



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

TAB D

July 14, 2022

Technical Education Policy Revisions

Background

Since combining the Utah System of Higher Education with the Utah System of Technical Colleges in July 2020, there has been some question regarding which USHE policies apply to technical colleges. The Office of the Commissioner of Higher Education is working to eliminate any questions regarding which policies are relevant. As part of this project, all USHE policies are being reviewed; some policies will need to be revised to more fully apply to technical colleges. Recommendations will be made to affirm that specific policies do indeed apply to technical colleges. Additionally, recommendations will be made to rescind redundant policies. This will result in numerous policies being brought to the Board in upcoming Board meetings.

This work on policies relates to the Board's Strategic Plan priority of System Unification; one of the Board's strategies for System Unification is to merge system policies. The related tactic is to review policies to ensure alignment between technical colleges and degree-granting institutions.

Policies to Revise to Ensure Applicability to Technical Colleges

The attached proposed policy revisions are part of the Board's efforts to ensure policy alignment between technical colleges and degree-granting institutions. Additional policies related to technical colleges will be revised in the upcoming months. Several Business and Financial Affairs policies (R500 series) related to tuition and fees will be revised as technical colleges move from charging tuition based on membership/contact hours to credit hours. Additionally, various other policies are being reviewed for revision to make them applicable to technical colleges.

Below is a summary of the proposed policy changes being recommended at this time:

R501, *Budgeting Definitions and Guidelines*: Defines full-time equivalents (FTE) for faculty and students at technical colleges.

R541, *Management and Reporting of Institutional Investments*: Addresses internal audits for technical colleges.

R548, *Institutional Discretionary Funds Administration and Accountability*: Addresses internal audits for technical colleges.

R550, *Auxiliary Enterprises Operation and Accountability*: Primarily addresses internal audits for technical colleges.

R557, *Motor Vehicles*: Eliminates the requirement to annually certify the accuracy of the motor vehicle reports.

R561, *Accounting and Financial Controls*: Applies various accounting control limits to technical colleges.

R567, *Internal Audit Program*: Addresses internal audits for technical colleges.

R571, *Purchasing*: Primarily eliminates exceptions for technical colleges.

Capital Facilities Policies to Affirm as Applicable to Technical Colleges

As part of the Board's efforts to ensure policy alignment between technical colleges and degree-granting institutions, the Capital Facilities policies (R700 series) listed below have been reviewed and determined to apply to technical colleges, except in instances where the policy specifically states different applicability. As the review and revision of other sections of policies are completed, they will also be brought forward to affirm their applicability to technical colleges.

Below is a listing of the Capital Facilities policies to affirm as applicable to technical colleges:

R701, *Capital Facilities*

R702, *Non-State Funded Projects*

R703, *Acquisition of Real Property*

R704, *Disposal of Real Property*

R705, *Leased Space*

R706, *Capital Facilities Master Planning*

R711, *State Building Board Delegation of Capital Facilities Projects*

R712, *Nontraditional Arrangements for Development of Facilities on Campuses*

R713, *Funding of Student Centers*

R714, *Capital Facilities Community Impact*

R741, *Nondedicated Capital Project Prioritization Process*

R742, *Dedicated Capital Project Allocation Formula*

R743, *Process for Use of Dedicated Capital Projects Funds*

R751, *Institutional Facilities Space Utilization*

R761, *Physical Education, Intramural Sports and Special Event Facilities*

R763, *Funding of Parking Facilities Repair Costs*

Technical College Policies and Procedures to Rescind

As part of the Board's efforts to ensure policy alignment between technical colleges and degree-granting institutions, the Technical College Policies and Procedures listed below have been reviewed and found to be covered by other policies also applicable to degree-granting institutions. The policies listed can be

rescinded, and other policies will still cover the subject matter. In order to eliminate all of the stand-alone technical college policies and procedures, various other policies will need revision. Other technical college policies are still being reviewed primarily in the institutional governance and instructional and student affairs areas. As the review and revision of other sections of policies are completed, they will be brought to the Board in upcoming meetings.

Below is a listing of the Technical College Policies and Procedures recommended to be rescinded:

100, Mission, Vision, and Guiding Principles
105, Commissioner of Technical Education – Functions
106, Auditing
114, Council of Presidents
303, Appropriated Revenues
304, Capital Facilities Requests and Development
400, Criminal Background Checks
401, Equal Opportunity, Diversity, & Nondiscrimination
500, Personnel Regulations for the Office of the UTech Commissioner
501, Equal Opportunity and Nondiscrimination
502, Sexual Harassment and Consensual Relationships
503, Americans with Disabilities Act Complaint Procedures
504, Staff Employee Grievances
505, Discrimination and Sexual Harassment Complaints
506, Employment of Relatives
507, Personal Conduct
508, Drug-Free Workplace
509, Employees Called to Active Military Service
510, Conflicts of Interest
511, Employee Practices
512, Reduction in Force
513, Employee Leaves of Absence
515, Staff Employment
516, Information Technology Acceptable Use
520, Personnel Files
525, Evaluation, Corrective Action and Termination of Staff Personnel
530, Staff Employee Separations
550, Accounting Policies and Procedures
555, Budgeting and Budget Control
560, Procurement/Purchasing
565, Travel Authorization and Reimbursement
570, Contract and Agreement Signing
580, Administration Building Acceptable Use and Rental

Commissioner's Recommendation

At its July meeting, the Executive Committee considered the rescissions of Technical College policies 100, 105, 106, and 114. The Finance and Facilities Committee considered the other rescissions and recommended policy edits at its July meeting.

The above policy actions are being proposed to ensure policy alignment between technical colleges and degree-granting institutions in accordance with the Board of Higher Education's Strategic Objective of System Unification. The Commissioner recommends the following actions:

- All listed policy changes be considered and approved.
- Affirm Capital Facilities policies (R700 series) as applicable to technical colleges.
- Rescind the listed Technical College Policies and Procedures.

Attachments

R501, Budgeting Definitions and Guidelines¹

R501-1 Purpose: To provide definitions of terms for budgeting and reporting purposes in the Utah System of Higher Education; provide guidance for the development of appropriation requests; and address budgeting procedures outlined in state law.

R501-2 References

2.1 [Utah Code 53B-7-101](#), ~~(Combined Requests for Appropriations)~~

2.2 [Utah Code Title 63J, Chapter 1](#), Budgetary Procedures Act

2.3 [Board Policy R701, Capital Facilities](#)

~~**2.3** Policy R710, Capital Facilities~~

R501-3 Definitions

3.1 Regular Faculty: A regular faculty member is an individual hired for the academic year whose primary assignment is teaching/research, and who has a recurring contractual relationship with the institution.

3.2 Full-Time Equivalent (FTE) Regular Faculty: The ratio between a regular faculty member's assignment and the full-time standard at the institution for an academic year. Example [1](#): If an institution defines full-time status as teaching 24 credit hours per academic year (12 each semester) and a faculty member teaches 18 credit hours per year, the faculty member is reported as 0.75 FTE. [Example 2: If an institution defines full-time status as working 2080 hours per year and a faculty member works, or is on paid time-off, for 260 eight-hour](#)

¹ Adopted June 24, 1975; amended July 21, 1975, June 22, 1976, May 9, 1986, March 25, 1999, May 17, 2013 and September 26, 2014.

days per year, the faculty member is reported as 1.00 FTE. FTE Faculty calculation may vary under some circumstances. USHE Budget Forms and requests for data contain detailed instructions on how to account for FTE depending on the application. In determining aggregate counts of FTE Faculty, institutions may count individuals as FTE Faculty, including the following:

3.2.1 An executive or regular staff employee teaching a class in addition to ~~his or her~~their other duties may be prorated and equated to an FTE basis by use of hours of credit the class carries in relation to a full-time load as determined by college department or discipline policy approved by the institution's administration.

3.2.2 Regular faculty members who have reduced teaching assignments with part of their time related to sponsored research or other assignments shall be prorated to an FTE by use of hours of credit the class carries in relation to the full-time load, as determined by college department or discipline policy as approved by the institution's administration.

3.3 FTE Graduate Teaching Assistants and Wage-Rated Instructors:

Graduate teaching assistants and wage-rated instructors having class teaching responsibility shall be equated to FTE based on the ratio between a graduate teaching assistant or wage-rated instructor's assignment and the full-time standard at the institution for an academic year.

3.4 Annualized FTE Students:

3.4.1 To calculate a full-time equivalent ("FTE") student during a 12-month period, a ~~an~~ degree-granting institution shall divide the student's attempted credit hours by 30 for an undergraduate student, or by 20 for a graduate student.

3.4.2 For a technical college, an FTE student is defined as 900 contact (clock) hours or 30 semester credit hours.

3.5 General Terms: The Utah System of Higher Education shall use generally-recognized industry standard definitions for budget and financial functions as defined by the National Association of College and University Business Officers (NACUBO).

3.6 One-Time Federal Funds: As used in this policy, “one-time federal funds” means a set amount of money from any federal government source that a USHE Institution does not have reason to believe will be available in the future on an on-going basis.

