College of Osteopathic Medicine
SAM HOUSTON STATE UNIVERSITY

Element 1.4: Governance and Program Policies

- **1.4-2d Supporting Documentation**
  - Policies for Fiscal Management and Accountability
    - TSUS Rules and Regulations Chapter III – link

THE TEXAS STATE UNIVERSITY SYSTEM

RULES AND REGULATIONS

LAMAR UNIVERSITY
LAMAR INSTITUTE OF TECHNOLOGY
LAMAR STATE COLLEGE - ORANGE
LAMAR STATE COLLEGE - PORT ARTHUR
SAM HOUSTON STATE UNIVERSITY
SUL ROSS STATE UNIVERSITY
TEXAS STATE UNIVERSITY

Adopted September 1, 1980
Amended November 18, 2022

CHAPTER III. SYSTEM - COMPONENT OPERATIONS

1. ITEMS REQUIRING BOARD APPROVAL.

The following items shall be submitted to the Board of Regents for approval. 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 (*see* Paragraph 10 of this Chapter for Contracts procedures), 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, software, 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) Fuel purchased for Component operations.

(9) Purchased utilities, including water and waste hauling, but excluding electricity and natural gas (which are subject to approval by the Chancellor). Components are authorized, within Presidential spending authority limits, to execute Energy Future Strip agreements. The Component is required to send a copy of the executed contract to the Vice Chancellor and Chief Financial Officer.

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

(11) "Employment Contracts" as described in *Paragraph 1.13* of *Chapter V*.

(12) Renewal or extension of annual software and network service contracts.

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

(14) Purchases utilizing existing contracts from Group Purchasing Organization (GPO) agreements; however, any individual purchase exceeding the delegated authority levels requires approval of the Board.

(15) Football game contracts; however, football game contracts in excess of $500,000 must be approved by the Chancellor.

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 and Chief Financial Officer.

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 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 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 Faculty Matters. Faculty matters, including but not limited to appointment, reappointment, granting of tenure, changes in tenure or employment status, dual employment, development and other leaves, and termination.

1.3 Financial Matters.

1.31 Operating budgets (including Component employee salaries). Adjustments to the annual operation budgets shall be provided to the Board of Regents as an "informational item" on a semi-annual basis.

1.32 Proposals for issuance of bonds.

1.33 Capital leasing projects.

1.4 Mandatory Tuition and Fees, including but not limited to:

1.41 Designated Tuition, including for Dual Credit and Early College High School courses.

1.42 Board Authorized Tuition.

1.43 Medical Center Fee.

1.44 Student Center Fee.

1.45 Transportation Fee.

1.46 Student Services Fee.

1.47 Course Fee.

1.48 International Education Fee.

1.49 Records/Publications Fee.

1.4(10) Library Fee.

1.4(11) Advising Fee.

1.4(12) Computer/Technology Fee.

1.4(13) Institutional Services Fee.

1.4(14) Intercollegiate Athletics Fee.

1.4(15) Recerational Sports Fee.

1.4(16) Program Fee.

1.4(17) Distance Learning Fee.

1.4(18) Residence Hall and Meal Plan Rates.

1.4(19) Statutory Tuition. Statutory tuition for students concurrently enrolled at any component institution shall be waived in accordance with *Texas Education Code 54.216*.

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 and Chief Financial Officer 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. In accordance with *Government Code 444.029*, the Board of Regents directs that one percent of each new major construction project with a total project cost of $1 million or greater 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 Public art commissioned under the Public Art Program shall not include university logos or branding and should not be predominantly a university color. Public art should retain a residual value as noted by the professional art community.

1.523 Projects that consist solely of improvements to campus infrastructure, athletic fields, greenhouses, parking facilities, utility plants, chillers and offices and facilities located off-campus are exempt from the one percent allocation for the acquisition of works of public art. The final decision as to whether a specific project is exempt from having to allocate one percent for the acquisition of works of public art shall be made by the Chancellor.

