Applicability

These guidelines apply to the procurement of the following types of goods and services for all University of Houston System (UHS) components.

Also, these guidelines apply to all methods of procurement, including contracts (revenue and expense), purchase orders, non-PO vouchers, and Procurement Card payments. “Purchases” in these guidelines refers to any and all of these methods of procurement.

Reason for Purchasing Guidelines

The Texas Education Code 51.9335 provides a general description of the requirements for the acquisition of goods and services by institutions of higher education and the UHS Purchasing Guidelines are intended to help UHS components comply with these and other state and federal regulations through more specific procurement procedures. These guidelines are intended to be in compliance with UH System Board of Regents (BOR) Policy 55 – Finance; System Administrative Memorandum (SAM) 03.A.01, Expenditure of all Funds Administered by the University of Houston System; SAM 03.A.04, University Credit Cards; SAM 03.A.05, Contract Administration; SAM 03.B.01, Purchasing Guidelines; SAM 03.B.02, Contracting with Historically Underutilized Businesses (HUBs). If there is any discrepancy between these guidelines and the BOR Policy or SAMs, the BOR Policy and SAMs take precedent.

Purchasing Guidelines

1. GENERAL

   1.1 All purchases made using funds paid through UHS cost centers, except for agency funds (fund 9xxx), must comply with these procedures. Agency funds do not belong to UHS and are not subject to these procedures. However, as the custodian of those funds, the responsible UHS department must ensure that expenditures on agency funds are reasonable, necessary, properly documented, and in accordance with the fund’s purpose.

   All purchases with UHS funds must be fully documented with all documents retained in accordance with the UHS records retention schedule. On purchases above departmental delegation, departments should contact the Purchasing Department to receive advice on procedures to follow when researching a purchase.

   1.2 Procurement Statutes

   UH System is subject to the following procurement statutes:
   a. Texas Education Code 51.923, Qualifications of Certain Business Entities to Enter into Contracts with an Institution of Higher Education
   b. Texas Education Code 51.9335, Acquisition of Goods and Services
   c. Texas Education Code 51, Subchapter T, Construction and Repair of Permanent Improvements
   d. Texas Government Code 572.069, Certain Employment for Former State Officer and Employee Restricted
   e. Texas Government Code 2254, Subchapter A, Professional Services
f. Texas Government Code 2254, Subchapter B, Consulting Services

g. Texas Government Code 2161, Historically Underutilized Businesses

h. Title 34, Texas Administrative Code, Chapter 20, Historically Underutilized Businesses

i. Human Resources Code, Chapter 122, State Use Program

j. Title 40, Texas Administrative Code, Chapter 189, State Use Program

k. General Appropriations Act (only applies to state-appropriated funds)

l. Texas Government Code 2261, Subchapter F, Ethics, Reporting, and Approval Requirements for Certain Contracts

m. Texas Government Code 2054.008, Notification Requirements for Major Information Systems Exceeding $1,000,000

n. Texas Government Code 2166.2551, Notification Requirements for Construction Projects Exceeding $14,000

o. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, OMB Circular A-81 (only applies to federal funds)

1.3 Purchasing Process for Non-Federal Funds

When only non-federal funds will be used, the purchasing processes and dollar thresholds are as follows:

a. Purchases up to and including $5,000, which are considered spot purchases and do not require competition;

b. Purchases processed directly through and by the Purchasing Department that are over $5,000 and up to and including $25,000, which require informal bids;

c. Purchases processed directly through and by the Purchasing Department that are over $25,000, which require formal bids and posting on the State of Texas Electronic State Business Daily (ESBD).

1.4 Purchasing Process for Federal Funds


When any federal funds will be used, the purchasing processes and dollar thresholds are as follows:

a. Purchases up to and including $3,000, which are considered spot purchases and do not require competition;

b. Purchases processed directly through and by the Purchasing Department that are over $3,000 and up to and including $150,000, which require informal bids;

c. Purchases processed directly through and by the Purchasing Department that are over $150,000, which require formal bids and posting on the State of Texas Electronic State Business Daily (ESBD).

A list of federal fund codes are posted on the Finance References page: [http://www.uh.edu/finance/pages/References.htm](http://www.uh.edu/finance/pages/References.htm) Purchases may not be split to avoid a
more restrictive procurement process whether they involve federal funds or not.

1.5 Purchases Funded by a Restricted Gift, Contract, or Grant

Purchases made pursuant to a restricted gift, contract or grant may be further restricted by procurement requirements outlined in the sponsor or donor restrictions and regulations. It is the originating department’s responsibility to follow the sponsor or donor’s restrictions and regulations when initiating a purchase.

1.6 Purchases Funded by State-Appropriated Funds

Purchases funded by state-appropriated funds are further restricted by the General Appropriations Act and rules published by the Comptroller’s Office in its online purchasing guide, eXpendit: https://fmx.cpa.state.tx.us/fm/pubs/purchase/index.php

1.7 Best Value Requirement

In accordance with Texas Education Code 51.9335, UH System purchases, regardless of dollar amount, shall be based on a “best value” and shall consider:

- list purchase price;
- reputation of the vendor and of the vendor’s goods or services;
- quality of the vendor’s goods or services;
- extent to which the goods or services meet UHS’ needs;
- the vendor’s past performance with UHS;
- impact on the ability of UHS to comply with laws and rules relating to Historically Underutilized Businesses (HUBs) and to the procurement of goods and services from persons with disabilities;
- total long-term cost to UHS of acquiring vendor’s goods and services;
- use of material in construction or repair to real property that is not proprietary to a single vendor unless UHS provides a written justification in the request for bids of the unique material specified;
- ability of the vendor’s proposal to meet the requirements of the institution’s solicitation document, so that any vendor proposal that is non-responsive to the criteria set forth in the solicitation document shall be rejected;
- and any other relevant factor that a private business entity would consider in selecting a vendor.

