruitment of highly qualified students, faculty, and staff.

6.815 The promotion of the exchange of ideas with community leaders regarding the Component role in the community.
6.816 The assistance of the Regents, accrediting agencies, officials from other Components, and/or public officials in inspecting and/or reviewing facilities and programs.

6.817 The support of the Component's program of continuing education.

6.82 Specific Limitations. Specific guidelines and limitations on the expenditures for food, refreshments, and achievement awards from certain types of auxiliary funds are as follows:

6.821 Funds expended for continuing education conferences, seminars, and short courses must have been included in the continuing education registration fees assessed.

6.822 Funds expended which were received from Component concessions, student services fees, student organizations, and other auxiliary funds must have been previously budgeted.

6.823 Other locally generated income and auxiliary funds (not restricted to administrative, education and general, research, plant expansion, loan, endowment, or scholarship programs) may be used to the extent that they have previously been budgeted.

6.824 No funds under the control of intercollegiate athletics may be used to purchase alcoholic beverages.

6.9 Facsimile Documents. Facsimiles (fax copies) of various authorizations, requests, invoices, and so forth are acceptable as documentation for financial transactions. Original documentation must be retained by the originating party and remain available for inspection/audit.

6.(10) Acceptance of Small Gifts. The Board welcomes contributions, both large and small, in aid of the various missions of the Component (see Chapter III, Subsection 1.(12)).

6.(11) Establishment of Permanent Endowments. The Board encourages creation of permanent endowments at System Components and authorizes each President to set the monetary levels required to establish such endowments.

6.(12) Travel Guidelines.

6.(12)1 In-State Travel. The Component Presidents, or their respective designees, are authorized to approve the in-state travel for personnel within their Components.

6.(12)2 Out-of-State Travel. The Component Presidents, or their respective designees, are authorized to approve out-of-state travel for personnel within their Components, provided the travel request is sought and approved by the President or the President's designee in advance of the travel.
6.(12)3 Out-of-Country Travel and Reimbursements. All out-of-country official Component travel and reimbursements (excluding trips to Mexico, Canada, and U.S. territories) require advance approval by the Component President, or his or her designee. Component Presidents’ out-of-country travel and reimbursements require pre-approval by the Chancellor; and the Chancellor’s out-of-country travel and reimbursements require pre-approval by the Board chair. Travel by and reimbursements for regents and system office employees require advance approval by the Chancellor or his or her designee. Before being authorized to embark on such travel, the regent, employee or student must sign a liability waiver and release of claims in favor of the Component, the Board of Regents and their employees.

6.(12)4 Official Business. The allocation of funds for individuals to attend out-of-state meetings shall be restricted to expenditures for official business, and the available funds shall be allocated so as to encourage maximum participation by the faculty and staff.

6.(12)5 Exceptions. Any exceptions to the above guidelines shall require prior approval of the Board of Regents.

6.(13) Disposal of Property and Equipment. Each Component President may dispose of property or equipment considered surplus because it is obsolete or useless for the Component’s needs or purposes. Prior to external disposal in accordance with System and Component regulations, such items may be made available to other system Components.

6.(13)1 In accordance with Texas Government Code, Section 2175.304(c), in disposing of such property, preference shall be given to transferring the property directly to a public school or school district or to an assistance organization designated by the school district before disposing of the property in another manner. If more than one public school or school district or assistance organization seeks to acquire the same property on substantially the same terms, the Component shall give preference to a public school that is considered low-performing by the commissioner of education or to a school district that has a taxable wealth per student that entitles the district to an allotment of state funds under Education Code, Chapter 42, Subchapter F, or to the assistance organization designated by such a school district.

6.(13)2 Materials or equipment that can be used for instructional purposes may be transferred directly to a public school or school district, or an assistance organization designated by the school district, at a price or for other consideration to which the Component and the public school or school district or the assistance organization agree or for no consideration as the Component determines appropriate. Surplus instructional
property and equipment must first be advertised through the Texas Higher Education Coordinating Board prior to disposition.

6.(13)3 If the Component is unable to dispose of the property as required by Paragraph 6.(13)1, the President shall have the authority to dispose of property or equipment with a book value of less than the capitalization value determined by the Comptroller’s Office by means of sale on the basis of arm’s length negotiation or competitive bid, or by transfer to another state agency or governmental sub-division at a mutually agreed value, or by donation (subject to written approval of the President) to an assistance organization certified by the Texas Facilities Commission.

6.(13)4 Sales of property or equipment with a book value equal to or more than the Comptroller’s capitalization amount shall be made on a basis of competitive bids.

6.(13)5 Sales of property or equipment less than five years old and with a book value of $10,000 or more shall be approved in advance by the Chairman of the Finance and Audit Committee.

6.(13)6 Surplus computer equipment must be offered to the Texas Department of Corrections prior to disposition under sub-Sections 3, 4, or 5 above.

6.(13)7 Exchange and Disposal of Surplus Library Materials. To facilitate sharing of information resources and reduction of costs, Component libraries may exchange surplus library materials by:

1) Offering such materials to local public school or other governmental libraries with preference given to low performing schools per Texas Government Code, §2175.304; and/or,

2) Bartering with or exchanging materials with other system libraries; and/or,

3) Making such materials available for exchange through TexShare or appropriate national library materials exchange lists, provided no other system library desires the materials; and/or,

4) After thirty (30) days on TexShare or appropriate national library materials exchange lists, notifying “out-of-print” book dealers and negotiating sale or exchange of materials.

6.(14) Premiums from Vendors. Any monetary rebate or rebate in the form of a product or products extended by a vendor by virtue of the Component, its departments, employees, or students having directly or indirectly
made purchases from the vendor or committing to make future purchases from the vendor is, if not accounted for as a reduction of expense, a gift to the Component and must be acknowledged as such by the Component's development office. Such monetary gifts shall be placed into a general Component development/enrichment fund to be used in the same manner as other gifts to the Component. Arrangements for the acceptance of product rebates or other forms of consideration must be approved by the appropriate Component Vice President or the President. Excluded from these procedures are the traditional complimentary books or materials used to evaluate textbook adoption decisions, and calendars, pens, coffee cups or other materials bearing the name or logo of the vendor which are intended as advertising.

6.(15) Indirect Cost Recovery. All grant proceeds shall be used to support and encourage research and grants (sponsored programs). Eligible uses include:

(a) conducting pre-grant feasibility studies;
(b) preparing competitive proposals for sponsored programs;
(c) providing carry-over funding for research efforts to provide continuity between externally-funded projects;
(d) supporting new researchers, pending external funding;
(e) purchasing capital equipment directly related to expanding the research capability of the institution;
(f) research or sponsored program administrative costs; and
(g) engaging in research programs of critical interest to the general welfare of the citizens of the state of Texas.

6.(16) Tax Identification Numbers. Student and other organizations are prohibited from utilizing the Component’s federal employer or other tax identification numbers. The only organizations that may utilize such number(s) are those that derive their existence and their funding solely from the Component. Examples include, but are not limited to, residence hall associations and student governments. To qualify for use of the tax number(s), the expenditures must be made from Component accounts and must have a business purpose related to the mission of the Component.

6.(17) Electronic Transactions. The Components of The Texas State University System are authorized to process business transactions through various electronic means. This includes, but is not limited to, direct deposit of wage and salary payments, in-coming and out-going wire transfers, ACH, credit/debit cards, and in-house processing. All electronic transactions must incorporate adequate security precautions and written approvals so as to protect the financial integrity of each Component. Signatory authority and documentation is to be consistent with that required for non-electronic transactions.
6.(18) Investment Policy. The Components of The Texas State University System may invest their funds in accordance with the Board approved Investment Policy, which is hereby incorporated into these Rules and Regulations.

6.(19) Wireless Communication Services and Equipment. Each component shall establish policies regulating employee availability, acquisition, and use of wireless communication services and equipment for official business. A component:

1. May not enter into any such agreement for the sole and personal benefit of any employee;

2. May support an employee’s wireless communications service costs for conducting official business by providing a monthly payroll allowance or reimbursing the employee’s business-related costs.

3. Must discontinue support if: a) the employee discontinues his or her service plan; b) support exceeds the employee’s costs for the plan; or, c) the employee’s job duties no longer require wireless communication services; and,

4. Shall inform each affected employee that he or she is solely responsible for any personal federal tax liability incurred as a result of his or her receipt of this benefit.

6.(20) Identity Theft Prevention Program (“Red Flags Rule”). Considering the size and complexity of its operations and accounting systems, as well as the nature and scope of its activities, each president shall assure that his or her Component develops an Identity Theft Prevention Program (“Program”) that includes reasonable policies and procedures to detect, identify, mitigate, and prevent identity theft.

6.(20)1 Program Administrator. Each Component shall name a Program Administrator to be the primary administrator empowered to manage and execute all aspects of the Program, including the engagement of other institutional departments and personnel as necessary to detect, identify, mitigate, and prevent identity theft.

6.(20)2 Scope of Regulation. Each Component program shall minimally address the following areas, to the extent applicable to Component operations:

1. Issuance of student identification cards that are part of a national debt card (such as Visa or MasterCard);

2. Use of consumer reports or background checks;
(3) Handling of consumer accounts that involve multiple payments, including but not necessarily limited to the following:

(a) The federal Perkins Loan Program;

(b) The federal Family Education Loan Program;

(c) Institutional loan programs for students, faculty, or staff; or,

(d) Institutional tuition (or fee) installment payment plans (Education Code, section 54.007).

7. THE AUDIT FUNCTION.

7.1 Internal Audits. The Texas State University System (System) internal audit function, rules and policies shall comply with the mandatory elements of the International Professional Practices Framework (Internal Auditing Standards), as promulgated by The Institute of Internal Auditors and with the Texas Government Code, Chapter 2102, the Texas Internal Audit Act. The Rules and Regulations, as related to the audit function, shall serve as the Texas State University System Internal Audit Charter and the protocols under which the audit function shall operate. The System Director of Audits and Analysis (System Director) shall develop and maintain internal policies and procedures to comply with the audit function rules.

7.11 Definition of Internal Auditing. Internal auditing is an independent objective, assurance and consulting activity designed to add value to an organization; improve its operations; and otherwise assist accomplishment of its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control, governance, and risk management processes.

7.12 Mission of Internal Audit. The mission of the internal auditing function is to enhance organizational value by providing risk-based and objective assurance, advice, and insight.

7.13 Independence and Objectivity of Auditors. Because of the critical nature of the internal audit function to the fiscal, administrative, and operational integrity of the System and its Components, the System Director and auditors under her or his direct or indirect supervision shall maintain their independence and objectivity of judgment. System auditors shall be ineligible to hold any other appointment or title, whether paid or unpaid, with the System or any of its Components.
7.14 Core Principles. The internal auditing function will adhere to the Core Principles as defined by the International Professional Practices Framework.

7.15 Code of Ethics. In addition to complying with the System Standards of Conduct (see Chapter VIII), System auditors are also expected to comply with the Code of Ethics outlined in the International Professional Practices Framework.