1.524 Guidelines for Acquisition. The Chancellor may promulgate guidelines or policies 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 in context with the proposed location or building;

(9) Such other factors as appropriate.

1.525 Director of Public Art. The Director of Public Art shall administer the Public Art Program.

1.526 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 1.527*.

1.527 Aggregation of Funds. As permitted under the law and applicable to the source of funds, the funds may be aggregated and expended pursuant to a comprehensive art and aesthetic improvement plan.

1.528 Approval Process. A Committee on Public Art will be created and promulgate its operating procedures establishing the criteria for membership, duties, and terms of each committee member. A Component President shall select and/or approve a majority percentage of the committee members. Prior to execution of a contract for design and fabrication or acquisition of public art, the Public Art Director will bring recommendations from the Committee on Public Art to the President. The Public Art Director will bring the President's recommendation to the Chancellor for response.

1.529 Deaccessions. In order to increase the value of the Collection and recognizing the responsibility associated with acquiring and maintaining public art under the Public Art Program, non-binding recommendations for deaccessions will be made by the Director of Public Art to the Component President.

1.52(10) The Chancellor may adjust the one percent allocated for public art to align with the overall project.

1.53 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.

1.54 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 Vice Chancellor and Chief Financial Officer.

1.6 A Policies and Procedures Manual for Planning and Construction to govern the 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 $8 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 and Presidents authority to enter into contracts for the design and construction of capital projects in accordance with the TSUS Policies and Procedures Manual for Planning and Construction. The Chancellor is authorized 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 Administration staff and/or to the Component Presidents.

1.9 As soon as practicable after the time each project previously approved by the Board is completed, the Vice Chancellor and Chief Financial Officer 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, Paragraph 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, 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, Leases, Sales or Easements. The Board retains authority to approve all purchases, exchanges, leases, or sales of real property, or the granting of easements on, Components' real property, except for ground leases of five (5) years or less and delegations stated in *Paragraph 1.(13)2*.

1.(13)2 Delegation of Authority re Real Property. The Chancellor is delegated authority to approve a purchase, exchange, lease, or sale of, or easement on, real property valued up to $3,000,000;

provided the Vice Chancellor and General Counsel has approved the operative documents as to legal form. The President of each Component is delegated authority to purchase, exchange, lease or sell real property valued up to $500,000; provided the Vice Chancellor and General Counsel has approved the operative documents as to legal form.

1.(14) Naming of Buildings. See *Paragraph 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) Athletics.

1.(17)1 The addition or reduction of university supported athletic teams.

1.(17)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.

[5] *Government Code, Chapter 552*.

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 motions for contracts and agreements (as defined in *Chapter III, Paragraphs 1.11* and *1.12*) must conform to the format requirements set forth in *Paragraphs 10.4* and *10.5* of this *Chapter*, and be reviewed by the Vice Chancellor and General Counsel and Vice Chancellor and Chief Financial Officer prior to submission to the Board of Regents. The subject contract or agreement, once authorized, must be reviewed and approved as required in *Paragraphs 10.4* and *10.5*. 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. The Board may postpone consideration of a motion for a contract to a subsequent meeting to enable the Board an opportunity to review and discuss the contract document.

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 Administration and Vice Chancellor and General Counsel.

3.4 Modifications of the student and employee handbooks and other policy-setting documents of the Component.

3.5 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 Administration 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.

4.1 Component Master Plan Committees.

4.11 Composition. Each president shall establish and chair (or otherwise designate a chair for) a Component Master Plan Committee whose members shall be approved by the Chancellor or his/her designee. All Component constituents shall be represented, including but not necessarily limited to the Board of Regents, which shall be represented by a Regent to be appointed by the Chairman (*see Chapter I, Subparagraph 6.7*); the System Administration Office; Component academic, fiscal, student affairs, facilities/planning/construction representatives; faculty; staff; students; and members of the local community (for example, civic, governmental, business and industry leaders).