Each solicitation is unique and will list the best value criteria for that purchase.

1.8 HUB Program

In accordance with Texas Government Code 2161 and Title 34 of the Texas Administrative Code, Chapter 20, UH System is committed to having a robust Historically Underutilized Business (HUB) program for all of its components to encourage HUB participation in UHS contracts, as well as comply with state HUB requirements.
Each component university HUB Coordinator will develop procedures to comply with state HUB requirements. UH HUB Program Guidelines are posted on the UH HUB website: http://www.uh.edu/administration-finance/hub/resources/

1.9 State Use Program

In accordance with Human Resources Code, Chapter 122, and Title 40 of the Texas Administrative Code, Chapter 189, UH System departments shall purchase goods, whenever possible, from persons with disabilities (Texas Industries for the Blind and Handicapped (TIBH)) when using state-appropriated funds.

When a requisition is created using state funds to purchase a good or service that might be available from TIBH, the requisition creator must confirm whether TIBH sells the good or service and, if so, why the good or service is not being purchased from TIBH. This information is recorded on the requisition and in a table that can be queried for monthly TIBH reporting. See the State Use Program FAQs for detailed processing instructions: http://www.uh.edu/administration-finance/purchasing/Information/

Each component Purchasing Department is responsible for completing monthly TIBH reporting. TIBH contracts may be viewed at the following website: http://www.tibh.org/catalog/index.php

2. PURCHASE OF GOODS OR COMMODITIES

2.1 Purchases of $3,000 or Less with Federal Funds or $5,000 or Less with Non-Federal Funds - Spot purchases

a. Quotes:
   - Authority to make purchases without competitive bids for $3,000 or less with federal funds or $5,000 or less with non-federal funds (including freight) is delegated by each component’s policies. For purchases of $3,000 or less (federal funds) or $5,000 or less (non-federal funds) that will be invoiced by the vendor, departments must obtain a quote from the vendor prior to the purchase to ensure the items and amount charged on the invoice match the quote.
   - This quote must be uploaded to the voucher (in addition to the invoice) or requisition as backup documentation.
   - Quotes are not required for direct purchases of $3,000 or less (federal funds) $5,000 or less (non-federal funds), such as over-the-counter purchases or purchases with a credit card. See component’s policy on departmental delegation.
   - Departments are encouraged to obtain multiple quotes (if they have departmental delegation) for purchases of $3,000 or less (federal funds) $5,000 or less (non-federal funds), whenever possible, to help them determine which vendor provides the best value.

b. Splitting Orders: Purchases may not be separated into smaller dollar purchases in order to remain within the departmental authorized dollar limit.
c. Unauthorized Purchases: In the event a purchase or series of purchases (that appropriately should have been combined into a single purchase) are made exceeding the departmental delegated authority amount, the department shall submit a letter of justification along with the request for payment to the Chief Financial Officer (CFO) or designee for approval. (The department must follow the component’s procedures for requesting an exception to policy.)

d. Payment Methods: Purchases under each component’s delegated amount may be done using procurement card, payment directly to vendor by voucher or reimbursement to employee by voucher.

2.2 General Requirements for Purchases over $3,000 with Federal Funds or over $5,000 with Non-Federal Funds

a. Competition: Unless specifically exempted (see Section 4.5), procurement methods for purchases over $3,000 with federal funds or over $5,000 with non-federal funds must include: competitive bidding; competitive sealed proposals; group purchasing; and/or alternate methods relevant to the specific application of goods or services purchased.

b. Documentation for Requisition: Departments must submit a vendor’s quote along with the purchase requisition to the Purchasing Department. The quote must include a detailed description of the type and quantity of items to be purchased. Purchasing will use this information as the basis for conducting a competitive bidding process and creating the purchase order. If applicable, the department will also submit a Sole Source Justification Form with the requisition, which will be reviewed and approved by Purchasing.

c. Documentation for Purchase Order or Contract: For all purchases over $3,000 with federal funds or over $5,000 with non-federal funds, documentation must be attached to the purchase order or contract that substantiates (a) basis for contractor selection; (b) justification for lack of competition when competitive bids or offers are not obtained; and (c) basis for award cost or price. This requirement applies to all university funds, including grants transferred from other institutions. It does not apply to agency funds, which do not belong to the university.

d. Payment Method: All payments for purchase orders must be made on a PO voucher with the appropriate invoice attached.