R501-4 Guidelines

4.1 Board Establishes Budget: Each year, as provided by statute, the Board of Higher Education will prepare a budget to recommend to the Legislature that includes:

4.1.1 ~~e~~Employee compensation;

4.1.2 ~~m~~Mandatory costs, including building operations and maintenance, fuel, and power;

4.1.3 ~~m~~Mission-based funding; and

4.1.4 ~~s~~Statewide and institutional priorities, including scholarships, financial aid, and technology infrastructure. ~~;~~ ~~and~~

4.2 Review Each Item on Own Merits: The Board encourages institutions to consider, when accepting one-time federal funds, that a future budget request for replacement of expiring one-time federal funding with state appropriations will be based on its own merits as if it were a new program.

4.3 Operation and Maintenance (~~O & M~~) Costs of State-Funded Capital Facilities: Operation & maintenance (“O & M”) ~~M~~ costs of capital development

projects funded by the state legislature are handled through the Board's Capital Development funding request.

4.4 O & M Costs of Non-State Funded Capital Facilities: O & M costs of non-state funded capital facilities projects may be included as an operating budget priority if the Board has approved both (1) the construction or acquisition of the facility or space and (2) the payment of O & M from state tax funds.

4.4.1 The amount of O & M costs included as a budget priority will be the amount initially approved by the Board, adjusted for appropriate inflationary cost increases, unless a different amount is justified. ~~./p>~~

4.4.2 O & M costs resulting from renovation (capital developments and improvements) will be included as a budget priority if the renovation has been approved by the Board. Except in unusual circumstances, Board approval shall be obtained prior to the budget process and prior to any renovation requiring increased O & M funding.

4.4.3 O & M costs associated with leased facilities shall be treated as lease costs under the Board's lease policies rather than as O & M costs of capital facilities.

R501, Budgeting Definitions and Guidelines¹

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R541, Management and Reporting of Institutional Investments¹

R541-1 Purpose: This policy implements the State Money Management Act, the rules of the State Money Management Council, and the Uniform Prudent Management of Institutional Funds Act This policy provides guidelines to institutions for establishing policy, process, and reporting of investments.

R541-2 References

- 2.1 [Utah Code § 53B-2-106](#), Duties and Responsibilities of the President [of a Degree-Granting Institution](#)
- 2.2 [Utah Code Title 51, Chapter 7](#), State Money Management Act
- 2.3 [Utah Administrative Code Title R628](#), ~~Rules of~~ [Administration of](#) the State Money Management Council
- 2.4 [Utah Code Title 51, Chapter 08](#), Uniform Prudent Management of Institutional Funds Act
- 2.5 [Board Policy, R567-3](#), Internal Audit ~~Program~~ [Activities Definitions](#)

R541-3 Definitions

~~3.1 “The Board”: The Utah Board of Higher Education.~~

3.13 Alternative Investments: Funds that derive returns primarily from high yield or distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, private real estate, or absolute return and long/short hedge funds.

¹ Approved April 24, 1973, revised September 24, 1974, May 26, 1989, October 19, 1989, June 18, 1993, May 29, 1998, June 10, 2005, December 14, 2007, October 16, 2009, September 18, 2015, ~~and~~ March 31, 2017, [and XXX](#).

3.21 “The Board”: The Utah Board of Higher Education.

3.32 Investments: All institutional funds addressed under provisions of the State Money Management Act or the Uniform Prudent Management of Institutional Funds Act.

~~**3.3 Alternative Investments:** Funds that derive returns primarily from high yield or distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, private real estate, or absolute return and long/short hedge funds.~~

R541-4 Delegation of Responsibility: The Board delegates to each institutional Board of Trustees full responsibility to manage and report institutional investments in compliance with this general policy.

R541-5 Institutional Board of Trustees Responsibilities: Each institutional Board of Trustees shall adopt institutional policy and procedure regarding investments (including any changes in such policy and procedures), designate a public treasurer and approve the format of reports submitted for its review.

5.1 Periodic Review and Approval: Each institutional Board of Trustees shall receive and approve monthly investment reports.

5.2 Policy and Procedures Furnished to the Board: Each institution shall furnish the Board with a copy of its investment policies and procedures as approved by its institutional Board of Trustees. Such policy and procedures shall:

5.2.1 ~~R~~**Require** institutional compliance with the State Money Management Act, Rules of the State Money Management Council, and Uniform Prudent Management of Institutional Funds Act; and

5.2.2 ~~S~~**Specify** criteria for appointment of a public treasurer, define the public treasurer’s authority in making institutional investments within the overall operating responsibility of the chief executive officer, and establish

criteria for supervisory approval of the public treasurer's investment decisions; and

5.2.3 [d](#)[elineate](#) specific procedures and required approvals for investment of institutional funds which provide for adequate internal controls, including an appropriate segregation of duties with respect to the authorization, custody, accounting and reporting of investment transactions; and

5.2.4 [s](#)[pecify](#) the format and schedule for reporting to its institutional Board of Trustees.

5.3 Subsequent Changes: Each institution shall submit to the Board all subsequent changes in investment policy.

R541-6 Endowment Funds: If any gift, devise, or bequest, whether outright or in trust, is made by a written instrument which contains directions as to investment thereof, the funds embodied within the gift shall be invested in accordance with those directions. Such gifts received by donation may be retained by an institution and shall be considered to be invested according to the terms of this policy. In the absence of a written instrument, non-qualifying investments shall be sold as soon as practical, not to exceed 30 days. The Commissioner may approve exceptions to the 30-day rule in the case of non-readily marketable investments.

6.1 [Institutional Endowment Investment Policy](#): In accordance with the Uniform Prudent Management of Institutional Funds Act, an institution's board of trustees may adopt its own endowment investment policy. All such policies (including any associated investment guidelines or other policy direction) must meet the requirements of the Uniform Prudent Management of Institutional Funds Act and must be formally approved by the Board of Higher Education. Institutions are not authorized to apply their own policies until both of the foregoing conditions have been met. Institutions following a separate trustee adopted, and Board-approved endowment investment policy will be considered to be investing in accordance with the terms of this policy. Revisions to

institutional endowment investment policies (including revisions to any associated investment guidelines or other policy direction) must also receive both trustee and Board approval.

6.2 Permissible Investments and Asset Allocations: This section applies to those institutions that do not have an investment policy in place that has been adopted by their Board of Trustees and approved by the Board of Higher Education.

6.2.1 Institutions are permitted to invest endowment funds in the following:

Mutual funds registered with the SEC	0 – 100%
Investments sponsored by the Common Fund	0 – 100%
Investments authorized by Utah Code §51-7-11	0 – 100%
Corporate stock listed on a major exchange (direct ownership)	0 – 3%

6.2.2 An institution's overall endowment portfolio shall be invested in accordance with the following allocation ranges:

Fixed income and cash equivalents	0 – 100%
Equity Investments	0 – 75%
Alternative Investments	0 – 30%

6.2.3 Each institution utilizing alternative investments must comply with the following criteria:

6.2.3.1 Each institution with endowed funds in excess of \$100 million may invest up to 30 percent of its endowed funds in alternative investments.

6.2.3.2 Each institution with endowed funds in excess of \$75 million but less than \$100 million may invest up to 25 percent of its endowed funds in alternative investments.

6.2.3.3 Each institution with endowed funds in excess of \$50 million but less than \$75 million may invest up to 20 percent of its endowed funds in alternative investments.

6.2.3.4 Each institution with endowed funds in excess of \$25 million but less than \$50 million may invest up to 15 percent of its endowed funds in alternative investments.

6.2.3.5 Each institution with endowed funds in excess of \$5 million but less than \$25 million may invest up to 10 percent of its endowed funds in alternative investments.

6.2.3.6 Institutions with endowed funds of less than \$5 million are not permitted to invest any of their endowed funds in alternative investments.

6.2.4 Once an institution reaches an alternative investment threshold, it may retain the investment range authorized for that threshold as long as the market value of its endowed funds remains within 90 percent of the threshold.

6.2.5 Pooled or commingled investment funds (e.g., mutual funds or Common Fund investments) are to be categorized and calculated into the asset mix according to the primary purpose of those investment funds.

6.2.6 Pooled or commingled investment funds without a clear primary purpose (e.g., balanced funds) are to be categorized and calculated into the asset mix as equity investments.

6.2.7 Real estate investment trusts are to be categorized and calculated into the asset mix as equity investments.

6.2.8 The endowment portfolio shall be reviewed at the end of every quarter and if need be, a tactical plan of action to rebalance the portfolio

shall be determined to bring the portfolio into compliance (rebalancing is only necessary if the permissible investment and/or asset allocation ranges are out of compliance). This action will constitute full compliance with the permissible investment and asset allocation provisions of this policy.

6.2.9 All calculations required to demonstrate compliance with [subsection 6.2](#) are to be based on market values.

6.3 Investment Guidelines. The foregoing asset allocation standards are meant to serve as a general guide. The institutions must use them in conjunction with appropriate due-diligence and prudence. The following standard of care shall apply to investments of endowed funds by institutions:

6.3.1 An institution shall invest and manage endowment funds as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowment. In satisfying this standard, an institution shall exercise reasonable care, skill, and caution.