7.2 Board, Management and Internal Audit Responsibilities. The Board of Regents is primarily responsible for providing governance, guidance, and oversight of management within the System. Management is responsible for establishing and maintaining adequate internal controls to ensure achievement of System goals and objectives. The internal audit function is designed to provide positive support to the Board, System and Component administrations in the effective discharge of their respective responsibilities.

7.3 Reporting Structure. The System Director of Audits and Analysis shall have sole responsibility for all System and Component audit functions and personnel, including, but not limited to, hiring and termination of audit staff, setting of salaries, and otherwise establishing terms and conditions of employment, and establishing the annual budget for the internal audit function, submitting the same to the Chancellor for approval. The System Director will timely advise the Chancellor regarding desired audit budget initiatives.

7.4 Audit Space. The Chair of the Finance and Audit Committee and the Director of Audits and Analysis will examine annually whether the provision of on-campus office spaces for the audit function creates a perceived conflict of interest or otherwise poses an impediment to the auditors' independence.

7.5 Access. The System Director and auditors under her or his direct or indirect supervision shall have full, free, and unrestricted access to all activities, records, property, infrastructure, and personnel of System and Component administrations. Any review, whether planned or unplanned, announced or unannounced, may involve the gathering of evidence and testimony from individuals within or outside the System.

7.6 Handling of Information Gathered.

7.61 Documents. Documents and information obtained during any audit review shall be safeguarded and otherwise handled in a professionally responsible and confidential manner in accordance with Texas Law.

7.62 Criminal or Serious Policy Violations. Information obtained during any audit review that may involve criminal or serious policy violations shall be communicated to the Board of Regents, the Chancellor, the component President, and, where appropriate or otherwise required by law, to component and/or outside law enforcement or other oversight agencies.
7.7 Nature and Scope of Work. The internal audit activity will evaluate and contribute to the improvement of governance, risk management, and control processes, utilizing a systematic and disciplined approach.

7.71 Assurance Services (Audits). Assurance services involve the objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. Examples include, but are not limited to:

1. Determining the adequacy, efficiency, and effectiveness of System and Component governance, control and risk management processes;
2. Reviewing the reliability and integrity of financial and operating information;
3. Reviewing the effectiveness of processes established to ensure compliance with policies, procedures, and applicable laws and regulations;
4. Evaluating processes related to information systems and data security; the development and deployment of information systems; and the creation/modification of support infrastructures;
5. Reviewing controls designed to safeguard System and Component assets;
6. Evaluating economy and efficiency of resource utilization;
7. Assessing achievement of results and outcomes as defined by established objectives, goals, and performance measures; and
8. Performing follow-up work to ascertain and report on whether management has taken appropriate remedial action on internal and external audit findings or recommendations.

7.72 Consulting Services. Consulting services are advisory in nature and are generally performed at the specific request of management. Examples include but are not limited to:

1. Reviewing client-prepared responses to external audit reports;
2. Training on fraud prevention, internal controls, and risk assessment processes;
(3) Analyzing client or third-party prepared data; and

(4) Scribing client-facilitated risk assessment exercises.

7.73 Fraud Reviews and Internal Investigations of Suspected Defalcation, Misappropriation, and Other Fiscal Irregularities. The Board of Regents has established an Anti-Fraud Policy in Chapter VIII, Paragraph 1 of these Rules and Regulations. The System Director is charged with responsibility for coordinating review and investigative activities as necessary with Component-housed Directors, Component police departments, the Office of Vice Chancellor and General Counsel, human resources office(s), and appropriate external law enforcement and other oversight agencies. The System Director will make every reasonable and lawful effort to protect the rights and the reputations of those involved in an internal audit review involving allegations of fraud, including the employee/complainant who reports alleged fraud; the individual(s) interviewed during the resultant review; and the individual(s)/entity(ies) against whom the allegations were made.

Fraud review results are not routinely disclosed or discussed with anyone other than those who have a legitimate need to know. In the event that a review substantiates fraudulent activities, the System Director or his/her designee will prepare and distribute a report in accordance with Paragraph 7.93 of this Chapter. The System Director will communicate substantiated fraud committed by System employees to the State Auditor’s Office in accordance with Texas Government Code §321.022.

7.74 Emergency Appropriations. In the event a component receives emergency appropriations from the state, the receipt, disbursement, and reporting of such appropriations will be subject to review by the System Director and Component-housed auditors.

7.75 Systemwide Compliance Program. The Systemwide compliance program is conducted under the auspices of the audit function and is designed to promote and encourage, through objective assessments and other activities, behavior and compliance with applicable policies, laws, and rules governing higher education.

7.8 Audit Risk Assessment and Audit Plan Development.

7.81 Component Audit Risk Assessment and Plans. On an annual basis, each Component-housed Director shall perform a risk assessment to be used in developing a Component Audit Plan for the subsequent fiscal year. The risk assessment process shall include input from Component management and utilize other procedures as may be necessary and reasonable to ensure that risks unique to the Component are considered and evaluated in the planning process. Component Audit Plans shall be submitted to the System Director for input and approval. Risk-based testing
of contract administration shall be included in the annual Audit Plan. An assessment as to whether the institution has adopted the rules and policies required by Section 51.9337 of the Texas Education Code shall be performed annually.

7.82 System Administration Audit Risk Assessment and Plan. The System Director shall solicit input from the Finance and Audit Committee, the Chancellor, and vice chancellors regarding the risk assessment to be used in developing an Audit Plan for System Administration. Risk-based testing of contract administration shall be included in the annual Audit Plan. An assessment as to whether System Administration has adopted the rules and policies required by Section 51.9337 of the Texas Education Code shall be performed annually.

7.83 Consolidation of Audit Plans. The System Administration and Component Audit Plans shall be consolidated into a Systemwide Audit Plan, which will be presented by the System Director to the Finance and Audit Committee for approval at the meeting to be held prior to the fourth quarter Board of Regents meeting. The Finance and Audit Committee shall include discussion of the status of current and subsequent year Audit Plans and submit its recommendations for approval to the full Board.

7.84 Deviations from Audit Plans. Circumstances may require deviations from an Audit Plan. Component-level deviations may be recommended to the System Director by the Component-housed Director or initiated by the System Director. The System Director shall promptly notify the Finance and Audit Committee and the Chancellor of such deviations, which may be approved, in writing, by the Chair of the Committee. Investigations resulting from EthicsPoint or other fraud reporting mechanisms are not considered deviations from the Audit Plan.

7.9 Audit Reports.

7.91 Content. Each internal audit report shall contain, at a minimum.

(1) A brief description of the scope and objectives of the audit;

(2) A brief summary highlighting the audit’s significant findings and/or recommendations;

(3) A summary of management responses and the total financial impact, if any, of recommendations (this summary shall be provided to the Finance and Audit Committee at each regular Board meeting); and
(4) A detailed discussion of the audit's findings and recommendations including management’s written response;

7.92 Management Response.

7.921 Time for Response. Management must respond to each audit within two weeks of the issuance of the report draft. Upon a showing of extenuating circumstances by management and the Component-housed Director’s recommendation, the System Director may extend the time for response.

7.922 Content of Response. Management responses to each audit shall include:

(1) A statement of agreement or disagreement with each recommendation.

(2) In cases where management agrees to implement a recommendation, the response shall include a summary of planned actions, a timetable for implementation, and the names and titles of the individuals responsible for ensuring implementation of the recommendation.

(3) In cases where management does not agree to implement a recommendation, the response shall include justification for disagreement. In such cases, the System Director may include follow-up comments, addressing the adequacy of the justification provided.

(4) The President of a Component, who has an audit involving circumstances described in Paragraph 7.93, of this Chapter shall include in his or her quarterly Board report the status of the recommendations/findings until they have been verified and resolved by the Component-housed Director to the System Director’s satisfaction.

7.93 Distribution. The Director shall review, approve, and timely distribute draft audit reports (internal and external) to System or Component administrations, Finance and Audit Committee members, the Board of Regents and outside parties, including the Governor’s Office, the Legislative Budget Board, the Sunset Commission, and the State Auditor’s Office. The System Director shall forward the draft reports, in their entirety to the Board of Regents in instances involving:

(1) Fraud or theft;

(2) A financial impact of more than $20,000 savings or cost;
(3) Significant instances of non-compliance with Component and/or System rules, policies or procedures, internal controls, state or federal regulations or laws;

(4) Situations in which a Component-housed auditor has experienced undue management pressure or delay; or,

(5) Other circumstances (or amounts), which, in the System Director’s discretion, are material and substantial.

7.94 Delegation. The System Director may delegate to Component-housed Directors the task of distributing draft audit reports (internal and external) at their respective Components, as well as a mechanism to inform applicable Component parties of subsequent distribution to the Chancellor, Board members, and mandated external entities. All draft internal audit reports will be submitted to the System Director for review and approval.

7.(10) Communications.

7.(10)1 Periodic Status Reports. The Component-housed auditors shall forward a summary of audit reports and the status of their respective Audit Plans in a format and time prescribed by the System Director for inclusion in the quarterly Board agenda materials.

7.(10)2 Follow-Up Audit Work. The System Director shall prescribe a follow-up audit tracking system for use by the Component-housed auditors to ensure timely follow-up on all audit recommendations.

7.(10)3 By Component President. To keep the Component-housed auditors more informed as to proposed operational changes at each Component, the President shall share, with the Component-housed Director, distribution lists of committee meetings and meeting agendas for upcoming selected committee meetings. Upon written request of the System Director and/or the Component-housed Director, the President shall provide access to and copies of specific committee minutes and agendas.

7.(10)4 External Audit Communications. The System Director shall act as the System and Component general liaison with the State Auditor’s Office. Each Component-housed Director shall function as the on-site liaison between that Component and the State Auditor’s Office or other external auditors. The Component-based Director shall notify the System Director of any external audit work, planned entrance and exit conferences, and significant audit issues promptly and timely upon notification by the State Auditor’s Office or external auditors.
8. **ELECTRONIC FINANCIAL TRANSACTIONS.**

System Component financial obligations involving, but not necessarily limited to, procurement of goods and services; payroll payments and reimbursements to employees and others; processing of student loans, grants, work study and other payments; and other financial transactions requiring the outflow of funds, whether general revenue or institutional, shall be by electronic transfer to: a) the recipient’s bank (or other financial institution) account; or, b) a reloadable debit card. Any person may elect in writing to receive payment by warrant or check rather than electronically.

9. **NAMING INITIATIVES: FACILITIES, STATUES AND MONUMENTS, ACADEMIC PROGRAMS, AND BUILDING PLAQUES.**

9.1 Naming of Component Facilities and Erecting of Statues or Monuments. The Board of Regents retains exclusive authority for the permanent naming of buildings and other geographic areas on Component or System-owned or controlled property (“Facilities”) or for the erecting of statues or monuments, in accordance with the following guidelines:

1. Naming of facilities or erecting of statues or monuments shall be by unanimous consent of the Board members attending at a regular or special called meeting.