4.12 Responsibilities. The primary responsibility of each Component Master Plan Committee shall be to make recommendations to the President and the Chancellor regarding the development of a Campus Master Plan.

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

5. ACADEMIC AND HEALTH AFFAIRS PROCEDURES.

5.1 General 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 requires approval by the Board of Regents and 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 and Health Affairs Committee timely as determined by System Administration.

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, which shows 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 and Health Affairs Committee.

5.17 Committee Considerations. In passing upon requests for new courses, the Academic and Health 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 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.

5.1(10) Before any course previously authorized by the Board of Regents and the 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 respective officers and employees.

5.2 Faculty Academic Workload Policy. Faculty have a fundamental role in fostering student success and advancing our Component institutions. Teaching, research, creative activity, and service are important elements of faculty academic workloads and will vary due to differences in each Component institution's mission.

5.2.1 Component Faculty Workload Policy. Each Component institution will develop a faculty workload policy for that Component consistent with general policies developed by the Texas Higher Education Coordinating Board and Texas Education Code 51.402. The policy will establish the faculty workload standards, provide guidelines for adjustments of workloads reflecting different kinds of instruction, and provide a schedule for awarding equivalent teaching load credit for the assignment of other academic duties.

5.2.2 Academic Workload Monitor. Each Component president shall designate the individual who will monitor workloads, prepare and review appropriate workload reports, and submit the reports to the president for approval.

5.2.3 Faculty Workload Reports. Within 30 days of the end of each academic year, the Vice Chancellor for Academic and Health Affairs will submit a report of faculty workloads to the Board as defined by Education Code 51.402(c).

5.3 Other Reports. The Academic and Health Affairs Committee shall examine reports on the academic well-being of the Component Institutions on a regular basis, including, but not limited to, student enrollment, student success, and Faculty workload.

5.4 Health Specific Policies. The Academic and Health Affairs Committee shall consider, report on, and make recommendations to the Board of Regents regarding:

5.41 Health related programs;

5.42 Sam Houston State University College of Medicine (COM):

5.421 Substantive aspects of policies and programs related to the academic and health philosophy and objectives of the COM;

5.422 Matters relating to medical education;

5.423 Proposed changes to the COM's mission statement;

5.424 Bylaws and rules and regulations of the medical staff; concerning mechanisms and controls for the achievement and maintenance of high standards of professional practices in and at the hospital, clinic, or patient-care facility, provided the Committee shall have first counseled with the Vice Chancellor for Academic and Health Affairs and submitted such bylaws, rules, regulations and standards for legal review prior to implementation per the System *Rules and Regulations*;

5.425 Matters affecting the library as well as the research, training and community service activities of the COM;

5.426 Effect of System Policies and *Rules and Regulations*. In the event of conflict between COM policies or the *Rules and Regulations*, the latter shall govern. By way of example and not limitation, capital improvement projects, acceptance of gifts, due process and other policies impacting faculty/staff and students, policies requiring review and approval of contracts, spending authority and audit matters shall remain subject to University and System policies and *Rules and Regulations*.

See *Chapter I, Subparagraph 6.3*, for the enabling authority of the Academic and Health 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 *Subparagraph* 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 and Chief Financial Officer 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 and Chief Financial Officer 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 and Chief Financial Officer 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 and Chief Financial Officer 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.

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 Administration 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 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.

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 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.

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, Subparagraph 1.(12)*).

6.(11) Permanent and Quasi 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. The establishment, abolishment and change to the corpus of a quasi-endowment is subject to Board approval.

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 System or 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.

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 *Subparagraphs 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 quality 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*.