2.3. Purchases between $3,000 and $150,000 paid in part with federal funds and between $5,000 and $25,000 paid entirely with non-federal funds - Informal bids

a. All items in section 2.2 apply.

b. Most purchases between $3,000 and $150,000 paid in part with federal funds or between $5,000 and $25,000 paid entirely with non-federal funds will involve an informal bidding process. Purchasing will send a minimum of three (3) telephone, e-mail or fax bids to vendors. A minimum of two (2) State of Texas certified Historically Underutilized Businesses (HUBs) will be contacted if available for that purchase.
2.4 Purchases over $25,000 paid entirely with non-federal funds or over $150,000 paid in part with federal funds - Formal bids

   a. All items in section 2.2 apply.
   b. Purchasing will post bids on the State of Texas Electronic State Business Daily (ESBD).
   c. Purchasing will check the Excluded Parties List System (EPLS) website to make sure vendor is not on the excluded list and upload a screen print of the EPLS website to the purchase order.

2.5 Purchases over $100,000

   a. All items in sections 2.2 and 2.4 apply.
   b. A HUB Subcontracting Plan is required with bidding documents, if the Purchasing Department determines that subcontracting opportunities are likely.

2.6 Purchases over $1,000,000

   a. All items in sections 2.2, 2.4, and 2.5 apply.
   b. All revenue and expense contracts over $1,000,000 must be approved by the UHS Board of Regents, as well as all construction and renovation projects costing $10,000,000 or more. Following BOR approval, the Texas Higher Coordinating Board must also review any construction or renovation projects over $10,000,000 before a contract is signed.
   c. See “Construction Procurement Process Over $1 Million (Narrative)” and “Non-Construction Procurement Process Over $1 Million (Narrative)” on the UH Purchasing page for detailed procurement procedures. The narrative and a flowchart for each process are located at: [http://www.uh.edu/administration-finance/purchasing/Information/](http://www.uh.edu/administration-finance/purchasing/Information/)

2.7 Requirements that apply regardless of dollar amount

   a. Radioactive materials, x-ray machines, Class 3b and 4 lasers, biological safety cabinets and other hazardous materials must be purchased through the Purchasing Department and must be pre-approved by the campus Environmental Safety Officer.
   b. Vehicles, including “golf carts” used on campus, must be purchased through the Purchasing Department and must be pre-approved by the campus Fleet Coordinator.
   c. UHS shall provide equal opportunity and access to all vendors for the purchase of goods and commodities. The Purchasing Department and/or HUB Department will assist in identifying HUBs for any purchase. A list of Central Master Bidders List (CMBL) and HUB vendors registered with the Comptroller may be found at: [http://www.window.state.tx.us/procurement/cmbl/cmblhub.html](http://www.window.state.tx.us/procurement/cmbl/cmblhub.html)
   d. The State of Texas has awarded term contracts that are available for use by all state agencies and institutions of higher education. Information, regarding what items are available on state term contracts, may be found at: [http://www.window.state.tx.us/procurement/contracts/all_term/](http://www.window.state.tx.us/procurement/contracts/all_term/). Departments are highly
encouraged to review and utilize the state contracts whenever possible. When using a state term contract a requisition must be submitted to the Purchasing Department regardless of dollar amount.

e. There are several contracts available that UHS can use when purchasing items. When using these contracts it is not necessary to bid the purchase. However, Purchasing may bid items if it is considered in the university’s best interest. Some examples of contracts are: UHS, E&I Cooperative Service Inc., Department of Information Resources (DIR), TXMAS, U.S. Communities, and The Cooperative Purchasing Network (TCPN). Contact the Purchasing Department for more details.

2.8. **Vendor Interviews**

Some types of procurement (especially Request for Proposals and Request for Qualifications) may include vendor interviews by a selection committee. The vendor interview is intended to provide additional information about the vendor’s proposal or qualifications to help the selection committee make a more informed evaluation. The only individuals who may attend vendor interviews are (1) representatives from the vendor, (2) members of the selection committee, and (3) representatives from Purchasing, who oversee the procurement process.

3. **EMERGENCY PURCHASES**

3.1 An emergency purchase is defined as a purchase of goods or services that if not secured immediately, UHS will suffer financial or operational damage.

a. In the case of an isolated emergency that affects a particular department, the department must notify the Purchasing Department immediately. If the emergency happens after normal business hours, the department shall notify the Purchasing Department on the next business day. A written justification is required (see component Purchasing website for form) and must be attached to the requisition.

b. In the case of a campus-wide emergency, such as a natural disaster that causes extensive property damage, the Purchasing Department may implement campus emergency procurement procedures that may include offline purchase requests, if the online purchasing system is not available, suspension of competitive bidding rules to expedite emergency purchases, and increased delegated authority to departments to make some emergency purchases themselves. Purchasing may also require departments to maintain or upload additional documentation related to these purchases for insurance purposes.

4. **PURCHASE OF SPECIFIC GOODS OR SERVICES**

4.1 Lease and rental of machines and equipment that do not include an operator are considered goods and must be routed through the Purchasing Department on a purchase requisition regardless of dollar amount. Lease and rental of machines and equipment that include an operator provided by the supplier are considered services and must
utilize a contract regardless of dollar amount.