2. Facilities shall be named or statues or monuments erected only for persons who have made outstanding or meritorious contributions to the Component or the System or who have attained the highest distinction in their respective fields of endeavor.

3. Facilities may be named or statues or monuments erected for entities that have supported the Component or the System in an exceptional or noteworthy way.

4. When the naming of facilities or the erecting of statues or monuments is contemplated as part of a special private-fund development effort or campaign, the prospective contributor shall be informed that any naming is subject to Chancellor and Board approval. Any brochures or other communications, in whatever form, that advertise naming opportunities shall clearly state that all such namings are subject to Board approval.

5. Naming facilities or erecting statues or monuments in honor of Component or System administrative officials, faculty, staff, or elected or appointed public officials shall normally occur only after the employment or public service has concluded.

6. Nothing in this Rule shall be construed to require Board approval of informal or functional names or designations of Facilities that do not contain the name of a person or entity.
9.2 Naming of Academic Programs. The Board of Regents retains exclusive authority for naming academic programs at the Components. Such honorees shall normally have attained national or statewide stature in their fields of endeavor or otherwise significantly contributed to the development of a Component.

9.3 Building Plaques. Building plaques shall be provided on all new buildings, major landscaping projects, and major renovations where the function of the building changes or the building is substantially renovated. Existing building plaques shall remain in the case of renovation projects.

The Building Plaque text shall contain the name of the building on the date of its dedication; the Component name; and the names of the Governor, the Regents, Chancellor, and Component president serving at the time of Board approval of the project; the year in which the project was approved by the Board; the Architect or Engineer; and the General Contractor or Construction Manager. The plaque is subject to approval by the Planning and Construction Committee Chairman in a format and design that complies with standards and guidelines approved and published by the Chancellor from time to time.

10. CONTRACTS, PURCHASES, AND AGREEMENTS.

10.1 Pecuniary Interest. No member of the Board of Regents shall enter into the discussion, make motions, or vote on a contract, purchase, or agreement of any character in which the member directly or indirectly has pecuniary interest. The provisions of Government Code, Chapter 572 shall be observed.

10.2 Authority.

10.21 All contracts, purchases, and agreements in the amount of $1 million or more as defined in Chapter III, Subsections 1.11 and 1.12, shall be submitted to the Board of Regents for approval (Contracts, purchases, and agreements between $500,000 and $1 million require approval by the Chancellor). All such contracts and agreements shall be submitted to the Chancellor for review by the Vice Chancellor and General Counsel prior to submission to the Board. The Vice Chancellor and General Counsel shall advise the Board of any contract or agreement that may have adverse legal ramifications.

The President of each Component shall be delegated the authority to approve increases to the approved contracts, purchases, and agreements in an amount not to exceed ten (10) percent of the original approved amount or $50,000, whichever is less.

10.22 The President of each Component shall be delegated the responsibility and authority to enter into contracts, purchases, and agreements for sums less than $500,000 whether said amount is
income or expenditure, including but not limited to, interlocal contracts with Texas local government entities, and interagency cooperation agreements between a Component and another state agency, and to enter into all grants and agreements funded by private individuals, governmental agencies, and foundations without regard to the amount, unless otherwise limited by the Board. At the request of the Component President, the Vice Chancellor and General Counsel will provide advice and assistance with regard to such contracts, purchases, grants, and agreements. Upon a specific request by a member of the Board, the Chancellor, or the Vice Chancellor and General Counsel, the Component President shall submit designated contracts and agreements to the Chancellor for review by the Vice Chancellor and General Counsel.

10.23 The President may delegate power to contract, purchase, or enter into agreements of less than $500,000, including but not limited to, interlocal contracts with Texas local government entities, and interagency cooperation agreements between a Component and another state agency, to other employees of the Component. Such delegation must be specific and in writing to be effective. The President will remain responsible for all contracts, purchases, and agreements for sums under $500,000, and for the proper administration of all grants and agreements funded by private individuals, governmental agencies, and foundations, regardless of delegation of power to contract, purchase, or enter into agreements.

10.24 The President shall not enter into any faculty or personnel contracts or agreements which are not subject to approval of the Board unless the authority for such action has been previously delegated to the President by the Board.

10.3 Contract Vendor Employee Background Check Policies. System Components shall engage in due diligence in awarding contracts to vendors of services, who will maintain permanent staffing on the campus.

10.31 Due Diligence on Vendors. Before awarding a contract to a vendor of services, who will permanently place employees on the campus where such employees will be working with or around students, the Component shall:

(1) During the bidding or negotiation process, notify prospective vendors, in writing, of the requirements of this paragraph;

(2) Secure credit and criminal background checks on the vendor’s officers and managers dealing with or on the campus; and,

(3) Research prior or pending claims against the vendor (e.g., negligent hiring claims).
10.32 Content of Contracts. All contracts in which the vendor permanently places employees on the campus, working with or around students, shall include the following provisions and requirements:

(1) A general liability policy, providing primary coverage and naming the Component, System, Regents, and their employees as additional insureds;

(2) Indemnity and/or hold harmless clauses, protecting the Component, the System, Regents, and their employees from third party claims, caused, in whole or in part, by the actions or omissions of vendor, its employees, or other persons that the vendor causes to be on the campus;

(3) A representation by the vendor that it has conducted the following background checks on its officers, employees, or other persons it causes to be on the campus:

   (a) Sex offender and criminal history databases where the above individuals will be placed permanently on the campus, working with or around students;

   (b) Criminal history and credit history background checks where the above individuals will be handling money, informational technology, or other security-sensitive areas as determined by the president;

(4) That the president may require the vendor to remove any person from the campus that, in his or her judgment, poses a danger to health or safety;

(5) An “independent contractor” clause.

10.4 Form and Procedure. All contracts, purchases, and agreements covered by Subsection 10.21 of this Chapter of these Rules and Regulations shall be entered into in the official name of the Board after each instrument is considered and approved in open meeting. Each instrument shall identify the Component on whose behalf it is made and shall be recorded in the minutes of the meeting at which it is approved. The original copy of an executed instrument shall be filed by the Chancellor in the System Administration as a permanent record of the Board. Executed copies of the instrument shall be delivered to the party with whom it is made and to the President of the Component. Additional copies of any contract or agreements may be executed and delivered as the Board may determine.

Endorsement Format. All contracts approved by the Board of Regents shall be endorsed by the contractor, firm, or agency, by and through its authorized representatives. On behalf of the System, the contracts shall have signature blocks, indicating “Examined and Recommended” by the president, as applicable, the Chancellor, and the Board committee.
through which the contract passed, if applicable. A signature line shall be provided for the Vice Chancellor and General Counsel, indicating “Approved as to legal form.” Upon approval by the Board, the Chairman’s signature shall indicate “APPROVED by the Board of Regents of the Texas State University System on [date] at [place].” The Chairman’s name shall appear along with his or her title.

The following is the endorsement form to be used:

[Contractor]

_________________________    Date
Name, Title, Authority

TEXAS STATE UNIVERSITY SYSTEM

Examined and Recommended:

_________________________    Date
President

_________________________    Date
Chancellor

[If applicable:

_________________________    Date
The Honorable Chair, Committee]

Approved as to legal form:

Vice Chancellor and General Counsel

APPROVED by the Board of Regents on [date of meeting] at [place of meeting].

_________________________    Date
The Honorable Chairman of the Board
10.5 Contract Reporting

10.51 On a quarterly basis, each Component and System Office personnel shall report to the System Administration Office Procurement Director the following information as to any Component or System contract, as the case may be, for goods or services that has a value exceeding $1 million:

(1) Compliance with financial provisions and delivery schedules under the contract;

(2) Corrective action plans required under the contract and the status of any active corrective action plan; and

(3) Any liquidated damages assessed or collected under the contract.

10.52 The Component or System Administration Office, as the case may be, shall verify (1) the accuracy of any information reported under Subparagraph 10.51 that is based on information provided by a contractor, and (2) the delivery time of goods and services scheduled for delivery under the contract.

11. COPYRIGHT POLICY.

11.1 Policy Statement and Purpose.

Copyright is the ownership and control of the intellectual property in original works of authorship. The purpose of The Texas State University System copyright policy is to outline the respective rights which a Component and members of its faculty, staff, and student body have in copyrightable materials created by them while affiliated with the Component and, if necessary, how those ownership rights shall be determined.

Copyright ownership shall remain with the creator of the work except as otherwise provided by Section 11.2 of this policy.

Nothing in this policy precludes copyright owners/creators from entering into written agreements between or among themselves governing ownership, use, licensing, or sharing of revenues related to works owned by a component, faculty, staff, or students. Provisions of this policy shall be considered the default provisions with respect to disputes over ownership where no separate written agreements are in place.

11.2 Ownership of Copyright.

11.21 Component faculty, staff, and students own the copyright of works they create on their own initiative and own time without the use of substantial Component resources.
11.22 Consistent with academic tradition, the Component shall grant to their faculty and staff the copyright of works they create within the scope of their employment which are created in the fulfillment of their teaching and scholarly responsibilities. The Component shall retain a non-exclusive, nontransferable, perpetual, and royalty-free license to make educational uses of such works.

11.23 Students own the copyright in works created in their role as a student, including research papers, essays, theses, dissertations, published articles, and visual works of art and/or audio/visual/digital recordings of artistic performances. Works created at the direction of or under contract with Component faculty or staff as part of a student’s employment with the Component are considered works for hire.

11.24 Where two or more individuals create a work and their contributions are inseparable, interdependent, and intended as a single work, the work shall be deemed a joint work. Copyright of the work shall be jointly owned by the creators. Each creator may individually register, enforce, or commercially exploit the copyright with or without approval by all joint owners, provided the other joint owners receive an equal share of any proceeds, unless otherwise agreed in writing.

11.25 If a work is directed or contracted by the Component on a work for hire basis, then the Component owns the copyright.

11.26 Copyright ownership in works that are created pursuant to sponsored or third-party research funding, including works funded by grants, shall be determined in accordance with the terms of any agreement governing such funding. If any such agreement is silent as to ownership, then the Component shall own the copyright of such works.

11.3 Distribution of Copyright Royalties.

11.31 Royalty income received by a Component through the sale, licensing, leasing, or use of copyrightable material in which a Component has a property interest may be shared with the creator(s) and the Component where the material originated. When such sharing occurs, any distribution which grants the creator more than fifty percent (50%) of royalties shall require approval of the Board of Regents. In the event of multiple creators, the proper distribution of the fifty percent (50%) creators’ share shall be determined by the creators through a written agreement.

11.32 In the event that a creator contributes a personal work to a Component, a written agreement accepting such contribution shall be executed. The terms of the agreement shall include a statement governing the division of royalties between the Component and the creator.
11.33 In cases of extramural funding, the terms of the funding agreement shall govern the division of any royalties that may result from commercialization of materials resulting therefrom. In the event that the funding agreement vests royalty rights in a Component, and does not provide any royalty share for the creator, the creator shall be entitled to the same proportionate share he or she would have received if the work had not been extramurally funded. Such a royalty payment to the creator, however, may not violate the terms of the funding agreement. Such share shall be a proportion of whatever share is owned by the Component under the terms of the funding agreement and this policy.