6.3.2 An institution's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the endowment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment.

6.3.3 Among circumstances that an institution shall consider in investing and managing endowment assets are the following which may be relevant to the endowment or its beneficiaries:

6.3.3.1 ~~g~~[General](#) economic conditions;

6.3.3.2 ~~t~~[The](#) possible effect of inflation or deflation;

6.3.3.3 ~~t~~[The](#) role that each investment or course of action plays within the overall endowment portfolio;

6.3.3.4 ~~t~~The expected total return from income and the appreciation of capital;

6.3.3.5 ~~n~~Needs for liquidity, regularity of income, and preservation or appreciation of capital; and

6.3.3.6 ~~a~~An asset's special relationship or special value, if any, to the purposes of the endowment or to one or more of the beneficiaries.

6.3.4 An institution shall make a reasonable effort to verify facts relevant to the investment and management of endowed assets.

6.3.5 Any institution that elects to invest their endowment funds with another institution may do so with prior approval from their Board of Trustees and the Board of Higher Education and shall adopt the investment guidelines of the institution receiving the funds in place of the guidelines outlined in 6.2-6.3.

6.4 Delegation to an Agent: An institution may delegate investment and management functions that a prudent investor could properly delegate under the circumstances.

6.4.1 The institution shall exercise reasonable care, skill, and caution in:

6.4.1.1 ~~s~~Selecting an agent;

6.4.1.2 ~~e~~Establishing the scope and terms of the delegation, consistent with the purposes and terms of the endowment; and

6.4.1.3 ~~p~~Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

6.4.2 In performing a delegated function, an agent owes a fiduciary duty to the endowment to exercise reasonable care to comply with the terms of the delegation. An institution that complies with the requirements of [subsection 4.6.2.2](#) is not liable to the beneficiaries or to the endowment for the decisions or actions of the agent to whom the function was delegated.

6.4.3 In investing and managing endowed funds, an institution may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the endowment, and the skills of the institution or agent to whom investment management functions were delegated.

6.5 Exceptions: The Board of Higher Education may approve exceptions to R541. Such exceptions must be immaterial to the endowment portfolio as a whole and must meet a compelling instructional, public service, or other institutional need.

R541-7 Operating and All Other Non-Endowment Funds: Operating and all other non-endowment funds shall be invested in accordance with the State Money Management Act and Rules of the State Money Management Council.

R541-8 Conflicts of Interest: A conflict of interest occurs when an individual's private interests interfere in any way—or even appear to interfere—with the institution's interests as a whole.

8.1 Access Persons

8.1.1 Each institution's officers, directors, employees or members of an investment committee that are involved with the investment of endowment funds ("Access Persons") have a duty to be free of conflicting interests that might influence their decisions when representing the institution.

8.1.2 Consequently, as a general matter, an institution's Access Persons are not permitted to maintain any conflict of interest with the institution and should make every effort to avoid even the appearance of any such conflict.

A conflict of interest can arise when an Access Person takes actions or has interests that may make it difficult to perform ~~his or her~~their company work objectively and effectively, or when an Access Person or a member of ~~his or her~~their family receives any improper personal benefits as a result of ~~his or her~~their position with the institution.

8.1.3 Any Access Person who believes that ~~he or she~~they may have a potential conflict of interest must immediately report concerns to the appropriate institutional representative, mechanism, or process (ethics committee, etc.).

8.2 This general prohibition on conflicts of interest includes (but is not limited to) the following:

8.2.1 ~~a~~An institution's dealings with consultants, investment advisers, investment funds, and others shall be based solely on what is in the institution's best interest, without favor or preference to any third party, including close relatives; and

8.2.2 Access Persons who deal with or influence decisions of individuals or organizations seeking to do business with an institution shall not own interests in or have other personal stakes in such organizations that might affect the decision-making process and/or the objectivity of such employee, unless expressly authorized in writing by the investment committee and board of trustees of the institution, and only after the interest or personal stake has been disclosed.

R541-9 Reports to Institutional Boards of Trustees: In establishing reports to its Board of Trustees, each institution shall implement the following:

9.1 Reports: Each institution shall submit monthly investment reports to the secretary of the Board of Trustees within 60 days of the month's end. The secretary will place the reports on the agenda of the next regular trustee meeting.

9.2 Copies of Reports Submitted to the Board: Within 30 days of trustee approval, each institution shall submit to the Board of Higher Education a copy of the reports submitted to its board of trustees.

R541-10 Annual Report: Annually, each institution shall submit, on forms provided by the Commissioner of Higher Education, a report summarizing all investments under its jurisdiction.

R541-11 Audits: Each institution shall annually audit its institutional investments. Institutions shall send the completed audit report to Board of Higher Education Audit ~~Manager~~ [Director](#) by January 15. [Technical colleges may request assistance from the Audit Director.](#)

R541-12 Annual Summary: The Board shall submit an annual report to the Governor and the Legislature summarizing all investments by institutions under its jurisdiction.

R541, Management and Reporting of Institutional Investments¹

R541-1 Purpose: This policy implements the State Money Management Act, the rules of the State Money Management Council, and the Uniform Prudent Management of Institutional Funds Act This policy provides guidelines to institutions for establishing policy, process, and reporting of investments.

R541-2 References

- 2.1** [Utah Code § 53B-2-106](#), Duties and Responsibilities of the President of a Degree-Granting Institution
- 2.2** [Utah Code Title 51, Chapter 7](#), State Money Management Act
- 2.3** [Utah Administrative Code Title R628](#), Administration of the State Money Management Council
- 2.4** [Utah Code Title 51, Chapter 08](#), Uniform Prudent Management of Institutional Funds Act
- 2.5** [Board Policy, R567](#), Internal Audit Program

R541-3 Definitions

3.1 Alternative Investments: Funds that derive returns primarily from high yield or distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, private real estate, or absolute return and long/short hedge funds.

3.2 “Board”: The Utah Board of Higher Education.

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3.3 Investments: All institutional funds addressed under provisions of the State Money Management Act or the Uniform Prudent Management of Institutional Funds Act.

R541-4 Delegation of Responsibility: The Board delegates to each institutional Board of Trustees full responsibility to manage and report institutional investments in compliance with this general policy.

R541-5 Institutional Board of Trustees Responsibilities: Each institutional Board of Trustees shall adopt institutional policy and procedure regarding investments (including any changes in such policy and procedures), designate a public treasurer and approve the format of reports submitted for its review.

5.1 Periodic Review and Approval: Each institutional Board of Trustees shall receive and approve monthly investment reports.

5.2 Policy and Procedures Furnished to the Board: Each institution shall furnish the Board with a copy of its investment policies and procedures as approved by its institutional Board of Trustees. Such policy and procedures shall:

5.2.1 Require institutional compliance with the State Money Management Act, Rules of the State Money Management Council, and Uniform Prudent Management of Institutional Funds Act; and

5.2.2 Specify criteria for appointment of a public treasurer, define the public treasurer's authority in making institutional investments within the overall operating responsibility of the chief executive officer, and establish criteria for supervisory approval of the public treasurer's investment decisions; and

5.2.3 Delineate specific procedures and required approvals for investment of institutional funds which provide for adequate internal controls, including an appropriate segregation of duties with respect to the

authorization, custody, accounting and reporting of investment transactions; and

5.2.4 Specify the format and schedule for reporting to its institutional Board of Trustees.

5.3 Subsequent Changes: Each institution shall submit to the Board all subsequent changes in investment policy.

R541-6 Endowment Funds: If any gift, devise, or bequest, whether outright or in trust, is made by a written instrument which contains directions as to investment thereof, the funds embodied within the gift shall be invested in accordance with those directions. Such gifts received by donation may be retained by an institution and shall be considered to be invested according to the terms of this policy. In the absence of a written instrument, non-qualifying investments shall be sold as soon as practical, not to exceed 30 days. The Commissioner may approve exceptions to the 30-day rule in the case of non-readily marketable investments.

6.1 Institutional Endowment Investment Policy: In accordance with the Uniform Prudent Management of Institutional Funds Act, an institution's board of trustees may adopt its own endowment investment policy. All such policies (including any associated investment guidelines or other policy direction) must meet the requirements of the Uniform Prudent Management of Institutional Funds Act and must be formally approved by the Board of Higher Education. Institutions are not authorized to apply their own policies until both of the foregoing conditions have been met. Institutions following a separate trustee adopted, and Board-approved endowment investment policy will be considered to be investing in accordance with the terms of this policy. Revisions to institutional endowment investment policies (including revisions to any associated investment guidelines or other policy direction) must also receive both trustee and Board approval.

6.2 Permissible Investments and Asset Allocations: This section applies to those institutions that do not have an investment policy in place that has been

adopted by their Board of Trustees and approved by the Board of Higher Education.