4.2 Printing Services

a. State Funds: The purchase of printing services with state funds costing more than $1,000 must be routed through the Purchasing Department on a purchase requisition for competitive bidding, unless the department uses a UHS or UHS-contracted printing service. Printing services purchased with state funds that cost $1,000 or less may be purchased by the department on a voucher or P-Card without competitive bidding. Authority to make departmental purchases is delegated by each component’s policies.

b. Local Funds: The purchase of printing services with local funds costing more than $3,000 with federal funds or more than $5,000 with non-federal, non-state funds must be routed through the Purchasing Department on a purchase requisition for competitive bidding, unless the department uses a UHS or UHS-contracted printing service. Printing services purchased with federal funds that cost $3,000 or less or with non-federal, non-state funds that cost $5,000 or less may be purchased by the department on a voucher or P-Card without competitive bidding. Authority to make purchases for $3,000 or less with federal funds or $5,000 or less with non-federal funds (including freight) is delegated by each component’s policies.

4.3 Lease of Space

All lease-of-space requests for UHS (where UHS is the lessee), regardless of the dollar amount, must be submitted to the UHS Contract Administration Department for contract compliance and the Chancellor’s approval. This is not a delegated item to component university Presidents.

a. State Funds: The Texas Facilities Commission must be given the opportunity to obtain leased space if the lease will be paid from state funds. The UHS Facilities Planning and Construction (FP&C) Department and UHS Contract Administration Office will coordinate the required activities with Texas Facilities Commission after obtaining approval of the Chancellor.

b. Local Funds: The UHS FP&C Department and the UHS Contract Administration Office will work together to ensure compliance with all legal and administrative requirements.

4.5 Exempt Purchases

The following goods and services are exempt from competitive bidding requirements and may be purchased by departments regardless of dollar amount:

a. Membership fees and dues. However, memberships paid with state funds must be on the UHS approved membership list:
   http://www.uh.edu/finance/Doc_Ref/General_Ref/ProfOrgMemb.htm

b. Newspaper and magazine subscriptions
c. Registration fees
d. Utilities. However, some utility services are contracted by UHS FP&C and all UHS
departments must utilize the contracted vendor.
e. Library payments for materials and subscriptions that are utilized by library patrons.
f. Postage meter rental, postal permits
g. Court costs, criminal, civil and administrative hearings
h. Human cadavers, skin, blood, bones, tissue
i. Revenue bond expenses, including fees for credit rating agencies, paying agents,
credit enhancement, state agency fees, and other associated costs of issuing these
bonds
j. Training and tuition for employees (must be approved by Scholarships and
Financial Aid)
k. Reimbursement of employee moving expenses. However, direct payments to
moving companies require a contract or purchase order.
l. Other exceptions as determined by UHS components

4.6 Purchases that Require Additional Approval

a. Each UHS component may require additional approvals for certain types of purchases
or dollar amounts. See the component purchasing policy for more information.

5. Types of Solicitations

5.1 Request for Information (RFI)
This solicitation is used to obtain general information. It is not binding and is informal,
but may give an estimate for budgeting purposes.

5.2 Verbal Quote
When contacting a vendor for a verbal quote, request the quantity, description, delivery
time and method, price, and information about any extra charges, such as shipping. This
can be confirmed with a purchase order acknowledgment, fax or e-mail.

5.3 Request for Quote (RFQ)
Solicitation is used to receive vendor’s written commitment for specific terms, price,
quantity, delivery and services. This does not commit the university to purchase. The
vendor will hold the requirements firm for a specific period of time. This is used when
the requirements are clearly identifiable.

5.4 Invitation to Bid (ITB)
The ITB is used when the requirements are specific. It is used primarily for commodities
and general services. This solicitation is binding on both the vendor and university. There
is a specific bid opening date and lowest price is normally the basis for award, assuming
all vendors can provide the requested commodity or service.

5.5 Sole Source (Proprietary)
A sole source (proprietary) purchase is justified only when an equivalent product or
service is not available. When the specification limits consideration to one manufacturer, one product, or one service provider, a written justification must be provided. A sole source (proprietary) justification form (see Purchasing website) must be attached to the requisition.

5.6 Request for Qualification (RFQ)
This solicitation allows the qualification of vendors based on certain criteria to determine the most qualified vendor. The criteria include professional experience, service, capability, personnel, licenses and/or references.

The RFQ can be used to select a professional service provider (i.e., the most qualified respondent) or to develop a short list of qualified vendors from which to solicit a request for proposal.

5.7 Request for Proposal (RFP)
Used when requirements are not clearly defined. Included in the solicitation is a statement of work instead of specifications. A RFP is used to locate solutions and sources. In the solicitation there are clear evaluation criteria with weights and the award is not exclusively price based.

5.8 Request for Offer (RFO)
This is the primary purchasing method for procuring Information Technology (IT) commodities and services. All other solicitation procedures as listed in Section 5.4 ITB are followed. Negotiations are allowed as well as encouraged in this solicitation.