11.4 Revision of Materials. Materials owned by a Component under the terms of this policy shall not be altered or revised without providing the creator a reasonable opportunity to assume the responsibility for the revision. If the creator declines the opportunity to revise such material, the assignment of responsibility for the revision will be made by the President.

11.5 Withdrawal of Materials. Materials owned by a Component shall be withdrawn from use when the Component in consultation with the creator deems such use to be obsolete or inappropriate. No withdrawal or other discontinuance shall take place that would violate the terms of any licensing or other agreement relating to the materials.

11.6 Noncompetitive Use. Copyright of courseware developed without specific direction or significant support of the Component shall remain with the employee. No royalty, rent, or other consideration shall be paid to the employee or former employee when that courseware or a modification thereof is used for instruction by the Component. The employee or former employee shall take no action that limits the Component’s right to use the instructional materials and shall provide written notice on the courseware itself indicating the Component’s right of use. See Chapter V, Paragraph 4.76 of these Rules for the policy on noncompetitive use of employee-owned courseware.

11.7 Use of Copyrighted Software.

The Texas State University System and its Components are committed to: (1) providing faculty, staff and students with the computer hardware and software necessary to perform their respective job tasks and instructional assignments; (2) protecting its computer environment from viruses; and, (3) maintaining compliance with the U.S. copyright laws and software license agreements and discouraging copyright infringement. This policy applies to all Component computer users, including faculty, staff, and students. Employees and students, who illegally duplicate software and/or its documentation or otherwise fail to comply with Component third party software license agreements, will be subject to disciplinary action up to and including termination of employment or expulsion from school.
11.71 The use of Component-owned or leased hardware or software is limited to Component business or instruction-related activities. Software that has not been purchased or licensed by the Component or for which the individual user cannot demonstrate or certify purchase or license for business or instructional use may not be loaded onto Component-owned or leased computers.

11.72 Copyright Compliance. Users of licensed software must read and comply with the license agreement. When a Component has contracted for a site or enterprise license, copying of the software media up to the number of licenses may be allowed, depending on the license agreement. The software user generally may:

1. Make only one backup copy of the software for archival purposes. If the underlying license is discontinued, this copy must be destroyed.

2. Make a copy if it is required as an essential step (and NOT AS A MERE CONVENIENCE) in installing the software on the computing equipment.

11.73 Federal law requires compliance with the following restrictions when using software acquired by the Component:

1. A user shall not install software on more than one computer, unless written evidence exists that the Component has purchased the software and the license gives the purchaser the right to install it. Should a user find such software, the user should immediately uninstall the software, remove the files from the computer, and destroy any media copies.

2. Manuals, and other copyrighted materials, shall not be copied without specific, written permission of the publisher.

3. Upgrading a software package does not release the software user from the terms of the original agreement, unless the software developer changes the license agreement. The old version of the software may not continue to be used on a different computer or be distributed for use to others.

4. When concurrent use is allowed by the license agreement, the number of concurrent users of a local area network (LAN) version of purchased software may not exceed the number of licensed users.

11.74 License Agreements. Each manufacturer includes a license agreement package with its software that details any restrictions on its use. Component users must comply with the vendor’s license provisions regarding the use of the software, even though the individual user has not personally signed the license.
agreement. License agreements differ among the various software vendors and some may grant additional rights, such as allowing use on a portable or home computer. The Component shall hold the user responsible for reading, understanding and complying with provisions of the license agreement for each software package.

11.75 Component Responsibility. Each Component shall publish software copyright policies and operating procedures that articulate specific steps implementing this Subparagraph 11.7 and covering, at a minimum, the following topics:

(1) Guidelines for use of Component computer hardware and software;

(2) Computer and Software Use—User Education;

(3) Software Selection, Budgeting & Acquisition;

(4) Software Inventory, Audit & Copyright Compliance.

12. PATENT POLICY.

12.1 Purpose. The Components within The Texas State University System are dedicated to instruction, research, and public service. It is the policy of the Board of Regents of the System that each Component carry out its scholarly work in an open and free atmosphere and publish results obtained therefrom freely. The Board recognizes that patentable inventions and discoveries may arise on occasion in the course of scholarly work conducted by the employees and students of its Component. It is the purpose of this policy to insure that such inventions and discoveries are used and controlled in a fashion that maximizes their benefit to the public, the inventor, and the System.

12.2 Applicability. This policy shall apply to all persons employed by a Component of The Texas State University System and to anyone using facilities owned or under the supervision of a Component in connection with the development of a patentable product.

12.3 Condition of Employment and Enrollment. The patent policy of the Board of Regents, as amended from time to time, shall be deemed to be a part of the conditions of employment of every employee of each Component, including student employees, and of the conditions of enrollment and attendance by every student at each Component.

12.4 Ownership. Except as otherwise described in this policy, every invention or discovery or part thereof that results from research or other activities carried out at a Component, or that is developed with the aid of the Component's facilities, staff, or through funds administered by the Component, shall be the property of the Component.
12.5 Inventions Made on Own Time. Inventions or discoveries made by Component employees or students in their personal time and not involving the use of Component facilities are the property of the inventor except in case of conflict with any other applicable agreement.

12.51 For purposes of this policy, an individual's "personal time" shall mean time other than that devoted to normal or assigned functions in teaching, extension, Component service, or direction or conduct of research on Component premises or utilizing "Component facilities".

12.52 The term "Component facilities" shall mean any facility, including equipment and material, available to the inventor as a direct result of the inventor's affiliation with the Component, and which would not be available to a non-Component individual on the same basis.

12.53 Persons who claim that inventions or discoveries are made on personal time and without the use of Component facilities have the responsibility to disclose all such inventions to the Component in accordance with the disclosure procedures applicable to inventions made on Component time or with the use of Component facilities. It shall be the responsibility of the inventor to demonstrate the basis of the inventor's claim that only personal time and no Component facilities were utilized.

12.54 If the inventor so desires, inventions or discoveries made on personal time and without the use of Component facilities may be assigned to the Component. Under this arrangement, the procedures will be the same as for inventions or discoveries made by Component personnel on Component time or with the use of Component facilities and materials.

12.6 Patents Arising From Government Sponsored Research. Patents on inventions or discoveries arising from research financed by federal, state, or local government may be controlled by the terms of the grants and contracts specified by the government agency sponsoring the research, or by applicable law. In some cases, the sponsoring government agency may claim rights to patents resulting from the sponsored research.

12.61 Except as provided by law or by government-supported grants or contracts, or when no patent rights are claimed by the government agency, or when such rights are waived by the government, patents arising from government sponsored research are controlled by this Patent Policy.

12.62 When a patent arising out of research supported under government grants or contracts is owned by a Component that Component will, if requested, agree to a non-exclusive royalty-free license for use of such patent by the sponsoring government agency.
12.63 If such a patent is owned by the sponsoring government agency, the Component shall be free to use the invention so covered for its own scientific and educational purposes without payment of royalty or other charge, consistent with applicable law.

12.7 Patents Arising From Research Sponsored by Non-Governmental Entities. Each Component must ensure that its facilities and the results of the work of its employees are applied in a manner which best serves the interests of the public. Likewise, the legitimate interests of a private sponsor who provides financial or other support to research carried out through the Component must be considered.

12.71 Components should normally reserve the right to ownership of patents on inventions or discoveries arising out of research supported in whole or in part by grants or contracts with non-governmental organizations or firms. Contracts or agreements which are entered into between a Component and such organizations or firms should contain clauses setting forth such a reservation unless deviations therefrom are requested by the sponsor and approved by the Component consistent with the public interest.

12.72 In the interest of fair treatment to the non-governmental sponsors of research, upon request special provisions may be negotiated which grant ownership of patents arising out of research sponsored by a non-governmental organization or firm to the sponsor of such research. In such cases, the Component should: (1) retain the right to use the invention or discovery for its own research, educational, and service purposes without the payment of royalty fees, (2) require the sponsor to use due diligence in the commercial use of the invention, and (3) retain the right to freely publish the results of its research after a reasonable period necessary to protect the rights of the parties and to allow for the filing of a patent application.

12.8 Component Patent Committee. The President of each Component shall appoint a Component Patent Committee, consisting of no less than three members, one of whom shall be designated by the President to serve as chairman of the Committee. Such Committee shall perform the duties delineated in this policy and such other duties as may be assigned to it by the President.

12.9 Duty to Disclose Discoveries and Inventions. All individuals covered by this policy have a duty to disclose in writing their inventions and discoveries promptly to the pertinent Component Patent Committee.

12.91 The duty to disclose arises as soon as the individual has reason to believe, based on his or her own knowledge or upon information supplied by others, that the invention or discovery may be patentable.

12.92 Certainty about patentability is not required before a disclosure should be made.
12.93 Individuals shall execute such declarations, assignments, or other documents as may be necessary in the course of invention evaluation, patent prosecution, or protection of patent rights, to insure that title in such inventions shall be held by the Component, where this policy indicates the Component shall hold title, or by such other parties as may be appropriate under the circumstances.

12.(10) Review By Patent Committee. The Component Patent Committee, after receiving disclosure of an invention, shall forward a recommendation to the Component President concerning such discovery. Such recommendation shall include: (1) the committee’s opinion whether the Component has an ownership interest in the invention in question, or whether such invention was one developed on personal time and without use of Component facilities, and (2) whether and how the Component should assert and exploit its ownership interest in any invention or discovery.

12.(11) Waiver of Component Interests.

12.(11)1 If the Component President, after reviewing the recommendation of the Component Patent Committee, concludes that an invention or discovery is one developed on personal time and without the use of Component facilities, the President shall advise the inventor that the Component asserts no ownership interest in the invention or discovery.

12.(11)2 If the Component President, after reviewing the recommendation of the Component Patent Committee, concludes that a Component should not assert and exploit its interest in an invention developed on Component time or with the use of Component facilities, the inventor shall be notified that he is free to obtain and exploit a patent in his own right, and the Component shall not have any further rights, obligations or duties thereto except as it may specifically reserve.

12.(12) Patent Management. The President of each Component, or any person designated by him, is authorized to negotiate with reputable agencies or firms to secure for each Component arrangements for the management of inventions and discoveries in which the Component decides to assert and exploit its ownership interest.

12.(12)1 Such management may include, but is not limited to, competent evaluation of invention and discovery disclosures, expeditious filing of applications for patents, and licensing and administration of patents.

12.(12)2 A Component is authorized to administer its own patent management and licensing program without the use of a patent management agent, if it determines that such
arrangement may better serve Component and public interests.

12.(13) Licenses. The President of each Component may grant licenses for the use of inventions and discoveries in which the Component has an ownership interest.

12.(13)1 It is recognized under some circumstances the granting of an exclusive license may be appropriate because in the absence of such a condition some inventions or discoveries may not reach the market place for the public benefit.