6.2.1 Institutions are permitted to invest endowment funds in the following:

Mutual funds registered with the SEC	0 – 100%
Investments sponsored by the Common Fund	0 – 100%
Investments authorized by Utah Code §51-7-11	0 – 100%
Corporate stock listed on a major exchange (direct ownership)	0 – 3%

6.2.2 An institution's overall endowment portfolio shall be invested in accordance with the following allocation ranges:

Fixed income and cash equivalents	0 – 100%
Equity Investments	0 – 75%
Alternative Investments	0 – 30%

6.2.3 Each institution utilizing alternative investments must comply with the following criteria:

6.2.3.1 Each institution with endowed funds in excess of \$100 million may invest up to 30 percent of its endowed funds in alternative investments.

6.2.3.2 Each institution with endowed funds in excess of \$75 million but less than \$100 million may invest up to 25 percent of its endowed funds in alternative investments.

6.2.3.3 Each institution with endowed funds in excess of \$50 million but less than \$75 million may invest up to 20 percent of its endowed funds in alternative investments.

6.2.3.4 Each institution with endowed funds in excess of \$25 million but less than \$50 million may invest up to 15 percent of its endowed funds in alternative investments.

6.2.3.5 Each institution with endowed funds in excess of \$5 million but less than \$25 million may invest up to 10 percent of its endowed funds in alternative investments.

6.2.3.6 Institutions with endowed funds of less than \$5 million are not permitted to invest any of their endowed funds in alternative investments.

6.2.4 Once an institution reaches an alternative investment threshold, it may retain the investment range authorized for that threshold as long as the market value of its endowed funds remains within 90 percent of the threshold.

6.2.5 Pooled or commingled investment funds (e.g., mutual funds or Common Fund investments) are to be categorized and calculated into the asset mix according to the primary purpose of those investment funds.

6.2.6 Pooled or commingled investment funds without a clear primary purpose (e.g., balanced funds) are to be categorized and calculated into the asset mix as equity investments.

6.2.7 Real estate investment trusts are to be categorized and calculated into the asset mix as equity investments.

6.2.8 The endowment portfolio shall be reviewed at the end of every quarter and if need be, a tactical plan of action to rebalance the portfolio shall be determined to bring the portfolio into compliance (rebalancing is only necessary if the permissible investment and/or asset allocation ranges are out of compliance). This action will constitute full compliance with the permissible investment and asset allocation provisions of this policy.

6.2.9 All calculations required to demonstrate compliance with subsection 6.2 are to be based on market values.

6.3 Investment Guidelines. The foregoing asset allocation standards are meant to serve as a general guide. The institutions must use them in conjunction with appropriate due-diligence and prudence. The following standard of care shall apply to investments of endowed funds by institutions:

6.3.1 An institution shall invest and manage endowment funds as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowment. In satisfying this standard, an institution shall exercise reasonable care, skill, and caution.

6.3.2 An institution's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the endowment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment.

6.3.3 Among circumstances that an institution shall consider in investing and managing endowment assets are the following which may be relevant to the endowment or its beneficiaries:

6.3.3.1 General economic conditions;

6.3.3.2 The possible effect of inflation or deflation;

6.3.3.3 The role that each investment or course of action plays within the overall endowment portfolio;

6.3.3.4 The expected total return from income and the appreciation of capital;

6.3.3.5 Needs for liquidity, regularity of income, and preservation or appreciation of capital; and

6.3.3.6 An asset's special relationship or special value, if any, to the purposes of the endowment or to one or more of the beneficiaries.

6.3.4 An institution shall make a reasonable effort to verify facts relevant to the investment and management of endowed assets.

6.3.5 Any institution that elects to invest their endowment funds with another institution may do so with prior approval from their Board of Trustees and the Board of Higher Education and shall adopt the investment guidelines of the institution receiving the funds in place of the guidelines outlined in 6.2-6.3.

6.4 Delegation to an Agent: An institution may delegate investment and management functions that a prudent investor could properly delegate under the circumstances.

6.4.1 The institution shall exercise reasonable care, skill, and caution in:

6.4.1.1 Selecting an agent;

6.4.1.2 Establishing the scope and terms of the delegation, consistent with the purposes and terms of the endowment; and

6.4.1.3 Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

6.4.2 In performing a delegated function, an agent owes a fiduciary duty to the endowment to exercise reasonable care to comply with the terms of the delegation. An institution that complies with the requirements of subsection

4.6.2.2 is not liable to the beneficiaries or to the endowment for the decisions or actions of the agent to whom the function was delegated.

6.4.3 In investing and managing endowed funds, an institution may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the endowment, and the skills of the institution or agent to whom investment management functions were delegated.

6.5 Exceptions: The Board of Higher Education may approve exceptions to R541. Such exceptions must be immaterial to the endowment portfolio as a whole and must meet a compelling instructional, public service, or other institutional need.

R541-7 Operating and All Other Non-Endowment Funds: Operating and all other non-endowment funds shall be invested in accordance with the State Money Management Act and Rules of the State Money Management Council.

R541-8 Conflicts of Interest: A conflict of interest occurs when an individual's private interests interfere in any way—or even appear to interfere—with the institution's interests as a whole.

8.1 Access Persons

8.1.1 Each institution's officers, directors, employees or members of an investment committee that are involved with the investment of endowment funds ("Access Persons") have a duty to be free of conflicting interests that might influence their decisions when representing the institution.

8.1.2 Consequently, as a general matter, an institution's Access Persons are not permitted to maintain any conflict of interest with the institution and should make every effort to avoid even the appearance of any such conflict. A conflict of interest can arise when an Access Person takes actions or has interests that may make it difficult to perform their company work objectively and effectively, or when an Access Person or a member of their

family receives any improper personal benefits as a result of their position with the institution.

8.1.3 Any Access Person who believes that they may have a potential conflict of interest must immediately report concerns to the appropriate institutional representative, mechanism, or process (ethics committee, etc.).

8.2 This general prohibition on conflicts of interest includes (but is not limited to) the following:

8.2.1 An institution's dealings with consultants, investment advisers, investment funds, and others shall be based solely on what is in the institution's best interest, without favor or preference to any third party, including close relatives; and

8.2.2 Access Persons who deal with or influence decisions of individuals or organizations seeking to do business with an institution shall not own interests in or have other personal stakes in such organizations that might affect the decision-making process and/or the objectivity of such employee, unless expressly authorized in writing by the investment committee and board of trustees of the institution, and only after the interest or personal stake has been disclosed.

R541-9 Reports to Institutional Boards of Trustees: In establishing reports to its Board of Trustees, each institution shall implement the following:

9.1 Reports: Each institution shall submit monthly investment reports to the secretary of the Board of Trustees within 60 days of the month's end. The secretary will place the reports on the agenda of the next regular trustee meeting.

9.2 Copies of Reports Submitted to the Board: Within 30 days of trustee approval, each institution shall submit to the Board of Higher Education a copy of the reports submitted to its board of trustees.

R541-10 Annual Report: Annually, each institution shall submit, on forms provided by the Commissioner of Higher Education, a report summarizing all investments under its jurisdiction.

R541-11 Audits: Each institution shall annually audit its institutional investments. Institutions shall send the completed audit report to Board of Higher Education Audit Director by January 15. Technical colleges may request assistance from the Audit Director.

R541-12 Annual Summary: The Board shall submit an annual report to the Governor and the Legislature summarizing all investments by institutions under its jurisdiction.

R548, Institutional Discretionary Funds Administration and Accountability¹

R548-1 Purpose: To provide policy for the use and administration of Institutional Discretionary Funds as defined herein, and accountability procedures for the use of such funds.

R548-2 References

- 2.1** [Utah Code § 53B-7-101\(11\)](#), Financial Affairs
- 2.2** [Board Policy R567](#), Internal Audit Program

R548-3 Definitions

3.1 Institutional Discretionary Funds: Funds available for expenditure or transfer at the direction of the president of the institution, generated from one or both of the following sources:

3.1.1 Investment Income: Earnings resulting from the investment of cash balances in the Education and General Current Funds, and earnings resulting from the investment of other funds, including Quasi-endowment Funds, when applied for expenditure or transfer through the education and general budget.

3.1.2 Unrestricted Gifts and Grants: Gift and grant funds which are not restricted by the source to specific purposes and are deposited in the Education and General Current Fund for expenditure or transfer.

¹ *Adopted May 15, 1984; replaced June 24, 1988, amended June 18, 1993, October 31, 2003, July 28, 2006, and March 31, 2017.*

R548-4 Policy

4.1 Board and Board of Trustees Authorizations: All Institutional Discretionary Funds shall be used for purposes authorized by the Board; expenditures shall be in accordance with budgets approved by the institutional Board of Trustees; expenditures for individual construction, remodeling and landscaping projects costing \$50,000 or more of discretionary funds shall be specifically approved by the institutional Boards of Trustees; and actual, budgeted and projected revenues and expenditures of these funds shall be reported for the Board's review as part of the annual appropriated operating budget process. All authorizations and approvals required by this section shall be obtained in advance of the relevant institutional activity.