6. TEXAS GOVERNMENT CODE 2261, SUBCHAPTER F. ETHICS, REPORTING, AND APPROVAL REQUIREMENTS FOR CERTAIN CONTRACTS

6.1 DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST; CERTAIN CONTRACTS PROHIBITED (Texas Government Code 2261.252)
a. For purchase orders exceeding $25,000, any UH System employee or official who is involved in procurement or in contract management for UH System shall disclose to their supervisor any potential conflict of interest specified by state law or UH System policy that is known by the employee or official at any time during:
   1) the procurement process, from the initial request for bids to final delivery of goods or services; or
   2) the term of a contract with a private vendor.

b. UH System may not issue a purchase order for goods or services over $25,000 to a private vendor with whom any of the following UH System employees or officials have a financial interest (as defined by Texas Government Code 2261.252):
   • Chancellor,
   • President,
   • General Counsel,
   • Chief Financial Officer,
   • Purchasing Director,
   • Everyone in the chain of command between the CFO and Purchasing Director
6.2 REQUIRED POSTING OF CERTAIN CONTRACTS; ENHANCED CONTRACT AND PERFORMANCE MONITORING (Texas Government Code 2261.253)

a. Beginning September 1, 2015, UH System will post a link to all contracts for goods or services on the UH Purchasing website until the contract expires or is completed, along with the statutory authority for any contracts that are not competitively bid.

- Contracts are defined as regular purchase orders (POs) issued to vendors and signed agreements. All signed agreements are encumbered on a PO, as well.
- A nightly process creates a list of all POs (regular POs and POs for signed agreements) that have a Due Date that is in the future, today’s date, or less than 30 days in past. The list of POs is by UHS component and includes a link to the PO Coversheet, which provides a description of the purchase, vendor name, dollar amount, and the statutory authority for any purchases not competitively bid.
- The following information may not be included on the PO Coversheet:
  i. Information that is confidential under law;
  ii. Information the attorney general determines is excepted from public disclosure under Chapter 552; and
  iii. The social security number of any individual.
- The above posting requirement does not apply to contracts paid only with local (not state appropriated) funds that are less than $15,000.
- The list of active POs (contracts) for each UHS component is posted at: [http://www.uh.edu/administration-finance/purchasing/Contracts%20for%20the%20Purchase%20of%20Goods%20or%20Services%20from%20a%20Private%20Vendor/](http://www.uh.edu/administration-finance/purchasing/Contracts%20for%20the%20Purchase%20of%20Goods%20or%20Services%20from%20a%20Private%20Vendor/)

b. Beginning September 1, 2015, each UHS component Purchasing Department will post a link to its request for proposals (RFPs) related to competitively bid contracts on its website until the contract expires or is completed.

- The list of RFPs is maintained and updated by the component Purchasing Department instead of through an automated process because RFPs are not contained in the PeopleSoft Purchasing module.
- University of Houston and UH System Administration RFPs are posted at: [http://www.uh.edu/administration-finance/purchasing/Formal%20Procurement%20Solicitations/](http://www.uh.edu/administration-finance/purchasing/Formal%20Procurement%20Solicitations/)

c. Beginning September 1, 2015, UH System will perform enhanced performance monitoring on all contracts for goods and services that exceed $1 million.

- The UH Controller, or designee, will maintain a list of all contracts that require enhanced performance monitoring in a Contract Management System (B2G Now software).
- The department primarily responsible for continuous monitoring of the contract will report to the UH Controller, or designee, if there are any serious risks or issues related to the contract, such as delivery schedules will not be met or other breach of contract terms.
- The UH Controller, or designee, will collect contract performance information from the responsible departments at the end of the contract using a Contract Evaluation Form and record summary performance information in the Contract Management System.
The UH Controller, or designee, will also enter contract performance information in the Comptroller’s Vendor Performance Tracking System (VPTS) for contracts that require enhanced performance monitoring at the end of the contract.

The UH Controller, or designee, will make contract performance information available to the Purchasing Department, so that it may be incorporated into proposal evaluation scores involving vendors whose previous UHS contract performance has been evaluated.

The UH Controller, or designee, will provide a status report of all active contracts that require enhanced performance monitoring to the UHS Board of Regents once a year, and notify the Board during the year of any contract issues that require their immediate attention.

6.3 CONTRACTS WITH VALUE EXCEEDING $1 MILLION (Texas Government Code 2261.254)

a. The UH Controller, or designee, will collect the following information using a Contract Evaluation Form at the end of a contract for goods and services that exceeds $1 million and record summary performance information in the Contract Management System, so that the vendor’s performance information may be incorporated into future proposal evaluation scores:
   - Compliance with financial provisions and delivery schedules under the contract
   - Corrective action plans under the contract and status of any active action plans
   - Any liquidated damages assessed or collected under the contract

b. The UH Controller, or designee, will verify:
   - The accuracy of any information under 6.3.a that is provided by the contractor
   - The delivery time of goods or services scheduled for delivery under the contract

c. UH System will only enter into contracts exceeding $1 million if the UHS Board of Regents delegates authority to the Chancellor to negotiate and execute the contract.

6.4 CONTRACTS WITH VALUE EXCEEDING $5 MILLION (Texas Government Code 2261.255)

a. The UH Purchasing Department will conduct the procurement and vendor selection process for all UH System contracts expected to exceed $1 million.

b. Internal Audit will review the procurement and vendor selection process for all contracts expected to exceed $1 million to verify the process was conducted in compliance with UHS policies and state statutes. Internal Audit provides a quarterly report to the UHS Board of Regents concerning the outcome of their review.

c. At the end of the vendor selection process, the UH Purchasing Director, or designee, sends the UH System CFO a recommendation for award memo explaining the procurement process and names the recommended vendor. The memo indicates Internal Audit reviewed the procurement process to verify it was in compliance with UHS policies and state statutes. Internal Audit is copied on the memo.

d. Internal Audit notifies the UH System CFO of any issues with the procurement process that might adversely impact the vendor selection process and reports on these issues in its quarterly report to the Board of Regents.