(1) The authority to sign Corporate Resolutions on behalf of The Texas State University System and its Components, confirming the person or persons authorized to approve investment transactions is delegated to the Vice Chancellor and Chief Financial Officer. Requests to the Vice Chancellor and Chief Financial Officer to authorize Component investment officers to approve investment transactions shall be made by letter from the Component's President, in which the names of all persons being authorized to conduct such business for the Component are specified.

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 Chief Audit Executive 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 and protect 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 Chief Audit Executive 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 Chief Audit Executive 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 Chief Audit Executive will timely advise the Chancellor regarding desired audit budget initiatives.

7.4 Audit Space. The Chair of the Finance and Audit Committee and the Chief Audit Executive 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 Chief Audit Executive 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 Administration and the Components. 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 or 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 or 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 Irregularities. The Board of Regents has established an Anti-Fraud Policy in *Chapter VIII, Paragraph 1* of these *Rules and Regulations*. The Chief Audit Executive is charged with responsibility for coordinating review and investigative activities as necessary with Component 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 Chief Audit Executive will make every reasonable and lawful effort to protect the rights and the reputations of those involved in an internal audit or review involving allegations of fraud, including the employee/complainant who reports alleged fraud; the individual(s) interviewed; 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 or irregular activities, the Chief Audit Executive or his/her designee will communicate results in accordance with provisions outlined in the *Internal Auditing Standards*. The Chief Audit Executive will communicate substantiated fraud or other irregularities committed by Texas State University System employees or contractors 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 Chief Audit Executive and Component auditors.

7.75 Intercollegiate Athletics. The internal audit function 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*.

7.76 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 and Compliance Plan Development.

7.81 Component Risk Assessment and Audit Plans. On an annual basis, each Component 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 Chief Audit Executive 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 Risk and Compliance Assessment and Audit Plan. The Chief Audit Executive 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 and Compliance Plan for System Administration. Risk-based testing of contract administration shall be included in the annual Audit and Compliance 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 and Compliance Plan, which will be presented by the Chief Audit Executive 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 and Compliance Plans. Circumstances may require deviations from the Audit and Compliance Plan. Component-level deviations may be recommended to the Chief Audit Executive by the Component Director or initiated by the Chief Audit Executive. The Chief Audit Executive 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 Finance and Audit Committee. Investigations resulting from *EthicsPoint* or other fraud reporting mechanisms are not considered deviations from the Audit and Compliance Plan.

7.9 Audit and Compliance Reports.

7.91 Content. Consistent with provisions outlined in the *Internal Auditing Standards*, when formal audit and compliance reports are prepared, each report shall contain, at a minimum;

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

(2) A brief summary highlighting significant observations 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 observations and recommendations, including management's written response as outlined in Paragraph 7.922.

Draft reports prepared by the Component Directors or the System Compliance Officer shall be submitted to the Chief Audit Executive for review and approval prior to submitting the draft reports to Component management.

7.92 Management Response.

7.921 Time for Response. Management must respond to each report within two weeks of the issuance of the report draft. Upon a showing of extenuating circumstances by management and the Component Director's

recommendation, the Chief Audit Executive may extend the time for response.

7.922 Content of Response. Management responses to each report 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 Chief Audit Executive 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 Director to the Chief Audit Executive's satisfaction.

7.93 Distribution. The Chief Audit Executive shall review, approve, and timely distribute draft audit and compliance reports (internal and external) to System administrations, Finance and Audit Committee members, the Board of Regents and outside parties where applicable, including the Governor's Office, the Legislative Budget Board, and the State Auditor's Office. The Chief Audit Executive shall forward the draft reports, in their entirety to the Board of Regents in instances involving:

(1) Fraud, theft, or misappropriation of System resources exceeding $50,000;

(2) Significant instances of non-compliance with Component and/or System rules, policies or procedures, internal controls, state or federal regulations or laws;

(3) Situations in which a member of the audit staff has experienced undue management pressure or delay; or,

(4) Other circumstances (or amounts), which, in the Chief Audit Executive's discretion, are material and substantial.