4.2 Authorized Uses of the Funds: Except as may be prohibited by statute or legislative intent language, or by action of the Board, Institutional Discretionary Funds may be expended directly within Education and General current funds for the following purposes:

4.2.1 Enrichment of institutional academic programs.

4.2.2 Enrichment of institutional cultural programs.

4.2.3 Scholarships, Fellowships, and Student Aid.

4.2.4 Faculty development and recognition.

4.2.5 Campus development and landscaping, including maintenance and remodeling projects.

4.2.6 Seed money for program grants and contracts.

4.2.7 Fund raising and institutional development activities.

4.2.8 Supplemental library support, including acquisitions, operations, and investments in process improvements.

4.2.9 Acquisition of academic and support equipment.

4.2.10 Other Education and General current operating support.

4.3 Transfer: Institutional Discretionary Funds also may be transferred to other funds of the institution, as follows:

4.3.1 to Loan Funds, for use in supporting student loans.

4.3.2 to Plant Funds, for use in supporting capital facilities development and improvement projects.

4.3.3 to Intercollegiate Athletics, for use in supporting the athletics programs.

4.3.4 to other Auxiliary Enterprises, to supplement revenues directly received from operations and dedicated fees.

4.3.5 to institutional quasi-endowment funds, as additions to invested quasi-endowment fund balances.

4.3.6 to other funds with prior approval of the Board of Higher Education.

4.4 General Priority Guideline: As a general rule, Institutional Discretionary Funds should be applied as a first priority to support of current Education and General or Auxiliary Enterprises expenditures. Decisions to apply the funds toward major capital projects should be considered very carefully by institutional administrations and institutional boards of trustees.

4.5 Specific Responsibilities

4.5.1 The Commissioner will provide forms and instructions for annual reporting of actual expenditures of Institutional Discretionary Funds for the most recent fiscal year, budgeted expenditures (based on estimated receipts)

for the current fiscal year, and preliminary estimates of receipts and uses of the funds for the budget request year, as part of the annual appropriated operating budget process. The Commissioner will provide an analytical report of the required information each Fall, for review by the Board of Higher Education, and such other reports as the Board may request between annual reports.

4.5.2 Each president is responsible to ensure that the proposed budgets and reports of actual expenditures are submitted for timely review by the institutional Board of Trustees prior to submission in the annual budget process, and that all construction, remodeling and landscaping projects requiring \$50,000 or more of Institutional Discretionary Funds are submitted in advance for approval by the institutional Board of Trustees.

4.5.3 Institutional Boards of Trustees are responsible for institutional compliance with the policy.

4.6 Annual Certification of Discretionary Fund Expenditures:

Institution internal auditors shall annually certify the accuracy of the institution's report of actual sources and uses of Institutional Discretionary Funds. [Technical colleges may request assistance from the Board of Higher Education Audit Director.](#)

4.6.1 The annual certification shall include the auditor's opinion concerning the fairness of presentation in accordance with generally accepted auditing standards for reporting on prescribed format statements and the institution's compliance with this policy.

4.6.2 Institutions shall submit the certification report to the Board of Higher Education Audit ~~Manager~~ [Director](#) by January 15.

R548, Institutional Discretionary Funds Administration and Accountability¹

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4.6.1 The annual certification shall include the auditor's opinion concerning the fairness of presentation in accordance with generally accepted auditing standards for reporting on prescribed format statements and the institution's compliance with this policy.

4.6.2 Institutions shall submit the certification report to the Board of Higher Education Audit Director by January 15.

R550, Auxiliary Enterprises Operation and Accountability¹

R550-1 Purpose: To designate which services are auxiliary enterprises and establish reporting and accountability requirements for such auxiliary enterprises.

R550-2 References

- 2.1 [Utah Code § 53B-6-102](#), ~~(Standardized Systems Prescribed by the Board)~~
- 2.2 [Utah Code § 53B-7-101\(110\)](#), ~~(Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board)~~
- 2.3 [Board Policy R555](#), Providing Facilities, Goods and Services in Competition with Private Enterprise~~;~~
- 2.4 [Board Policy R567-3](#), Internal Audit [Program](#)~~Activities~~, Definitions

R550-3 Definitions

3.1 Auxiliary Enterprises: Business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service, and from organized activities and intercollegiate athletics) the primary purpose of which is to provide specified services to students, faculty, staff or guests of the institution. All housing, food service, and college store activities in any institution are to be classified and managed as auxiliary enterprises. Other activities which serve primarily individuals (as distinguished from internal departments of the institution) and operate on an essentially self-supporting basis, also should be classified and managed as auxiliary enterprises.

¹ Adopted November 14, 1986; amended January 24, 1997, March 18, 2005, January 24, 2014, and March 31, 2017.

3.2 Essentially Self-Supporting: Means receiving revenues (fees for services, sales, dedicated general fees, contributions, and investment income) to cover all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and capital expenditures for the activity.

R550-4 General Policy

4.1 Support to Education, Research and Public Service: Auxiliary enterprises are operated as essential elements in support of the education, research and public service programs of the institutions. They are to be operated at a level of quality sufficient to support the objectives of the primary programs. Direct charges for services are to be sufficient to enable the auxiliary enterprises to operate on an essentially self-supporting basis whenever possible. Services provided by auxiliary enterprises may be incidentally available to members of the general public but are not to be marketed to the general public or outside organizations unless those services qualify as an exception under section 4 of ~~the~~ Board's [Policy R555](#), Providing Facilities, Goods and Services in Competition with Private Enterprise. All auxiliary enterprise organizations are required to comply with [Board Policy R555](#).

4.2 Limitations of R555: The Board recognizes that Policy R555 limits the ability of institutional auxiliary enterprises such as campus stores and food services to generate revenue from outside sources and therefore maximize revenues or to minimize charges to institutional users. In recognition of this limitation, institutions which cannot reach a total self-support level for designated auxiliary enterprise activities are permitted to provide subsidies from institutional discretionary funds or, if necessary, from other education and general funds, subject to the accounting requirements set forth below.

R550-5 Designation of Activities to be Operated as Auxiliary Enterprises

5.1 Criteria for Designation: In addition to the core activities of housing, food services, and college or university stores, institutions should propose for designation as auxiliary enterprises any other activities which meet the definitions provided above. However, the fact that an organized activity receives significant direct income is not in itself a reason for auxiliary enterprises

designation unless the activity also serves primarily students, faculty, or staff members.

5.2 Designated Auxiliary Enterprises, by Institution: In some instances, auxiliary enterprises may have been outsourced to private companies. For the purpose of this policy, the outsourced enterprises are included as well.

University of Utah

Campus Store(s)
Food Services
Contract Administration
Housing and Residential Education, and University Student Apartments
Lassonde Studios
Student Center (A. Ray Olpin University Union)
University Guesthouse and Conference Services
Commuter Services (Parking and Transportation)
Jon M. Huntsman Center (Special Events Center)
~~Rice-Eccles Stadium~~ and Arena Event Services
Student Health Services
~~Student Life Center~~ Campus Recreation Services

Utah State University

Campus Store(s)
~~Student Health Services~~
Housing
Parking Services
Food Services
University Inn
Student Center

Weber State University

Campus Store(s)
Student Center

Food Services
Housing
Student Health Services

Southern Utah University

Campus Store(s)
Student Center
Food Services
Housing

Snow College

Campus Store(s)
Sevier Valley Center
Food Services
Housing

~~Dixie State~~ Utah Tech University

Campus Store(s)
Student Center
Food Services
Housing

Utah Valley University

Campus Store(s)
Student Center
Food Services
Student Life and Wellness Center

Salt Lake Community College

Campus Store(s)
Student Center
Food Services

Bridgerland Technical College

Campus Store(s)

Food Services

Davis Technical College

Campus Store(s)

Food Services

Dixie Technical College

Campus Store(s)

Food Services

Mountainland Technical College

Campus Store(s)

Food Services

Ogden Weber Technical College

Campus Store(s)

Food Services

Southwest Technical College

Campus Store(s)

Tooele Technical College

Campus Store(s)

Uintah Basin Technical College

Campus Store(s)

Food Services

Instructional Program Services

R550-6 Principles of Operation

6.1 Management: Except as may be in conflict with any provisions of this policy, institutional auxiliary enterprises are to be operated in accordance with overall management principles set forth in Chapter 3.2 of College and University Business Administration (National Association of College and University Business Officers, Washington, D.C., 1982). Institutions are expected to employ professional management for their auxiliary enterprise activities, and to provide administrative, accounting and financial management oversight of each auxiliary enterprise, through one or more senior officers designated by the President.

6.2 Working Capital: In order to render adequate service, auxiliary enterprises should have a solid financial base that includes sufficient reserves. Each auxiliary enterprise which involves sale of goods and services should have adequate working capital to support accounts receivable and necessary inventories of goods and supplies. (Where this policy conflicts with existing bond covenants, the bond covenants shall prevail.) Renewal and replacement funds for all auxiliary enterprises should be accumulated in amounts sufficient to provide for major equipment repair and replacement as well as refurbishment, renewal and replacement of physical facilities. Auxiliary enterprises are not, however, expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. Subsidies from outside funds and then charges to users should be adjusted downward if an enterprise produces revenues in excess of this requirement.