6.5 ACCOUNTABILITY AND RISK ANALYSIS PROCEDURE; CONTRACT MANAGEMENT HANDBOOK (Texas Government Code 2261.256)

a. The UH System Purchasing Accountability and Risk Analysis Procedure is located at:
6.6 CONTRACT DATABASE (Texas Government Code 2261.257)
a. UH System will enter contract information into USAS (or the contract database indicated by the Comptroller) if and when the Comptroller requires this information to be entered. Currently, the Comptroller does not require state universities to enter contract information into USAS or another database.

7. TEXAS EDUCATION CODE 51.923, QUALIFICATIONS OF CERTAIN BUSINESS ENTITIES TO ENTER INTO CONTRACTS WITH AN INSTITUTION OF HIGHER EDUCATION

7.1 Beginning September 1, 2017, members of the UHS Board of Regents are considered to have a “substantial interest” in a “business entity” (for-profit business, as defined by Texas Education Code 51.923) if any of the following are true:
   a. The member owns 1% or more of the voting stock or shares of the business entity or owns either 1% or more or $15,000 or more of the fair market value of the business entity;
   b. Funds received by the member from the business entity exceed 1% of the member’s gross income for the previous year;
   c. The member is an officer or governing board member of the business entity; or
   d. An individual related to the member in the first degree by consanguinity or affinity, as determined by Government Code 573, has an interest in the business entity as described by a, b, or c above.

7.2 UH System may not enter into a contract or other transaction with a business entity with which a Regent has a substantial interest unless (1) the Regent discloses that interest in an open Board meeting (in compliance with Government Code 551) and (2) and refrains from voting on the contract or transaction that requires Board approval.

7.3 If a Regent votes on a contract or transaction with which the Regent has a substantial interest in violation of paragraph 7.2 above, the Board’s decision is considered void unless the contract or transaction would have been approved anyway without the Regent’s vote.

7.4 UH System contracts and transactions with a “nonprofit corporation” (as defined by Texas Education Code 51.923) are not subject to the conflict of interest requirements described in paragraphs 7.1, 7.2, and 7.3 above. Regents may vote on UH System contracts and transactions with nonprofit corporations regardless of the Regent’s affiliation with the nonprofit corporation.

8. GENERAL APPROPRIATIONS ACT (84TH LEGISLATURE), ARTICLE IX, SECTION 7.12, NOTIFICATION OF CERTAIN PURCHASES OR CONTRACT AWARDS, AMENDMENTS, AND EXTENSIONS
8.1 Beginning September 1, 2015, UH System must provide notice to the Legislative Budget Board (LBB) for contracts that will be paid in part with state appropriated funds if either of following conditions applies:
   a. The contract is expected to exceed $10 million or
   b. The contract is expected to exceed $1 million and it was not competitively bid because it is an emergency purchase. (UH System makes all purchases in accordance with the best value standard in Education Code 51.9335, including sole source purchases. Therefore, sole source purchases over $1 million that are paid with state funds are not subject to the reporting requirement in Section 7.12.)

8.2 The deadline for submitting a notice to the LBB is as follows:
   a. For state fund contracts over $10 million, notice must be made to the LBB at least 10 business days before payment is made on the contract.
   b. For state fund contracts over $1 million that are an emergency purchase, notice must be made to the LBB within 48 hours of making payment on the contract.

8.3 Notice to the LBB consists of an attestation letter that must be signed by the Chancellor. Section 7.12 prescribes the information required in the letter.

8.4 UH Purchasing and Contract Administration notify the UH Controller of all contracts that are expected to exceed $1 million. The UH Controller, or designee, will prepare the attestation letter and route it to the Chancellor through the UH System CFO. After the Chancellor signs the letter, the UH Controller, or designee, will upload the letter to the LBB contracts database and notify the responsible department when they can make payment on the contract, if applicable. It is only necessary to provide one notice to the LBB per contract, unless there is a material change to the contract, as determined by UH System.

8.5 This reporting requirement does not apply to contracts in place prior to September 1, 2015, except for the following situations:
   a. The contract amount changes from less than $10 million before September 1, 2015 to more than $10 million on or after September 1, 2015 or
   b. The emergency contract amount changes from less than $1 million before September 1, 2015 to more than $1 million on or after September 1, 2015 or
   c. The contract amount was more than $10 million before September 1, 2015 and UHS will make a payment on that contract on or after September 1, 2015 or
   d. The emergency contract amount was more than $1 million before September 1, 2015 and UHS will make a payment on that contract on or after September 1, 2015.

9. TEXAS GOVERNMENT CODE 2254, SUBCHAPTER B, CONSULTING SERVICES

9.1 Regardless of funds used, all contracts that have more than 50% consulting in the scope of work and that are expected to exceed $25,000 over the life of the contract, including possible extensions, are considered “major consulting services contracts.”
   a. “Consulting” means the service of studying or advising a state agency under a
contract that does not involve the traditional relationship of employer and employee.
b. The originating department will notify the component Purchasing Department of any proposed contracts that may qualify as a major consulting services contract. The component Purchasing Department will determine if it is, in fact, a major consulting services contract.