12.(13)2 Normally, an exclusive license may be granted for a period not to exceed five years, although the President may grant a longer period of exclusive license when he deems it advisable.

12.(14) Royalties.

12.(14)1 In consideration of the disclosure and assignment of invention rights, the inventor, or the inventor's heirs, successors, and assigns, normally shall receive fifty percent (50%) of the net royalties or other net income arising from an invention or discovery, after a deduction for administrative and patent management costs. Administrative and patent management costs include, but are not limited to, the costs associated with the patenting, licensing, and protection of patent rights. The remaining fifty percent (50%) of net royalties shall accrue to the Component responsible for the invention or discovery. Special facts concerning an invention or discovery may warrant a different distribution of royalties.

12.(14)2 Agreements with respect to royalties shall be in writing and signed by the inventor and the President of the Component.

12.(14)3 Any agreement which grants the inventor more than fifty percent (50%) of the net royalties shall require approval of the Board of Regents.

12.(15) Disposition of Income. In the disposition of any net income accruing to a Component from patents, first consideration will be given to the promotion of research.

12.(16) Avoidance of Conflicts.

12.(16)1 Any employee covered by Sections 12.(17)2, 12.(18)1, or 12.(18)2 of this Chapter shall report in writing to the Component President, or his designee, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer, or employee and shall be responsible for submitting a revised written report upon any change in the interest or
position held by such person in such business entity. These reports shall be accumulated in the office of the President (or designee), who shall immediately thereafter file his report with the System Administration. Upon approval by the Board of Regents, the report shall be submitted to the Governor and Legislature as required by the *Texas Education Code, Section 51.912*.

12.(16)2 Prior to signing any consulting agreement that deals with patent rights, trade secrets, or the like, where any Component time, facilities, materials, or other resources are involved, Component personnel and students must bring the proposed agreement to the attention of the appropriate administrators of the Component and either obtain a waiver of Component rights or otherwise modify the consulting agreement to conform with this policy, as is determined by the Component in its discretion.

12.(17) Equity Interests.

12.(17)1 Owned by the Component. In agreements with business entities relating to rights in inventions and discoveries owned by a Component, the Component may receive equity interests as partial or total compensation for the rights conveyed.

12.(17)2 Owned by an Employee. In accordance with *Texas Education Code, Section 51.912*, and subject to review and approval by the President of a Component, employees of a Component who conceive, create, discover, invent, or develop inventions or discoveries may hold an equity interest in a business entity that has an agreement with the Component relating to the research, development, licensing or exploration of those discoveries or inventions.

12.(17)3 The Component may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the Component and a business entity relating to inventions and discoveries conceived, created, discovered, invented, or developed by the employee and owned by the Component.

12.(17)4 Dividend income and income from the sale or disposition of equity interests held by a Component pursuant to agreements relating to inventions and discoveries shall belong to the Component and shall be distributed in accordance with the provisions of this policy. Dividend income and income from the sale or disposition of an equity interest held by a Component employee pursuant to an agreement between the Component and a business entity relating to rights in inventions and discoveries conceived, created, discovered, invented, or developed by such employee shall belong to the employee.
12.(18) Business/Management Participation.

12.(18)1 By Employees. Any Component employee who conceives, creates, discovers, invents, or develops an invention or discovery shall not serve as a member of the board of directors or other governing board, or as an officer or an employee (other than as a consultant in accordance with Component and Regent policies and regulations) of a business entity that has an agreement with the Component relating to the research, development, licensing, or exploitation of that invention or discovery without prior review and approval by the President of the Component.

12.(18)2 For the Component. When requested and authorized by the Board of Regents, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with a Component relating to the research, development, licensing, or exploitation of inventions and discoveries.

13. ABANDONED AND UNCLAIMED PERSONAL PROPERTY.

Abandoned and unclaimed personal property of value, including, but not limited to, computers, tablets, cellular phones and other technologies capable of storing digitized data; state or federal identification; wallets; purses; credit cards; watches; jewelry; cameras; textbooks; or backpacks discovered on a System Component campus shall be immediately turned over to the campus security or police department for safekeeping and standardized handling. Other articles of property that do not meet the defined value shall be forwarded to the location designated by the Component for property storage. Property shall be considered abandoned if it appears from the circumstances under which the Component comes into possession of the property that the owner has thrown it away or has voluntarily left or lost it without any intent or expectation to regain it.

Abandoned and unclaimed personal property acquired by the campus security or police department of a system Component or the Component’s property storage department shall be held for a minimum of one hundred and twenty (120) days from the time the property is acquired or discovered. If the property is reclaimed during that time, the Component may charge the owner a reasonable storage fee. Campus security or police will develop appropriate procedures to assure the return, if possible, of unclaimed personal property of value to the proper owners. Such procedures shall be published in all appropriate Component handbooks and catalogs.

After one hundred and twenty (120) days, and after appropriate property checks which reflect the value of the property have been made (such as, but not limited to the National Crime Information Center), all items of value and non-valued items may be sold as part of a normal Component surplus property sale.
14. INDEMNIFICATION OF REGENTS AND EMPLOYEES.

The System and/or the Components shall indemnify all members of the Board of Regents, former members of the Board of Regents, employees, former employees, and persons serving on the board of a foundation, corporation, or association at the request and on behalf of the System or one of the Components in accordance with the provisions of the Texas Civil Practice and Remedies Code, Chapter 104.

15. REPORTING OF WRONGFUL OR FRAUDULENT CONDUCT.

The System’s “Anti-Fraud” policy appears as part of the System Ethics Code in Chapter VIII of these Rules and Regulations.

16. USE OF AUTHORITY.

Power to Authorize Expenditures Out of System Funds. No expenditure from funds under the control of the Board or Component shall be made, no debt or obligation shall be incurred, and no promise shall be made in the name of the System, any of its Components, or of the Board by any member of the respective faculties or staffs of the System or any of its Components except:

16.1 In accordance with general or special budgetary apportionments authorized in advance by the Board and entered into its minutes; or,

16.2 In accordance with authority specifically vested by the Board in a committee of the Board; or,

16.3 In accordance with authority to act for the Board when it is so specifically vested in the Component President and with the monetary limitations as set forth by these Rules and Regulations or by special action by the Board.

16.4 It shall be the duty of the several Component administrative officers to see that all claims for payments of items not authorized as indicated above are refused and returned unpaid.

16.5 There shall be no sale to or purchase from the System or its Components by the Component President, unless purchased as surplus property and/or at a duly authorized public auction. This Subsection shall not apply to goods and services which the system or its Component universities make available for purchase by faculty and staff or on the open market by the general public.

17. “BEST VALUE” PROCUREMENT.

Section 51.9335(a)-(e) of the Texas Education Code authorize institutions of higher education to use “best value” procurement process which provide greater autonomy and flexibility in the procurement of goods and services. The
following guidelines shall govern “best value” procurement for the System and Components.

17.1 The System and Components may acquire goods and services by the method that provides the “best value” to the institution, including:

(1) competitive bidding;
(2) competitive sealed proposals;
(3) catalogue purchase;
(4) group purchasing program; or,
(5) an open market contract.

17.2 In determining what is “best value” the System and Components shall consider:

(1) the purchase price;
(2) the reputation of the vendor and of the vendor’s goods and services;
(3) the quality of the vendor’s goods and services;
(4) the extent to which the goods or services meet the Component’s needs;
(5) the vendor’s past relationship with the Component and/or the System;
(6) the impact on the ability of the Component to comply with laws and rules relating to historically underutilized businesses and to the procurement of goods and services from persons with disabilities;
(7) the total long-term cost to the Component of acquiring the vendor’s goods or services;
(8) the use of material in construction or repair to real property that is not proprietary to a single vendor unless the Component provides written justification in the request for bids for use of the unique material; and,
(9) any other relevant factor that a private business would consider in selecting a vendor

17.3 The System and each Component shall establish purchasing rules and guidelines based upon the procurement rules established by the Board. All procurements shall be made in accordance with all applicable federal, state and local laws, Rules and Regulations, and the Board’s “best procurement” Rules and Regulations.
18. HISTORICALLY UNDERUTILIZED BUSINESSES.

18.1 Purpose. The Texas State University System Board of Regents promotes full and equal opportunity for all businesses to provide the goods and services needed to support the mission, administrative, and logistical operations of system Components. The Board commits its Components to a good faith effort to increase purchases and contract awards with Historically Underutilized Businesses (HUB) firms through race, ethnic, and gender neutral means and consistent with the state’s goals for HUB participation and overall social advancement and economic prosperity.

18.2 Scope. This policy applies to acquisition of commodities, professional and other services, and construction by the System Administration Office and Component institutions, including auxiliary enterprises, regardless of funding source (treasury or non-treasury funds).

18.3 Incorporation by Reference. The Historically Underutilized Business Program Rules and Regulations promulgated and, from time to time, amended by the Texas Procurement and Support Services (TPASS) are adopted into and shall become part of these Rules and Regulations as if fully set out herein (see website address – http://www.window.state.tx.us/procurement/prog/hub).

19. INFORMATION TECHNOLOGY “IT”.

19.1 Purpose. The Texas State University System considers information technology critical to fulfillment of its mission and has made significant investments in information technology assets and capabilities. In order to assure that System and component networks are effectively and properly managed; to protect these assets against unauthorized access, disclosure, modification or destruction; and to assure the security, availability, integrity, utility, authenticity, and confidentiality of information, including server hardware and software, each component institution shall develop and disseminate an institutional policy statements consistent with the policy guidelines as referenced in Section 19.2 (See Texas Administrative Code, Title 1, Part 10, Chapter 202, Subchapter C (TAC 202)).

19.2 Policy components. Each component shall adopt an information technology policy addressing the following areas and that are consistent with the associated TSUS “IT” Policy Guidelines:

(1) Network Management, including network purpose; address and device management; oversight roles and responsibilities; usage responsibilities; and, threat and incident response; (See Appendix A-4);

(2) Information Security, including purpose; organization; risk assessment; asset management; human resources security; physical and environmental security; communication and
operations management; access control; information systems acquisition, development and maintenance; information security incident management; business continuity management; and legal, regulatory, and contractual compliance; (See Appendix A-3);

(3) Appropriate Use of Information Technology Resources, including general purpose; individual versus institutional purpose, personal versus official representation; limitations on availability of information technology resources; privacy and confidentiality of electronic documents; TSUS institutional responsibilities; consequences of failure to comply with informational technology policy; (See Appendix A-2) and,

(4) Server Management, including server purpose and function; server management roles and responsibilities; conformance with server management best practices; and, threat and incident response. (See Appendix A-5).

19.3 Central Review and Oversight. Each component shall develop policies and mechanisms, providing for chief information officer or other central review and oversight of all component information technology acquisitions, including, but not limited to, computing hardware, software, and hosting services, regardless of source of funds.

20. SMOKING AND TOBACCO POLICY.

20.1 Purpose. The Texas State University System is committed to providing a safe, healthy, and pleasant environment for its faculty, staff, and students. To that end, each component shall develop a comprehensive institutional policy creating a smoke-free and tobacco-free environment on the premises of the component.