7.(10) Communications.

7.(10)1 Quarterly Status Reports. The Component Directors and System Compliance Officer shall forward a summary of the status of management's implementation of audit and compliance recommendations in a format and time prescribed by the Chief Audit Executive for inclusion in the quarterly Board agenda materials.

7.(10)2 Follow-Up Audit Work. The Chief Audit Executive shall prescribe a follow-up audit tracking system for use by internal audit employees to ensure timely follow-up on all audit recommendations.

7.(10)3 External Audit Communications. The Chief Audit Executive shall act as the System and Component general liaison with the State Auditor's Office. Each Component Director shall function as the on-site liaison between that Component and the State Auditor's Office or other external auditors. The Component Director shall notify the Chief Audit Executive 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 in the System *Policies and Procedures Manual for Planning and Construction*.

9.4 Removing Names of Component Facilities. The Board of Regents retains exclusive authority for the removal of names of buildings and other geographic areas on Component or System-owned or controlled property ("Facilities") when such names of buildings and other geographic areas were previously approved by the Board of Regents.

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, Subparagraph 1.1*, shall be submitted to the Board of Regents for approval.

10.22 Contracts, purchases, and agreements in the amount of $500,000 or more, but less than $1 million, are subject to approval by the Chancellor. Additionally, the Chancellor retains authority to approve those contracts in the amount of $1 million or more excepted from Board approval under Subparagraph 1.11 of this Chapter.

10.23 All contracts and agreements submitted to the Board or Chancellor shall be submitted for review by the Vice Chancellor and Chief Financial Officer and the Vice Chancellor and General Counsel prior to submission to the Board or Chancellor. The Vice Chancellor and General Counsel shall advise the Board or Chancellor of any contract or agreement that may have adverse legal ramifications.

10.24 The President of each Component shall be delegated the responsibility and authority to enter into contracts, purchases, and agreements in the amount of $500,000 or less 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.

10.25 The President may delegate power to contract, purchase, or enter into agreements in amounts of $500,000 or less, 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 such delegated contracts, purchases, and agreements, 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.

10.26 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 *Subparagraph 10.21* of this *Chapter* of these *Rules and Regulations* shall be entered into after each instrument is considered and approved in open meeting. Each instrument shall identify the Component and shall be recorded in the minutes of the meeting at which it is approved. The original or a copy of an executed instrument shall be retained pursuant to the Texas State Records Retention Schedule by the signatory Component as a record of the Board. 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 for the President or his or her designee; for the Vice Chancellor and Chief Financial Officer, indicating "Reviewed and Recommended," in the case of financial contracts; for the Vice Chancellor and General Counsel, indicating "Approved as to legal form"; and a line indicating "APPROVED by the Board of Regents of the Texas State University System on [date] at [place]," with an attestation signature block for the Chancellor, as Secretary to the Board.

10.5 Form of Motions for Contracts, Purchases and Agreements.

10.51 The Motion for any contract requiring Board approval shall contain the essential details of the transaction, including the following information:

(1) Parties to the Contract;

(2) Subject matter of the Contract;

(3) Duration of the Contract, including any potential Amendments extending the Contract; and,

(4) Price or not-to-exceed amount of the Contract, including any Amendments.

10.52 The Explanation to the Motion shall minimally include:

(1) The Subject Matter of the Contract, including the Purpose of the acquisition;

(2) The Source of Funding;

(3) A Statement that it has been or will be reviewed by the Vice Chancellor and Chief Financial Officer and the Vice Chancellor and General Counsel; and,

(4) A Statement verifying that the solicitation method and vendor selection process complies with applicable state laws, TSUS Rules and Regulations and the TSUS Contract Management Handbook.

10.6 Regental Prerogative. Any Regent who wishes to see and/or discuss a contract or contracts, may notify the Chancellor.