9.2 All contracts that are determined to be major consulting services contracts must follow the procedures below.

a. The originating department works with the component Purchasing Department to create a RFP, including scope of work and criteria for selecting consultant.
b. The originating department works with the component Purchasing Department to write a brief letter that will be signed by the component President explaining why it is necessary to contract with a consultant, instead of using UHS personnel (section 2254.028).
c. The component Purchasing Department publishes a notice of the university’s intent to enter into a major consulting services contract on the Texas Register (through the Texas Secretary of State) for at least 30 days before the contract is signed (section 2254.029). After submitting the notice to the Secretary of State, there is about a two week lead time before it is published on the Texas Register. The following must be included in the notification:
   • Invitation for consultants to provide offers for consulting services – refer to the RFP
   • Name of UH individual (in Purchasing) who should be contacted to make an offer
   • Closing date to receive offers (also stated in RFP)
   • Procedure by which UHS component will award a contract (e.g., evaluation committee will review and score offers according to the criteria in the RFP and sends scores to Purchasing to compile)
   • Disclose if the same services were previously provided by a consultant to the component university
   • Disclose if plan to contract with previous consultant unless a better offer is received
   • Finding by President that consulting services are necessary and an explanation as to why they are necessary
d. The component Purchasing Department will post the RFP on the Comptroller’s Electronic State Business Daily at the same time that the intent to enter into a major consulting services contract is posted on the Texas Register
e. Purchasing receives offers from prospective consultants and provides responsive offers to the evaluation committee for review
f. Evaluation committee scores offers based on the criteria in the RFP and sends its scores to Purchasing to compile
g. Purchasing notifies the project leader in the originating department of the compiled scores and vendor ranking
h. The Purchasing Department obtains approval from the component CFO, or designee, to proceed with contract negotiation with the selected vendor
i. Purchasing notifies the selected vendor that the originating department will enter into contract negotiations with them and notifies the other vendors that they were not selected
j. The project lead in the originating department notifies Purchasing when the contract is signed, as well as required information for notice (see k. below)
k. Purchasing publishes a notice of the consulting contract on the Texas Register within 20 days of UH signing the contract (section 2254.030) that includes:
   - Description of activities the consultant will conduct
   - Name and business address of consultant
   - Total value and begin and end dates of the contract
   - Dates on which documents, films, recordings, or reports that consultant must present are due
l. If a major consulting services contract is renewed, amended, or extended, follow b. and c. above to provide notice of the renewal, amendment, or extension (section 2254.031)
m. If a UH System employee becomes aware of any conflicts of interests (financial or relationship) between a UHS employee and a consultant who submits an offer, the employee must notify the component President within 10 days of the consultant submitting an offer (section 2254.032).
n. If a consultant was employed by UH System or another state agency within 2 years of submitting the offer, the consultant must disclose that fact in the offer. This information must be included in the notice provided under k. above (section 2254.033). Information must include:
   - Nature of previous employment with agency
   - Date employment was terminated
   - Annual rate of compensation for employment at termination

10. TEXAS GOVERNMENT CODE 2254, SECTION A, PROFESSIONAL SERVICES

10.1 Professional services means services within the scope and practice of (or who is registered or licensed as) one of the following:
   a. Accounting (certified public accountant)
   b. Architecture (architect)
   c. Landscape architecture (landscape architect)
   d. Land surveying (land surveyor)
   e. Medicine (physician, including a surgeon)
   f. Optometry (optometrist)
   g. Professional engineering (professional engineer)
   h. Real estate appraising (state certified or state licensed real estate appraiser)
   i. Professional nursing (registered nurse)

10.2 UH System will use the Request for Qualifications (RFQ) process to select a provider of professional services, regardless of funds, and the selection will be based on:
   a. Demonstrated competence and qualifications to perform the service **and**
   b. A fair and reasonable price.
10.3 When procuring architectural, engineering, and land surveying services, UH System will follow the steps below:
   a. Select the most highly qualified provider based on demonstrated competence and qualifications
   b. Attempt to negotiate a contract with the provider at a fair and reasonable price.
   c. If a contract cannot be negotiated:
      • Formally end negotiations with the provider
      • Select the next most highly qualified provider and
      • Attempt to negotiate a contract with that provider at a fair and reasonable price.
   d. UH System will continue the process described in c. above until a contract is negotiated.

10.4 Contract notification to the Legislative Budget Board (LBB) will occur as follows:
   a. The department originating the contract will notify the component Purchasing Department of any professional services contracts that exceed $14,000, regardless of funds, immediately after the contract is signed.
   b. The component Purchasing Department will notify the LBB of the contract through the LBB’s online database no later than the 10th day after the contract is signed.
   c. Reporting to the LBB is not required for services performed by a physician or optometrist.

11. OTHER CONTRACT REPORTING TO THE LEGISLATIVE BUDGET BOARD (LBB)

11.1 TEXAS GOVERNMENT CODE 2054.008, MAJOR INFORMATION SYSTEMS
   a. The UH System Chief Information Officer, or designee, will notify the LBB of a “major information system” contract (regardless of funds) no later than the 10th day after UHS enters into a contract. Notification is through the LBB’s online database.
   b. A major information system for universities is defined as any of the following:
      • One or more computers with a total cost more than $1 million or
      • A service related to computers, including software, costing more than $1 million or
      • A telecommunications apparatus or device that serves as a voice, data, or video communications network for transmitting, switching, routing, multiplexing, modulating, amplifying, or receiving signals on the network that costs more than $1 million.