20.2 Scope. The policy shall apply to all faculty, staff, students, employees of contractors, and visitors of the component and shall address the use of tobacco products, including smoke and smokeless tobacco, in component owned or leased premises.

21. INTERCOLLEGIATE ATHLETICS.

21.1 Statement of Values. The Texas State University System Board of Regents believes that participation in athletics is an appropriate part of the academic experience and that a well-balanced intercollegiate athletics program in which both men and women enjoy equal opportunity to participate is likewise of institutional benefit. To this end, the Board is committed to assuring integrity and accountability in the administration of such programs while fostering careful institutional oversight of day-to-day operations.
21.2 General Principles. Consistently with the Association of Governing Boards of Colleges and Universities’ 2007 Statement on Board Accountability, the Board adopts the following general principles:

(1) Individual Missions. Each Component’s educational values, practices, and missions shall guide the decision to establish intercollegiate athletics programs and the standards by which they are conducted.

(2) Presidential Authority. Responsibility and authority for the administration of athletics departments, including all basic policies, personnel and finances are vested in the presidents.

(3) Equal Treatment. Every student athlete shall receive fair and equitable treatment within the letter and spirit of Title IX of the Education Amendments of 1972.

(4) Funding Oversight. All funds raised and expended in connection with intercollegiate athletics programs shall be accounted for through the Component’s accounting system. Athletics department budgets shall be developed and monitored in accordance with the Component’s general budgeting procedures.

(5) Non-University Income. Income from non-Component sources for coaches and athletics administrators is subject to presidential review and approval. When the income involves Component’s facilities, trade or service names or marks, the arrangement shall be memorialized in a written contract.

(6) Notification of Possible Major Infraction. Each Component shall have established processes to review information concerning potential major violations of NCAA or NJCAA legislation. One step in that process shall be the immediate notification by the Component to the Chancellor and the Vice Chancellor and General Counsel of the Component’s receipt of a Notice of Inquiry from NCAA or NCJAA enforcement staff concerning a possible major violation since that could result in corrective, punitive, or disciplinary actions by the NCAA or NJCAA, the athletic conference, or the Component itself. The notification shall include the nature of the alleged major infraction; the NCAA, NJCAA, conference, or institutional bylaw involved; the plan for investigating the allegation; and a corrective action plan. The Chancellor shall timely notify the Board as appropriate.

(7) Audit. The System Director of Audits and Analysis shall conduct periodic audits of intercollegiate athletics and related activities and report the same in accordance with processes established elsewhere in these Rules and Regulations.

22. SEXUAL MISCONDUCT POLICY.

The System’s “Sexual Misconduct” policy, formulated to address and redress the problem of sexual misconduct on Component campuses, is incorporated into,
and made a part of these Rules and Regulations as Appendix A-6. Each System Component shall adopt this policy as its campus sexual assault policy.

23. CHILD ABUSE REPORTING POLICY AND TRAINING.

23.1 Purpose. The Texas State University System is committed to maintaining a supportive and safe educational setting, one that enhances the well-being of all members of its community and strives to create a secure environment for children.

23.2 Policy. Each Component shall adopt an institutional policy that governs: (i) the reporting of child abuse and neglect; and, (ii) training to detect the same (see, respectively, Chapter 261, Family Code and Education Code, Section 51.9761. The policy shall include the following provisions:

(1) A person having cause to believe that a child's physical or mental health or welfare has been adversely affected by abuse or neglect by any person shall immediately make a report to:

(a) any local or state law enforcement agency;
(b) the Department of Family and Protective Services; or
(c) the state agency that operates, licenses, certifies, or registers the facility in which the alleged abuse or neglect occurred.

(2) If a professional (as defined by Section 261.101, Family Code) has cause to believe that a child has been or may be abused or neglected (as defined by Section 261.001 or 261.401, Family Code) or that a child is a victim of an offense under Section 21.11, Penal Code, the professional shall make a report not later than the 48th hour after he or she first suspects abuse, neglect or other infraction. A professional may not delegate to or rely on another person to make the report.

(3) A person or professional shall make a report in the manner required by this Paragraph if he or she has cause to believe that an adult was a victim of abuse or neglect and determines, in good faith, that disclosure of the information is necessary to protect the health and safety of another child or an elderly person (as defined in 48.002, Human Resources Code):

(4) The requirement to report applies without exception to an individual whose personal communications may otherwise be privileged, including an attorney, a member of the clergy, a medical practitioner, a social worker, a mental health professional, an employee or member of a board that licenses or certifies a professional, and an employee of a clinic or health care facility that provides reproductive services.

23.3 Training. Each component institution shall provide training for employees who are professionals that includes:
(1) techniques for reducing a child's risk of sexual abuse or other maltreatment;

(2) factors indicating a child is at risk for sexual abuse or other maltreatment;

(3) the warning signs and symptoms associated with sexual abuse or other maltreatment and recognition of those signs and symptoms; and

(4) the requirements and procedures for reporting suspected sexual abuse or other maltreatment.
CHAPTER VIII. ETHICS POLICY FOR REGENTS
AND EMPLOYEES OF THE TEXAS STATE UNIVERSITY SYSTEM

1. ANTI-FRAUD POLICY AND REPORTING OF WRONGFUL OR FRAUDULENT CONDUCT.

1.1 Anti-Fraud Statement. The Texas State University System does not tolerate any type of fraud, waste, or abuse. The System is committed to ensuring that our organization maintains the highest standards of ethical conduct and integrity throughout all aspects of its operations. As public servants, System faculty and staff are guardians of the resources entrusted to them and have a responsibility to students, parents, alumni, donors, and the citizens of Texas to ensure that those resources are used efficiently and for their intended purposes. The System does not tolerate any form of retaliation against individuals providing information concerning suspected fraud, material waste, abuse, or other unethical behavior.

1.2 Chancellor and President Responsibilities. If the Chancellor has reasonable cause to believe that Component or System financial or inventoried resources may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the Component or System, he or she shall timely and promptly report the reason or basis for the belief to the Chair of the Finance and Audit Committee, and to the System Director of Audits and Analysis. If a President has such reasonable cause, he or she shall report the same to the Chancellor and to the System Director of Audits and Analysis.

1.3 Employee Responsibility. If an employee has reasonable cause to believe that Component or System financial or inventoried resources may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the Component or System, he or she shall timely and promptly report the reason or basis for the belief to the component Internal Audit Director; to the System Director of Audits and Analysis; to EthicsPoint, the System’s internet-based fraud reporting hotline; or to the State Auditor’s Office.

1.4 EthicsPoint Fraud Reporting Hotline. The System has established, through a private contractor, an internet-based reporting hotline, EthicsPoint, to provide individuals with a confidential avenue for reporting concerns about potential waste, fraud, and abuse of resources, the lack of compliance with laws and regulations, or violations of the System’s Code of Ethics. Reports filed through EthicsPoint are forwarded to and investigated by individuals who are independent of System management. EthicsPoint can be accessed through the components’ and the System Office’s webpages. Except in rare circumstances, reports received through EthicsPoint will not be
investigated if established complaint processes at the campus-level have not been utilized. The Texas Public Information Act shall govern rules on disclosure of documents and records.

1.5 Reports to State Auditor’s Office. The Texas State University System, through the Director of Audits and Analysis, will report suspected fraud or unlawful conduct to the State Auditor’s Office (SAO) if he or she knows of facts pointing to fraud or unlawful conduct. Employees may report fraud involving state funds to the SAO through the System’s Hotline; by accessing the SAO Fraud Reporting webpage; or by mail to the SAO.

2. BOARD EXPENSES AND ALLOWANCES.

2.1 Transportation, Meals, and Lodging.

2.11 Members of the Board of Regents are entitled to receive the following when traveling to conduct official business:

(1) reimbursement of expenses for meals and lodging as provided by law; and

(2) reimbursement for transportation and incidental expenses at rates specified in the General Appropriations Act for State employees.

2.12 Employees of The Texas State University System and its components are entitled to receive the following when traveling to conduct official business:

(1) Actual costs of lodging and meals for in-state travel, except that such reimbursements may not exceed the current maximum established by law;

(2) For out-of-state travel, employees may receive actual costs for lodging and a per diem for meals not to exceed the locality-based allowance provided by the Federal Travel Regulations for lodging and meals unless the State Comptroller determines in advance of the travel that local conditions warrant a change in the lodging rate for a particular location.

2.2 Purpose of Travel. To qualify for travel reimbursements, the purpose of a trip must be "state business" or "official business" of The Texas State University System. State or official business is the accomplishment of a governmental function directly entrusted to The Texas State University System or one of its components, including the reasonably necessary means and methods to accomplish that function.
2.3 Improper Travel Reimbursement. When a Regent or an employee engages in travel for which compensation is to be received from any source other than System funds, he or she shall not submit a claim under the provisions of The Texas State University System travel regulations. A Regent or an employee who receives an overpayment for a travel expense shall reimburse The Texas State University System for the overpayment.

2.4 Travel Bonus (Frequent Flyer) Awards. Regents or employees who earn credit with airlines, hotels, car rental companies, etc. for official travel are not required to account for such credit or to use such for official travel only.

2.5 Official Travel by Spouses and Relatives of Regents or Employees. Spouses and other relatives of Regents or employees may qualify to have travel expenses paid by The Texas State University System if their presence at a function or on a trip is for an official purpose benefiting The Texas State University System and/or the State of Texas. In making a determination of whether the presence of a spouse or relative is for an official purpose, the factors to be considered are the nature and duties of the Regent's or employee's office, the traditional role, if any, of the spouse or relative, the purpose of the particular trip, and the spouse or relative's connection with that purpose.

2.6 Foreign Travel. A request by a Regent, System president, or System employee for travel outside of the United States, excluding Mexico or Canada, must be approved in advance by the Chancellor.

2.7 Reimbursement of Expenses. Verified expense accounts shall be submitted to the Chancellor or appropriate component official for processing and the same shall be subject to review and control of the Board.

3. CONFLICTS OF INTEREST.

3.1 Ethics Commission Financial Disclosure Statements. Each Regent, the Chancellor and the presidents of the components shall file a financial statement with the Texas Ethics Commission not later than April 30, each year in which such Regent, Chancellor or president has served in such capacity for any portion of the immediately preceding twelve (12) months on forms prescribed by the commission.

3.2 Contracts Prohibited. Except as provided below, neither the System nor a component thereof may enter into a contract in which a Regent or the Regent's spouse has a direct or indirect pecuniary interest.

3.3 Recusal Required for Certain Types of Contracts Involving Pecuniary Interests. If a Regent is a stockholder or director of a corporation seeking to enter into a contract with the System or a component thereof, but owns or has a beneficial interest in no more than one percent of the corporation's outstanding capital stock, the contract may be executed so long as it is an affiliation agreement, license (including a license of
intellectual property), or sponsored research agreement, or it is awarded by competitive bidding or competitive sealed proposals. An interest owned by the Regent's spouse is considered to be a "beneficial interest." The affected Regent must disclose such interest in a public meeting of the Board of Regents and shall not vote on the contract or transaction.