10.7 Contract Reporting

10.71 Component Institutions must comply with contract reporting requirements set forth in the TSUS Contract Management Handbook.

10.72 The Component or System Administration, 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 *Subparagraph 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 and incidental use (as authorized in TSUS Policy Guideline: Appropriate Use of Information Technology Resources [*Appendix A-2* of these *Rules and Regulations*]). 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.

12.41 Student Ownership. Ownership of inventions or discoveries developed by students using Component facilities while engaging in coursework, including but not limited to capstone projects, senior design engineering projects, and maker space projects, may be owned by the student. The discovery or invention may not (1) be related to the student's roles, duties, or activities as an employee of a Component Institution, (2) list a co-inventor who is employed by a Component Institution, or (3) have been funded, in whole or in part, by a sponsored program, grant, or contract received by a Component Institution. The inventor(s) of any such invention or discovery must disclose to the appropriate Component office.

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 *Subparagraphs 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 *Subparagraph* 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* authorizes institutions of higher education to use "best value" procurement process which provide greater autonomy and flexibility in the procurement of goods and services.

17.1 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, and System *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 System Administration 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 promulgated by the Comptroller of Public Accounts are adopted into and shall become part of these *Rules and Regulations*.

19. INFORMATION TECHNOLOGY "IT".

19.1 Purpose. In order to assure that System and Component institutions' information resources are effectively and properly managed; to protect these assets against unauthorized access, disclosure, modification or destruction; and to assure the availability, integrity, and confidentiality of information, each Component institution shall develop and disseminate institutional policy statements consistent with the policies as referenced in *Subparagraph 19.2* (*see Texas Administrative Code, Title 1, Part 10, Chapter 202, Subchapter C (TAC 202)).*

19.2 Information Technology Policies. Information Technology Policies for the Texas State University System and Component institutions (TSUS IT Policies) shall be made available on the System's website. Each Component institution may adopt the TSUS IT policy statements as is or adapt the language and format to suit their institution. The TSUS IT Policies are to be considered the minimum policy requirement for each Component institution.

19.3 Electronic and Information Resource Accessibility. Each Component shall develop policies and mechanisms, providing for Electronic and Information Resource Accessibility including compliance; exceptions; training; Electronic Information Resources Accessibility Coordinator (EIRAC) designee; and, definitions (*see Appendix A-15*).

19.4 Central Review and Oversight. Each Component shall develop policies and mechanisms, providing for Information Resources Manager (IRM) and Information Security Officer (ISO) review and oversight, including the authorization to reject, of all Component information technology acquisitions, including, but not limited to, computing hardware, software, and hosting services, regardless of source of funds.

19.5 Authority and Responsibility. Questions related to information technology policies at any component institution should be addressed to the IRM at the component institution.

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. See *Subparagraph 7.75* of this *Chapter*.

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.

24. ACTIVE ATTACK RESPONSE AND TRAINING PLAN.

24.1 Purpose. The Texas State University System is committed to providing a safe environment for its faculty, staff and students. As active attack situations pose an unfortunate, ongoing threat to our campus communities, each System Component shall develop an Active Attack Response and Training Plan that addresses preparedness, response, management, mitigation, infrastructure and recovery after an active attack situation. At a minimum, the plan should be consistent with requirements outlined in Texas Education Code, Section 51.217(b) and include the following characteristics:

(1) Input from and collaboration with appropriate local emergency management personnel;

(2) A training program for personnel charged with emergency management and response;

(3) A program for conducting annual, mandatory training, exercises and drills;

(4) Communications and awareness Components, designed to reach a maximum number of faculty, staff and students;

(5) Prevention Components that address mental health, threat assessment and training; and,

(6) A requirement that compliance with the Plan shall be monitored by a System compliance officer and reported biennially to the Board through the Chancellor or his or her designee.

24.2 Scope. Each Component's policy shall apply to all faculty, staff, students and, if assigned to work on the campus permanently, employees of contractors.