6.3 Physical Plant Operations and Financial Accounting Services: Auxiliary enterprises budgets are to include costs of physical plant operations and accounting services directly chargeable to their operations. The cost of these support services may either be budgeted directly in the operations of the auxiliary enterprises or budgeted as payments to the education and general departments or service enterprises providing the support services.

6.4 Charges for Other Indirect Costs: In addition to direct charges for support costs, under 6.3, auxiliary enterprises are to be charged for an appropriate share of other administrative support costs of the institution.

6.5 Level of Prices and Charges: Appropriate fees shall be charged to users of the auxiliary enterprises, including academic or administrative departments. To the extent reasonably possible, selling prices, rents, fees, admissions and other charges by each auxiliary enterprise are to be set at a level adequate to support the operating and reserve requirements of the enterprise.

R550-7 Accounting and Audit Requirements

7.1 Accounting Requirements: Each auxiliary enterprise is to use accounting systems appropriate to the type of business of program operated. Accounts for each auxiliary enterprises are to include all revenues, expenditures, and transfers relating to the enterprise, including interest on loans from other institutional or outside sources and expenditures or indirect charges for operation and maintenance of physical plant and financial accounting services and for other administrative support costs. Mandatory and non-mandatory transfers out are to be specifically identified, as are all loans and all transfers in from other auxiliary enterprises and from institutional discretionary funds, other education and general funds, or other funds of the institution.

7.2 Auxiliary Enterprises Reports in the Annual Budget Process: A report of auxiliary enterprises operations, covering the completed actual year and the current budget year, is to be provided annually by each institution, as part of the regular Board of Higher Education budget process. The report, on forms or in a format provided by the Commissioner, is to include as a minimum, for each designated auxiliary enterprise and for the institutional auxiliary enterprises in total, the following information: (1) appropriate detail on revenues (e.g., sales and services, student fees, other income) and expenditures (e.g., costs of goods sold, direct operating expenses, charges for indirect costs); (2) identification of each specific source and amount of transfers in; (3) identification of each specific amount and recipient of transfers out; and (4) Details of any outstanding loans other than bonded indebtedness. (Bonded indebtedness is disclosed in the institution's audited financial statements.)

7.3 Audits of Auxiliary Enterprises: Institutions shall audit all auxiliary enterprises at least once every five years. An institution's internal audit unit [and technical colleges](#) may request assistance from the Board of Higher Education Audit ~~Manager~~[Director](#). Institutions shall send completed audit reports during the calendar year to the [Audit Director](#) ~~manager of audit and financial services~~ by January 15.

7.4 Annual Review of Financial Condition of Auxiliary Enterprises: The Associate Commissioner for Budget and Finance will prepare an analysis of the financial condition of auxiliary enterprises at each institution prior to January of each year, using reports submitted in the annual budget process pursuant to paragraph 7.2. The report will be submitted for review by the Finance and Facilities Committee, which may direct follow-up action and reports in any case where the financial condition of individual auxiliary enterprises, or institutional auxiliary enterprises in total, is not satisfactory.

R550-8 Oversight by institutional Board of Trustees

8.1 Review Reports and Audits, Monitor Services: Boards of Trustees shall review the institution's auxiliary enterprises annual reports prepared pursuant to ~~S~~[sub](#)section 7.2, and periodic internal audits prepared pursuant to ~~S~~[sub](#)section 7.3. Boards of trustees shall monitor the institution's management of auxiliary enterprises and the quality of the auxiliary services.

R550, Auxiliary Enterprises Operation and Accountability¹

R550-1 Purpose: To designate which services are auxiliary enterprises and establish reporting and accountability requirements for such auxiliary enterprises.

R550-2 References

- 2.1** [Utah Code § 53B-6-102](#), Standardized Systems Prescribed by the Board
- 2.2** [Utah Code § 53B-7-101](#)(11), Each Institution Handles Its Own Financial Affairs under the General Supervision of the Board
- 2.3** [Board Policy R555](#), Providing Facilities, Goods and Services in Competition with Private Enterprise
- 2.4** [Board Policy R567](#)-3, Internal Audit Program, Definitions

R550-3 Definitions

3.1 Auxiliary Enterprises: Business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service, and from organized activities and intercollegiate athletics) the primary purpose of which is to provide specified services to students, faculty, staff or guests of the institution. All housing, food service, and college store activities in any institution are to be classified and managed as auxiliary enterprises. Other activities which serve primarily individuals (as distinguished from internal departments of the institution) and operate on an essentially self-supporting basis, also should be classified and managed as auxiliary enterprises.

¹ *Adopted November 14, 1986; amended January 24, 1997, March 18, 2005, January 24, 2014, and March 31, 2017.*

3.2 Essentially Self-Supporting: Means receiving revenues (fees for services, sales, dedicated general fees, contributions, and investment income) to cover all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and capital expenditures for the activity.

R550-4 General Policy

4.1 Support to Education, Research and Public Service: Auxiliary enterprises are operated as essential elements in support of the education, research and public service programs of the institutions. They are to be operated at a level of quality sufficient to support the objectives of the primary programs. Direct charges for services are to be sufficient to enable the auxiliary enterprises to operate on an essentially self-supporting basis whenever possible. Services provided by auxiliary enterprises may be incidentally available to members of the general public but are not to be marketed to the general public or outside organizations unless those services qualify as an exception under section 4 of Board Policy R555, Providing Facilities, Goods and Services in Competition with Private Enterprise. All auxiliary enterprise organizations are required to comply with Board Policy R555.

4.2 Limitations of R555: The Board recognizes that Policy R555 limits the ability of institutional auxiliary enterprises such as campus stores and food services to generate revenue from outside sources and therefore maximize revenues or to minimize charges to institutional users. In recognition of this limitation, institutions which cannot reach a total self-support level for designated auxiliary enterprise activities are permitted to provide subsidies from institutional discretionary funds or, if necessary, from other education and general funds, subject to the accounting requirements set forth below.

R550-5 Designation of Activities to be Operated as Auxiliary Enterprises

5.1 Criteria for Designation: In addition to the core activities of housing, food services, and college or university stores, institutions should propose for designation as auxiliary enterprises any other activities which meet the definitions provided above. However, the fact that an organized activity receives significant direct income is not in itself a reason for auxiliary enterprises

designation unless the activity also serves primarily students, faculty, or staff members.

5.2 Designated Auxiliary Enterprises, by Institution: In some instances, auxiliary enterprises may have been outsourced to private companies. For the purpose of this policy, the outsourced enterprises are included as well.

University of Utah

Campus Store(s)

Food Services

Contract Administration

Housing and Residential Education, and University Student Apartments

Lassonde Studios

Student Center (A. Ray Olpin University Union)

University Guesthouse and Conference Services

Commuter Services (Parking and Transportation)

Jon M. Huntsman Center (Special Events Center)

Stadium and Arena Event Services

Student Health Services

Campus Recreation Services

Utah State University

Campus Store(s)

Housing

Parking Services

Food Services

University Inn

Student Center

Weber State University

Campus Store(s)

Student Center

Food Services
Housing
Student Health Services

Southern Utah University

Campus Store(s)
Student Center
Food Services
Housing

Snow College

Campus Store(s)
Sevier Valley Center
Food Services
Housing

Utah Tech University

Campus Store(s)
Student Center
Food Services
Housing

Utah Valley University

Campus Store(s)
Student Center
Food Services
Student Life and Wellness Center

Salt Lake Community College

Campus Store(s)
Student Center
Food Services

Bridgerland Technical College

Campus Store(s)

Food Services

Davis Technical College

Campus Store(s)

Food Services

Dixie Technical College

Campus Store(s)

Food Services

Mountainland Technical College

Campus Store(s)

Food Services

Ogden Weber Technical College

Campus Store(s)

Food Services

Southwest Technical College

Campus Store(s)

Tooele Technical College

Campus Store(s)

Uintah Basin Technical College

Campus Store(s)

Food Services

Instructional Program Services

R550-6 Principles of Operation

6.1 Management: Except as may be in conflict with any provisions of this policy, institutional auxiliary enterprises are to be operated in accordance with overall management principles set forth in Chapter 3.2 of College and University Business Administration (National Association of College and University

Business Officers, Washington, D.C., 1982). Institutions are expected to employ professional management for their auxiliary enterprise activities, and to provide administrative, accounting and financial management oversight of each auxiliary enterprise, through one or more senior officers designated by the President.

6.2 Working Capital: In order to render adequate service, auxiliary enterprises should have a solid financial base that includes sufficient reserves. Each auxiliary enterprise which involves sale of goods and services should have adequate working capital to support accounts receivable and necessary inventories of goods and supplies. (Where this policy conflicts with existing bond covenants, the bond covenants shall prevail.) Renewal and replacement funds for all auxiliary enterprises should be accumulated in amounts sufficient to provide for major equipment repair and replacement as well as refurbishment, renewal and replacement of physical facilities. Auxiliary enterprises are not, however, expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. Subsidies from outside funds and then charges to users should be adjusted downward if an enterprise produces revenues in excess of this requirement.