3.4 Regent Disclosure of Personal or Private Financial Interest. A Regent who has a personal or private financial interest in a measure, proposal, or decision pending before the Board (other than a contract covered by Paragraph 3.3 of this Chapter) shall disclose such interest in a public meeting of the Board, and such disclosure shall be entered in the minutes of the Board. The Board may consider such measure, proposal, or decision, but any Regent having such an interest shall not vote or otherwise participate in such deliberation or action of the Board. This procedure may not be utilized for contracts covered by Section 3.3 of this Chapter.

3.5 Potential Conflict of Interest of Regent. As soon as possible after becoming aware of any potential conflict of interest, a Regent shall disclose such fact and any other relevant information to the Board and to the Vice Chancellor and General Counsel. In such an event, the Vice Chancellor and General Counsel shall review the potential conflict and issue an opinion.

3.6 Contracts with Nonprofit Corporations. The Board is not precluded from entering into contracts or other transactions with nonprofit corporations merely because a Regent also serves on the board of or is a member of the nonprofit corporation. Other factors and interests, such as pecuniary or personal interests, may require disclosure and recusal, as described above.

3.7 Disclosure of Interest in Property to be Acquired. Regents, the Chancellor and the president of the component are required to disclose any legal or equitable interest in property that is to be acquired with public funds. Such disclosure must be made at least 10 days before the date the property is to be acquired by purchase or condemnation.

4. CODE OF ETHICS.

4.1 Prohibited Actions of Regents. A Member of the Board of Regents shall not:

(1) Accept or solicit any gift, favor, or service that might reasonably tend to influence the Regent in the discharge of official duties or that the Regent knows or should know is being offered with the intent to influence the Regent's official conduct;

(2) Accept employment or engage in a business or professional activity the Regent might reasonably expect would require or induce him or her to disclose confidential information acquired by reason of his or her official position or otherwise withhold from the Board information in his or her possession that might
reasonably benefit him or her, financially or otherwise, whether
directly or indirectly. Further, it is a violation of this Rule if the
benefit inures to a third party or parties, in whose welfare the
Regent is interested;

(3) Accept other appointments or any employment or compensation
that could reasonably be expected to impair the Regent's
independence of judgment in the performance of official duties;

(4) By his or her actions or through his or her silence, allow the
Board to consider any matter in which he or she will benefit,
financially or otherwise, whether directly or indirectly. Further,
it is a violation of this Rule if the benefit inures to a third party or
parties, in whose welfare the Regent is interested. The Regent
shall refrain from commenting on the matter to the Board, its
regents or employees; and leave the room while the Board
deliberates and votes on the matter;

(5) Make personal investments that could reasonably be expected to
create a substantial conflict between the Regent's private interest
and the public interest;

(6) Intentionally or knowingly solicit, accept, or agree to accept any
benefit for having exercised his or her official powers or
performed official duties in favor of another; or,

(7) Commit acts of fraud, dishonesty, or illegality in office, including
(by way of example and not limitation) assisting others to obtain
personal or financial benefits to which they are not entitled by
law or policy; forging or altering checks, bank drafts, or other
documents, financial or otherwise; or, knowingly authorizing
improper claims.

4.2 Prohibited Actions of Employees. An employee of The Texas State
University System or any of its components shall not:

(1) Accept or solicit any gift, favor or service that might reasonably
tend to influence the employee in the discharge of official duties;

(2) Use an official position to secure special privileges or exemptions
for the employee or others, except as may be otherwise
authorized by law;

(3) Accept employment or engage in any business or professional
activity which might reasonably be expected to require or induce
the employee to disclose confidential information acquired by
reason of such employee's official position or impair the
employee's independence of judgment in the performance of
public duties;

(4) Disclose confidential information gained by reason of one's
employment, or otherwise use such information for personal gain
or benefit;
(5) Transact any business in an official capacity with any business entity of which the employee is an officer, agent, or member or in which the employee owns a controlling interest unless the Board of Regents has reviewed the matter and determined no conflict of interest exists;

(6) Make personal investments in any enterprise which could reasonably be expected to create a substantial conflict between the private interests of the employee and the public interests of his or her employer;

(7) Receive any compensation for services as a state employee from any source other than the State of Texas, except as otherwise permitted by law;

(8) Commit any act of fraud, dishonesty, or illegality in office, including (by way of example and not limitation) assisting others to obtain personal or financial benefits to which they are not entitled by law or policy; forging or altering checks, bank drafts, or other documents, financial or otherwise; knowingly authorizing improper claims; or,

(9) Engage in any form of sexual harassment or racial harassment as defined in these Rules and Regulations.

5. **BENEFITS, GIFTS AND HONORARIA.**

5.1 Definitions. A "benefit" is anything reasonably regarded as pecuniary gain or pecuniary advantage, including benefit to any other person in whose welfare a Regent or an employee has a direct and substantial interest.

5.2 Bribery. A Regent or an employee shall not solicit, offer, or accept any benefit in exchange for his or her decision, opinion, recommendation, vote, or other exercise of official power or discretion.

5.3 Prohibited Benefits. A Regent or an employee shall not solicit, accept, or agree to accept any benefit from any person the Regent or employee knows is interested in or is likely to become interested in any contract, purchase, payment, claim, or transaction involving the Regent's or employee's discretion. This prohibition does not apply to (1) gifts or other benefits conferred on account of kinship or a personal, professional, or business relationship independent of a Regent's or employee's status, respectively, as a member of the Board or as an employee; (2) a fee prescribed by law to be received by a Regent or employee or any other benefit to which he or she is lawfully entitled or for which he or she gives legitimate consideration in a capacity other than as a member of the Board or an employee of the System or a component; (3) a gift, award, or memento that is received from a lobbyist who is required to make reports under Government Code, Chapter 305 and, (4) items having a value of less than $50, not including cash or
negotiable instruments. A Regent or an employee who receives an unsolicited benefit that he or she is prohibited from accepting by law may donate the benefit to a governmental entity that has the authority to accept the gift or may donate the benefit to a recognized tax-exempt charitable organization formed for educational, religious, or scientific purposes.

5.4 Food, Lodging, Transportation, and Entertainment Received as a Guest. A Regent or employee may accept food, lodging, transportation, or entertainment from persons or entities he or she knows or reasonably should know are interested in or likely to become interested in a contract, purchase, payment, claim, decision, or transaction involving the exercise of the Board's discretion only if the Regent or employee is a "guest" as defined by Texas law. A Regent or an employee is a "guest" if the person or a representative of the entity providing the food, lodging, transportation, or entertainment is present at the time the food, lodging, transportation, or entertainment is received or enjoyed by the Regent or employee. Regents, the Chancellor and the presidents of components are required to report any such benefits valued at over $250 on their annual disclosure statements filed with the Texas Ethics Commission.

5.5 Gifts or Benefits from Friends, Relatives, and Associates. Regents and employees may accept gifts or benefits from personal friends, relatives, or business associates with whom they have a relationship independent of their official status, so long as the benefit is not offered in exchange for official action or decision.

5.6 Gifts or Benefits from Outside Donors. A gift or benefit from an outside donor designated to supplement the salary of a specific Component or System employee shall be subject to approval by the Component or System CEO, before being presented to the Board of Regents for approval, as required by Chapter III, Paragraph 1.33. Gifts for the presidents shall be subject to the Chancellor’s approval, and gifts to the Chancellor shall be subject to the Board Chair and Vice Chair’s approval prior to presentation to the full Board. Such gifts shall be made to the Component or System directly and earmarked for distribution to the employee through the payroll process. Salary supplements shall be reported to the State Auditor’s Office and the U.S. Internal Revenue Service as required by law. The employee receiving the salary supplementation shall comply with the conflict of interest provisions for employees outlined in Subparagraph 4.2 of the System’s Code of Ethics, found in Paragraph 4 of this Chapter.

5.7 Awards. Regents and employees may accept plaques and similar recognition awards.

5.8 Honoraria. Regents and employees may not solicit, accept, or agree to accept an honorarium in consideration for services they would not have been asked to provide but for their official position or duties. This prohibition includes a request for or acceptance of a payment made to a third party if made in exchange for such services. However, they may accept the direct provision of or reimbursement for expenses for transportation and lodging incurred in connection with a speaking
engagement at a conference or similar event, provided the Regent's or employee's participation is more than merely perfunctory. Meals provided as a part of the event or reimbursement for actual expenses for meals may also be accepted.

6. **POLITICAL ACTIVITIES.**

6.1 Use of System Funds, Personnel or Property. No Regent shall expend or authorize the expenditure of any State appropriated funds for the purpose of influencing the outcome of any election, or the passage or defeat of any legislative measure.

6.2 Political Contributions. Regents may make personal contributions to candidates for office and political organizations, with one exception. A Regent may not expend more than $100 for the cost of correspondence to aid or defeat the election of a Speaker candidate.

6.3 Entertainment. If a System or component employee provides tickets to a public official to allow the official and/or his guests to attend an event, an officer or employee of the System or a component will serve as host to the official, and must attend the event.

6.4 Perishable Food Items. System or component employees may provide Public officials with small, infrequent gifts of perishable food items delivered to their offices. These are not considered to be "benefits" for purposes of the provisions of the Penal Code prohibiting such.

6.5 Expenses for Public Officials. System components may pay expenses in order to furnish information to state officials relevant to their official position, including presentations about the programs and services of The Texas State University System and its components.

6.6 Use of Official Authority Prohibited. No System or component employee may use his or her official authority or influence, or permit the use of a program administered by the System to interfere with or affect the result of an election or nomination of a candidate or to achieve any other political purpose. No System or component employee may do any act or attempt to interfere with anyone who seeks to pay, lend, or contribute private funds or private property to a person or political organization for political purposes. Any System or component employee who violates either of these provisions is subject to immediate termination of employment, in accordance with the Government Code.

6.7 Use of System Funds or Property. No System or component employee shall expend or authorize the expenditure of any System or component funds for the purpose of influencing the outcome of any election, or the passage or defeat of any legislative measure. No System or component funds may be expended for the payment of full or partial salary of any employee who is also the paid lobbyist of any individual, firm, association, or corporation. System and component facilities may be used as polling places for local, state, and national elections.
6.8 Voting and Political Participation. As employees of the State of Texas, System and component employees have the rights of freedom of association and political participation guaranteed by the state and federal constitutions, except as limited by valid state laws. System and component employees shall be allowed sufficient time off to vote in public elections without a deduction from pay or from accrued leave time.

6.9 Political Campaign Events on System Property. The Chief Executive Officers of the components of The Texas State University System shall be responsible for promulgating rules for the regulation of political campaign meetings or speeches and other activities relating to political campaigns on property under their control. Such regulations shall be implemented by the Chancellor after approval by the Board of Regents.

6.10 Employees as Candidates and Officeholders. System and component employees may run for election and serve as members of the governing bodies of school districts, cities, towns, or other local governmental districts. No campaign activities may be conducted during official business hours unless the employee has requested and received permission to use leave time for such purpose. Any employee elected to such a position may not receive any salary for serving as a member of such governing bodies.