11.2 TEXAS GOVERNMENT CODE 2166.2551, CONSTRUCTION PROJECTS EXCEEDING $14,000
   a. The component university Facilities, Planning, and Construction Department (or equivalent department) will notify the LBB of any “construction” contracts exceeding $14,000 (regardless of funds) no later than the 10th day after the component enters into a contract. Notification is through the LBB’s online database.
   b. Construction projects include:
      • Construction of a building, structure, or associated facility or utility, including the acquisition and installation of original equipment and original furnishings or
      • An addition, alteration, rehabilitation, or repair of an existing building, structure,
or associated facility or utility.

11.3 GENERAL APPROPRIATIONS ACT (84TH LEGISLATURE), ARTICLE IX, SECTION 7.04, CONTRACT NOTIFICATION: AMOUNTS GREATER THAN $50,000
a. No later than September 30 of each fiscal year, each UHS Purchasing Department will submit a list of contracts to the LBB from the prior fiscal year that will be paid in part with state funds and whose value is greater than $50,000. Notification is through the LBB’s online database
b. “Contract” includes all written agreements, interagency agreements, and purchase orders for the purchase or sale of goods or services that will be paid in part with state funds or will result in a deposit to the State Treasury.
c. Contracts previously reported to the LBB under a separate reporting requirement do not need to be reported again.

12. TEXAS GOVERNMENT CODE 2252.908, DISCLOSURE OF INTERESTED PARTIES

12.1 For contracts entered into on or after January 1, 2016, regardless of funds, UH System must obtain a disclosure of interested parties form (Form 1295) from the vendor where the contract either:
   a. Requires approval by the UHS Board of Regents before the contract can be signed or
   b. Has a value of at least $1 million.

12.2 The requirement to obtain a Form 1295 does not apply to any of the following contracts:
   a. Sponsored research contract
   b. Interagency contract
   c. Contract related to health and human services where the value of the contract cannot be determined at the time the contract is executed and any qualified vendor is eligible for the contract.

12.3 The procedure for processing the Form 1295 is as follows:
   a. Contract Administration notifies the UH Controller, or designee, that a contract is ready for signature that requires a Form 1295.
   b. The UH Controller, or designee, requests the vendor to complete the Form 1295 on the Texas Ethics Commission website.
   c. The vendor completes the Form 1295 on the Texas Ethics Commission website and emails the UH Controller the form, which has been signed and notarized.
   d. The UH Controller acknowledges receipt of the form on the Texas Ethics Commission website and notifies the originating UHS department that the contract can be signed.
   e. The UHS department obtains signatures on the contract.

See the flowchart for the Form 1295 process on the Contract Administration website: http://www.uh.edu/legal-affairs/contract-administration/

13. TEXAS GOVERNMENT CODE 2155.078, TRAINING AND CERTIFICATION OF STATE AGENCY PURCHASING PERSONNEL AND VENDORS
13.1 UH System purchasing personnel will comply with the training and continuing education requirements for university purchasing personnel when they are announced by the Comptroller.

13.2 In addition, Purchasing Department staff at all UHS components will complete the training necessary to obtain and maintain a state purchasing certification that is appropriate for their level of responsibility as determined by the component Purchasing Director.

13.3 In addition, all full-time faculty, all exempt staff, and non-exempt employees in a position to originate purchase requests or influence purchasing decisions at UH System will complete annual online UHS Conflict of Interest and Procurement training, which includes procurement-related ethics training.

14. UHS BOARD OF REGENTS POLICY 55.01.4, REPORTING TO THE BOARD

14.1 The UH Controller, or designee, will prepare a report to be submitted to the Board of Regents at the first Board meeting following the end of each fiscal year. The report will include:
   a. All professional services and consulting contracts awarded during the previous fiscal year where total compensation from System-wide resources to a single entity is expected to exceed $250,000.
   b. All construction, equipment, goods and services contracts awarded during the previous fiscal year (including any amendments) where total compensation from System-wide resources to a single entity is expected to exceed $1,000,000.
   c. All contracts that require enhanced contract or performance monitoring under Sections 2261.253, 2261.254, and 2261.255 of the Texas Government Code.

14.2 The report will indicate the procurement method used and be subject to Internal Audit review for compliance with applicable laws and UHS policies. Investment agreements are not included in this reporting requirement.

15. TEXAS GOVERNMENT CODE 572.069, CERTAIN EMPLOYMENT FOR FORMER STATE OFFICER OR EMPLOYEE RESTRICTED

15.1 Beginning September 1, 2017, UH System officers and employees who participated in a procurement or contract negotiation with a vendor on behalf of UH System may not accept employment from that vendor until two years after the contract is signed or the procurement is terminated or withdrawn.

Related System Policies

- UH System Board of Regents Policy 55.01, 55.02, 55.04, 55.06
- UH System Administrative Memorandum 03.A.01, 03.A.04, 03.A.05, 03.B.01, 03.B.02