6.3 Physical Plant Operations and Financial Accounting Services: Auxiliary enterprises budgets are to include costs of physical plant operations and accounting services directly chargeable to their operations. The cost of these support services may either be budgeted directly in the operations of the auxiliary enterprises or budgeted as payments to the education and general departments or service enterprises providing the support services.

6.4 Charges for Other Indirect Costs: In addition to direct charges for support costs, under 6.3, auxiliary enterprises are to be charged for an appropriate share of other administrative support costs of the institution.

6.5 Level of Prices and Charges: Appropriate fees shall be charged to users of the auxiliary enterprises, including academic or administrative departments. To the extent reasonably possible, selling prices, rents, fees, admissions and

other charges by each auxiliary enterprise are to be set at a level adequate to support the operating and reserve requirements of the enterprise.

R550-7 Accounting and Audit Requirements

7.1 Accounting Requirements: Each auxiliary enterprise is to use accounting systems appropriate to the type of business of program operated. Accounts for each auxiliary enterprises are to include all revenues, expenditures, and transfers relating to the enterprise, including interest on loans from other institutional or outside sources and expenditures or indirect charges for operation and maintenance of physical plant and financial accounting services and for other administrative support costs. Mandatory and non-mandatory transfers out are to be specifically identified, as are all loans and all transfers in from other auxiliary enterprises and from institutional discretionary funds, other education and general funds, or other funds of the institution.

7.2 Auxiliary Enterprises Reports in the Annual Budget Process: A report of auxiliary enterprises operations, covering the completed actual year and the current budget year, is to be provided annually by each institution, as part of the regular Board of Higher Education budget process. The report, on forms or in a format provided by the Commissioner, is to include as a minimum, for each designated auxiliary enterprise and for the institutional auxiliary enterprises in total, the following information: (1) appropriate detail on revenues (e.g., sales and services, student fees, other income) and expenditures (e.g., costs of goods sold, direct operating expenses, charges for indirect costs); (2) identification of each specific source and amount of transfers in; (3) identification of each specific amount and recipient of transfers out; and (4) Details of any outstanding loans other than bonded indebtedness. (Bonded indebtedness is disclosed in the institution's audited financial statements.)

7.3 Audits of Auxiliary Enterprises: Institutions shall audit all auxiliary enterprises at least once every five years. An institution's internal audit unit and technical colleges may request assistance from the Board of Higher Education

Audit Director. Institutions shall send completed audit reports during the calendar year to the Audit Director by January 15.

7.4 Annual Review of Financial Condition of Auxiliary Enterprises:

The Associate Commissioner for Budget and Finance will prepare an analysis of the financial condition of auxiliary enterprises at each institution prior to January of each year, using reports submitted in the annual budget process pursuant to paragraph 7.2. The report will be submitted for review by the Finance and Facilities Committee, which may direct follow-up action and reports in any case where the financial condition of individual auxiliary enterprises, or institutional auxiliary enterprises in total, is not satisfactory.

R550-8 Oversight by institutional Board of Trustees

8.1 Review Reports and Audits, Monitor Services: Boards of Trustees shall review the institution's auxiliary enterprises annual reports prepared pursuant to subsection 7.2, and periodic internal audits prepared pursuant to subsection 7.3. Boards of trustees shall monitor the institution's management of auxiliary enterprises and the quality of the auxiliary services.

R557, Motor Vehicles¹

R557-1 Purpose: To provide guidelines and oversight for the purchase, maintenance and use of vehicles.

R557-2 References

- 2.1** [Utah Code § 41-1a-407](#), Use of “EX” Plates by Political Subdivisions or State
- 2.2** [Utah Code Title 63A, Chapter 9](#), Division of Fleet Operations and Administration of State Vehicles
- 2.3** [Utah Code § 63G-6a](#), Utah Procurement Code
- 2.4** [Board Policy R205](#), Presidential Appointment, Term of Office, Compensation and Benefits
- 2.5** [Board Policy R555](#), Providing Facilities, Goods and Services in Competition with Private Enterprise
- 2.6** [Board Policy R556](#), Transportation in Campus Vehicles
- 2.7** [Board Policy R567-3](#), Internal Audit Program

R557-3 Definitions

- 3.1 “Motor Pool Fleet”:** The motor pool fleet is comprised of all vehicles owned or leased by the institution for daily and monthly use by departments and employees of the institution.
- 3.2 “Vehicle Fleet”:** The vehicle fleet is comprised of all licensed vehicles owned or leased by the institution, including the motor pool fleet.
- 3.3 “Service Enterprises”:** Service enterprises are operations within the institution established by the institution to provide services to departments and employees of the institution. Fees are set at a level adequate to support projected operating requirements without generating excess revenues.
- 3.4 “Commute”:** Commute means travel between an employee’s home and place of work more than five times per month. Commute includes travel to any work site closer to an employee’s home than the principal place of assignment.
- 3.5 “Employee”:** Employee means any person who is paid by the institution or is acting as an agent of the institution in a volunteer position or as a student.

¹ Adopted November 3, 1995; amended March 12, 1997, March 18, 2005, March 31, 2017, ~~and~~ November 19, 2021, [and XXX](#).

3.6 “Incidental Personal Use”: Use of a vehicle to obtain meals and lodging in connection with an authorized business trip.

R557-4 Policy

4.1 Ownership and Control of Vehicle Fleets: Each institution shall monitor and control its vehicle fleet. An institution with more than ten vehicles in its motor pool shall:

4.1.1 ~~e~~Employ professional management for its fleet;

4.1.2 ~~o~~Operate the motor pool fleet as a service enterprise;

4.1.3 ~~m~~Monitor, analyze, and evaluate the utilization of fleet vehicles to determine optimal fleet size;

4.1.4 ~~r~~Review the overall need for any potential vehicle purchase pursuant to [subsection 4.1.3](#) and conduct a cost-benefit analysis for long-term lease versus vehicle purchase;

4.1.5 ~~e~~Comply with Utah Code [§section 63G-6](#)ain the purchase of all vehicles; and

4.1.6 ~~e~~Evaluate the need for and cost of departmentally-owned vehicles versus vehicles included in the motor pool fleet.

4.2 Marking of Vehicles and “EX” Plates: In accordance with Utah Code [§section 63A-9-601](#), all vehicles in the fleet shall display an identification mark and have “EX” plates, unless exempted under that section or Utah Code [§section 41-1a-407](#).

4.3 Commute Policies: Commute privileges should be authorized only when beneficial to the institution. Institutions shall establish commute policies to provide:

4.3.1 ~~a~~Authorization criteria for the use of vehicles for commuting;

4.3.2 ~~d~~Disciplinary procedures and sanctions for unauthorized commuting; and

4.3.3 ~~a~~Accounting guidelines for maintaining proper records of the taxable benefit to the employee of commuting in an institutional vehicle.

4.4 Maintenance and Safe Use of Vehicles: Institutions shall establish policies governing the maintenance and safe use of the vehicle fleet. These policies shall provide:

4.4.1 ~~f~~For compliance with guidelines established by the Office of Risk Management in connection with providing vehicle insurance to the institution; and

4.4.2 ~~f~~For employee reporting of vehicles involved in accidents and traffic violations and for compliance with seat belt laws, alcohol and drug regulations and other traffic laws.

4.5 Use of Vehicles: Fleet vehicles shall only be used for official institutional business purposes, except when:

4.5.1 ~~p~~Personal use has been authorized for the President in compliance with Board policy;

4.5.2 ~~e~~Commute privileges have been authorized pursuant to [subsection 4.3](#); or

4.5.3 ~~n~~Non-incidental personal use has been specifically authorized by the President and reported to the institutional Board of Trustees.

4.6 Vehicle Fleet Use Restricted by Board Policies: Institutions shall comply with Board policies relating to vehicle use in R555 and R556.

4.7 Annual Report: Institutions shall submit an annual vehicle fleet report to the Division of Fleet Operations. The report shall include:

4.7.1 ~~t~~The number of vehicles in the vehicle fleet, a description of each vehicle owned or leased (including license number, year, make, and model), and the person and administrative unit to whom each vehicle is assigned;

4.7.2 ~~e~~Other information requested by the Division of Fleet Operations in compliance with Utah Code [§section 63A-9-402](#); and

4.7.3 ~~t~~The number and names of employees with authorized commute privileges, authorized personal use privileges, and who drive unmarked vehicles.

4.8 Annual Motor Pool Report: The annual motor pool report shall be part of the regular budget process for institutions with more than ten vehicles in its motor pool and shall include:

4.8.1 ~~r~~Revenues and expenditures;

4.8.2 ~~r~~Rates and charges for vehicle use;

4.8.3 ~~v~~Vehicle utilization rates, and

4.8.3 ~~Other~~ pertinent information about the operations of motor pool fleet.