6.11 Political Contributions from Employees. System and component employees may make personal contributions to candidates for office and political organizations, with the exception that no state employee may contribute personal services, money, or goods of value to a candidate campaigning for speaker of the Texas House of Representatives.

7. USE OF AUTHORITY.

7.1 Misapplication of Property. A Regent shall not intentionally or knowingly misapply anything of value belonging to the government that comes into the Regent’s custody or possession by virtue of his or her office with the intent to obtain a benefit or to harm another.

7.2 Nepotism. Regents are prohibited from appointing, voting for, or confirming the appointment of any person related to such Regent within the third degree by consanguinity (blood) or within the second degree by affinity (marriage) when the salary or compensation for such person is to be paid from public funds. All employment decisions must be made in compliance with Chapter V, Section 2.2 of the System's Rules and Regulations.

7.3 Misuse of Official Information. A Regent shall not, in reliance on information to which he or she has access in his or her official capacity and which has not been made public: (1) acquire or aid another in acquiring a pecuniary interest in any property, transaction, or enterprise that may be affected by the information; or, (2) speculate or aid another in speculating on the basis of such information.
8. DUAL OFFICE HOLDING.

8.1 Non-Elective State or Federal Office. System and component employees may hold non-elective offices with boards, commissions, and other state and federal entities provided that the holding of such office, (1) is of benefit to the State of Texas, or is required by state or federal law, and (2) is not in conflict with the employee's position. Such appointments must be approved by the responsible CEO of the component. Prior to the Chancellor's or a CEO's accepting an invitation to serve in an additional non-elective office, the Board of Regents must determine that the appointment meets the two requirements stated above. The Board must also make an official record of any compensation to be received by the Chancellor or CEO from such appointment, including salary, bonus, per diem or other types of compensation.

8.2 Positions of Employment with Government Agencies. System and component employees may hold other positions of employment with agencies, boards, commissions, or other entities of government so long as the holding of such positions is consistent with the prohibitions against dual office holding in the Texas Constitution. Special rules for multiple employments with the State are provided in Chapter 667 of the Government Code. The person seeking dual employment must be informed of the special rules before that person becomes employed by more than one agency or institution. Consulting arrangements with federal, state, or local governmental agencies of a detached and independent advisory nature are not considered to be appointments with such agencies.

9. TRAINING.

9.1 Training of Regents. Each Regent shall receive training regarding the duties and obligations of the office as required by statute.

9.2 Training of Employees. The System Administration shall conduct, in even numbered years, training sessions for the personnel of each component responsible for ethics training in the various departments of such institutions. These training sessions will provide the trainees with the methods, policies and materials necessary to allow them to train each employee within their supervision or responsibility. Each component is responsible for training each employee in the provisions of this Chapter VIII of these Rules and Regulations each biennium. The CEO of each component will notify the Chancellor upon completion of the ethics training each biennium.

10. PROVISIONS RELATED TO EMPLOYEES ENGAGED IN PROCUREMENT OF GOODS AND SERVICES.

10.1 Expansion of Code of Ethics. This Paragraph 10 expands and supplements the Code of Ethics contained in Paragraphs 1-9 of this Chapter, for Components' officials and employees, including those
officials and employees authorized to execute contracts for a Component or to exercise discretion in awarding contracts.

10.2 Adherence to Policies Relating to Procurement. All officials and employees authorized to execute contracts for a Component or to exercise discretion in awarding contracts shall adhere to all System and Component policies, handbooks, guidelines and protocols designed to promote ethical and lawful behavior in the procurement process.

10.3 Disclosure of Conflicts of Interest. Employees and officials involved in procurement or contract management for a Component shall promptly disclose to the Component any potential conflict of interest specified by state law or System or Component policy that is known by the employee or official with respect to any contract with a private vendor or bid for the purchase of goods or services from a private vendor.

10.4 Prohibited Contracts. A Component may not enter into a contract for the purchase of goods or services with a private vendor with whom any of the following Component employees or officials have a financial interest:

(1) A member of the Board of Regents, unless, pursuant to Education Code, Section 51.923(e), the member does not have a "substantial interest" in the business entity or vendor;

(2) The Chancellor, president, vice chancellor and general counsel, chief procurement officer, or procurement director of the Component; or,

(3) A family member related to an employee or official described by Subparagraph (2) within the second degree of affinity or consanguinity.

10.41 A Regent, employee or official has a prohibited financial interest in a procurement if the Regent, employee or official:

(1) Owns or controls, directly or indirectly, or otherwise has an ownership interest of at least one percent in the entity seeking the contract or procurement, including the right to share in profits, proceeds, or capital gains; or

(2) Could reasonably foresee that a contract with such an entity might result in a financial benefit to the employee or official or to a third party or parties in whose welfare the employee or officer is interested.

10.42 A financial interest prohibited by this section does not include a retirement plan, a blind trust, insurance coverage, or an ownership interest of less than one percent in a corporation.

10.5 Notice to Employees and Officials of Expected Standards of Conduct. Employees and officials, including those engaged in procurement of goods and services, are hereby put on notice that their primary
responsibility is to accomplish the duties and responsibilities assigned to
the positions they hold. All employees and officials shall comply with
the standards of conduct found in these System Rules and Regulations.

10.6 Compliance with Law Required. Each official or employee of a
Component is expected to obey all federal, state, local laws, and these System Rules and Regulations regarding ethics and shall be subject to
disciplinary action for violation of those laws, rules and regulations.

10.7 Conflict of Interest Prohibited. Each employee or official of a
Component is prohibited from having a direct or indirect financial or
other interest; engaging in a business transaction or professional activity;
or incurring any obligation that conflicts with the proper discharge of the
employee's or official's duties related to the public interest.

10.8 Conflict of Commitment Prohibited. Each employee or official of a
Component is prohibited from participating in activities outside the
Component which interfere with the employee’s or official’s duties and
responsibilities to the Component.

10.9 Outside Employment or Activities. Engaging in outside employment or
activities, including board service, is not a right or entitlement and may
be permitted when, in the sole judgment of the president or his/her
designee, the employment or activity does not:

(1) Interfere with the employee or official's ability to perform his/her
public responsibilities and duties because of demands upon the
individual's time;

(2) Impair the employee or official's independence of judgment in
fulfilling his/her public responsibilities and duties;

(3) Reasonably expect or require the employee or official to disclose
confidential information acquired in or because of his/her public
responsibilities and duties; or

(4) Reasonably expect or require the employee or official to advance
a position or course of action that conflicts with his/her public
responsibilities and duties or the best interests of the Component
as determined by the president.

An employee or official, desiring to engage in outside employment or
activities, shall, through his or her supervisor(s), make a written request
to the president in which he/she addresses the above four factors with
specificity, providing copies of pertinent documents and such other
information as the president may require in order to make a decision.

10.10 Reporting of Conflicts of Interest. As soon as an employee or official
discovers or learns that he/she may have a conflict of interest regarding a
procurement or contract management, he/she shall:

(1) Promptly disclose the same to the president through his/her
supervisors, providing the specifics of the conflict, including but
not limited to, disclosure of the name(s) of the person(s) or entity(ies) involved; the exact nature of the relationship; and such other information or documents as president may require;

(2) Discontinue work on the procurement or contract management in question and recuse him/herself from involvement in the same; and

(3) Expect that his/her supervisors will deny physical or electronic access to files and documents related to the procurement.

10.11 Acting as Agent Not Permitted. An official or employee of a Component may not act as an agent for another person in the negotiation of the terms of an agreement relating to the provision of money, services, or property to the Component.

10.12 Use of Component Resources. Component funds, personnel, facilities, property (real or personal) shall not be used for the personal use, benefit, or profit of any individual employee or official or for a third party in whose welfare the employee or official is interested. A more detailed policy governing use of Component resources shall be created.

10.13 Training Required. Training shall be mandated for officers and employees authorized to execute contracts for a Component or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods and information resources purchasing technologies.

10.14 Publication of Policies. The provisions of this Chapter VIII, Paragraphs 4, 8, 9 and 10, shall be included in the policies of all Components; published on their web pages; included in procurement contract manuals; and generally be made known to vendors seeking to provide goods and services.

10.15 Reporting to Board of Regents or Designee. A Component’s contract management office or procurement director shall immediately report to the Chancellor, in his or her role as Secretary to the Board of Regents, any serious issue or risk that is identified with respect to a contract monitored under these Rules and Regulations.

11. DISCLOSURE, IN PUBLIC COMMUNICATIONS, OF SPONSORS OF CONTRACTED RESEARCH.

11.1 Disclosure Required. In any public communication the content of which is based on the results of sponsored research, a faculty member or other employee or appointee of a Component who conducted or participated in conducting the research, shall conspicuously disclose the identity of each sponsor of the research.

11.2 Definitions. In this Paragraph:
(1) "Component" refers to a System college, university, or institute that falls within the meaning of "institution of higher education" assigned by Section 61.003 of the Texas Education Code.

(2) "Public communication" means oral or written communication intended for public consumption or distribution, including:
   (A) Testimony in a public administrative, legislative, regulatory, or judicial proceeding
   (B) Printed matter including a magazine, journal, newsletter, newspaper, pamphlet, or report; or
   (C) Posting of information on a website or similar Internet host for information.

(3) "Sponsor" means an entity that contracts for or provides money or materials for research.

(4) "Sponsored research" means research:
   (A) That is conducted under a contract with, or that is conducted under a grant awarded by and pursuant to a written agreement with, an individual or entity other than the Component conducting the research; and
   (B) In which payments received or the value of materials received under that contract or grant, or under a combination of more than one such contract or grant, constitutes at least 50 percent of the cost of conducting the research.

12. DISCLOSURE OF INTERESTED PARTIES CONTRACTING WITH SYSTEM COMPONENTS.

A System Component may not enter into a contract with a business entity that requires an action or vote by the Board of Regents or that has a value of at least $1 million, unless the business entity submits a disclosure of interested parties at the time the business entity submits the signed contract to the Component. The Board will not approve any contract that is not accompanied by such disclosure statement and a representation by the Component that such statement was timely submitted to the Texas Ethics Commission as required by law.

12.1 Contracts Exempted. This Paragraph 12 does not apply to a sponsored research contract, an interagency contract, or a contract related to health and human services if the value of the contract cannot be determined at the time the contract is executed and any qualified vendor is eligible for the contract.

12.2 Disclosure Form. The disclosure of interested parties must be submitted on a form prescribed by the Texas Ethics Commission and shall include:
(1) A list of each interested party for the contract of which the contracting business entity is aware; and

(2) The signature of the authorized agent of the contracting business entity, acknowledging that the disclosure is made under oath and under penalty of perjury.

12.3 Submission to Texas Ethics Commission. The Component shall submit a copy of the disclosure to the Texas Ethics Commission not later than the 30th day following the date the Component receives a disclosure of interested parties required under this Paragraph 12.