~~**4.9 Certification and Reporting Requirements:** Institutions shall annually certify the accuracy of the vehicle fleet report and motor pool fleet report and shall submit the certification to the Board of Higher Education Manager of Audit by January 15.~~

4.9 ~~10~~ **Oversight by Board of Trustees:** The Board of Trustees of each institution shall review the institution's annual vehicle fleet reports and motor pool fleet reports and periodic internal audits prepared pursuant to ~~S~~subsections 4.7, ~~and~~ 4.8, ~~and 4.9~~. The Board of Trustees shall monitor how the institution manages and uses vehicle fleets.

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- 2.5** [Board Policy R555](#), Providing Facilities, Goods and Services in Competition with Private Enterprise
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4.1.1 Employ professional management for its fleet;

4.1.2 Operate the motor pool fleet as a service enterprise;

4.1.3 Monitor, analyze, and evaluate the utilization of fleet vehicles to determine optimal fleet size;

4.1.4 Review the overall need for any potential vehicle purchase pursuant to subsection 4.1.3 and conduct a cost-benefit analysis for long-term lease versus vehicle purchase;

4.1.5 Comply with Utah Code section 63G-6 in the purchase of all vehicles; and

4.1.6 Evaluate the need for and cost of departmentally-owned vehicles versus vehicles included in the motor pool fleet.

4.2 Marking of Vehicles and “EX” Plates: In accordance with Utah Code section 63A-9-601, all vehicles in the fleet shall display an identification mark and have “EX” plates, unless exempted under that section or Utah Code section 41-1a-407.

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4.3.2 Disciplinary procedures and sanctions for unauthorized commuting; and

4.3.3 Accounting guidelines for maintaining proper records of the taxable benefit to the employee of commuting in an institutional vehicle.

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4.4.1 For compliance with guidelines established by the Office of Risk Management in connection with providing vehicle insurance to the institution; and

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4.5 Use of Vehicles: Fleet vehicles shall only be used for official institutional business purposes, except when:

4.5.1 Personal use has been authorized for the President in compliance with Board policy;

4.5.2 Commute privileges have been authorized pursuant to subsection 4.3; or

4.5.3 Non-incidental personal use has been specifically authorized by the President and reported to the institutional Board of Trustees.

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4.7.1 The number of vehicles in the vehicle fleet, a description of each vehicle owned or leased (including license number, year, make, and model), and the person and administrative unit to whom each vehicle is assigned;

4.7.2 Other information requested by the Division of Fleet Operations in compliance with Utah Code section 63A-9-402; and

4.7.3 The number and names of employees with authorized commute privileges, authorized personal use privileges, and who drive unmarked vehicles.

4.8 Annual Motor Pool Report: The annual motor pool report shall be part of the regular budget process for institutions with more than ten vehicles in its motor pool and shall include:

4.8.1 Revenues and expenditures;

4.8.2 Rates and charges for vehicle use;

4.8.3 Vehicle utilization rates, and

4.8.3 Other pertinent information about the operations of motor pool fleet.

4.9 Oversight by Board of Trustees: The Board of Trustees of each institution shall review the institution's annual vehicle fleet reports and motor pool fleet reports and periodic internal audits prepared pursuant to subsections 4.7 and 4.8. The Board of Trustees shall monitor how the institution manages and uses vehicle fleets.

R561, Accounting and Financial Controls¹

R561-1 Purpose: To provide for standardized accounting records and procedures in the Utah System of Higher Education.

R561-2 References

- 2.1 [Utah Code 53B-6-102](#), Standardized Systems Prescribed by the Board
- 2.2 [Utah Code 53B-7-101](#), Financial Affairs
- 2.3 [Board Policy R120](#), Bylaws of the Board of Higher Education
- 2.4 [COSO Internal Controls—Integrated Framework: An Implementation Guide](#), COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION (2013)
- 2.5 [Statements of Governmental Accounting Standards](#), GOVERNMENTAL ACCOUNTING STANDARDS BOARD
- 2.6 [State of Utah Accounting Policies & Procedures](#)
- 2.7 [Advisory 00-08: Expense Cross-walk: Public Institutions](#), footnote regarding reporting natural classifications, NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

R561-3 Policy

3.1 Annual Financial Reports of Member Institutions to be Issued in Accordance with Generally Accepted Accounting Principles for Colleges and Universities: Each member institution shall issue an annual financial report for each fiscal year, in accordance with generally accepted accounting principles for colleges and universities and such annual reports shall be filed with the Office of the Commissioner for the use of the Board and its staff upon publication.

¹ Adopted March 23, 1971, amended April 27, 1971, September 25, 1973, September 2, 1999, April 20, 2001, May 31, 2002, January 18, 2008, ~~and~~ November 14, 2014, ~~and XXX~~.

3.1.1 Fixed Asset Accounting Conventions: To preserve financial statement comparability in reporting fixed assets, institutions will calculate depreciation using the straight-line method and adopt the following guidelines related to capitalization, useful lives, and residual values. An institution may deviate from these guidelines upon showing contravening federal or state regulations, likely adverse audit determinations, or other exceptional circumstances.

3.1.1.1 Equipment: Capitalization limits for equipment are as follows: \$5,000 for all USHE institutions. The determination of useful lives for equipment shall be as reflected in the State of Utah Standard Useful Life Table (FIACCT 09-~~09~~[17.01](#)). Residual values will be determined by each institution on a case by case basis.

3.1.1.2 Land: All land shall be capitalized and not depreciated.

3.1.1.3 Buildings: Capitalization limits for buildings are as follows: \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$100,000 for Southern Utah University, Snow College, ~~and Dixie State~~[Utah Tech](#) University, [and technical colleges](#). Buildings are determined to have a 40-year useful life at the time initial construction is completed. Residual values will be determined by each institution on a case by case basis.

3.1.1.4 Building Improvements: Capitalization limits for building improvements are as follows: \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$100,000 for Southern Utah University, Snow College, ~~and Dixie State~~[Utah Tech](#) University, [and technical colleges](#). When an improvement extends the useful life of a building, the building and the improvement shall be determined to have a remaining useful life equal to the length of time which the improvement extends the building's useful life. When an improvement does not extend the

useful life of a building, the useful life of the improvement shall be determined to be the remaining useful life of the building. Residual values will be determined by each institution on a case by case basis.

3.1.1.5 Infrastructure: Capitalization limits for infrastructure items are as follows: \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$100,000 for Southern Utah University, Snow College, ~~and Dixie State~~ [Utah Tech](#) University, [and technical colleges](#). The determination of useful lives for infrastructure items shall be as reflected in the State of Utah Standard Useful Life Table (FIACCT 09-~~09~~[17](#).01). Residual values will be determined by each institution on a case by case basis.

3.1.1.6 Land Improvements: Capitalization limits for land improvements are as follows: \$250,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$100,000 for Southern Utah University, Snow College, ~~and Dixie State~~ [Utah Tech](#) University, [and technical colleges](#). The determination of useful lives for land improvements shall be as reflected in the State of Utah Standard Useful Life Table (FIACCT 09-~~09~~[17](#).01). Residual values will be determined by each institution on a case by case basis.

3.1.1.7 Library Books: All library books shall be capitalized. The useful life of all books shall be determined to be 20 years. Residual values will be determined by each institution on a case by case basis.

3.1.1.8 Works of Art: Capitalization limits for Works of Art are as follows: \$5,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$2,000 for Southern Utah University, Snow College, ~~and Dixie State~~ [Utah Tech](#) University, [and technical colleges](#). Pieces classified as inexhaustible works of art shall not be depreciated.

Useful lives for other works of art shall be determined by each institution on a case by case basis. Residual values for other works of art will be determined by each institution on a case by case basis.

3.1.2 Reporting Expenditures in the Financial Statements: To preserve financial statement comparability, institutions will report expenditures as follows:

3.1.2.1 Use natural classifications on the Statement of Revenues, Expenditures and Changes in Net Position as illustrated in GASB statements, and

3.1.2.2 Present both natural and functional classifications in a footnote to the financial statements consistent with the format specified in the NACUBO Advisory Report 2000-8.

3.2 Certification of Financial and Other Documents: Financial and other documents requiring official certification by officers of the Board shall be subject to the following procedures:

3.2.1 Board authorization or approval for certification of such documents shall first be obtained, ordinarily at a regular Board meeting.

3.2.2 The necessary documents shall then be certified in writing (a) as to the above approval and (b) as to their accuracy and consistency with the Board authorization, by the President of the institution concerned, or by the Office of the Commissioner of Higher Education, or both.

3.2.3 The documents thus certified and submitted may then be taken directly to the officer or officers of the Board concerned for any required signatures.

3.2.4 The Commissioner of Higher Education and the ~~Associate Commissioner for Planning, Finance and Facilities~~ Chief Financial Officer are

hereby authorized to sign for either the Secretary or the Treasurer of the Board in the event of the unavailability of either the Secretary or the Treasurer.

3.2.5 A Treasurer of the Board is appointed pursuant to ~~S~~ubsection 3.2.4~~7~~ of R120, Bylaws of the Board of Higher Education, and shall serve in such capacity subject to the recommendation of the Commissioner of Higher Education to, and action by, the Board.

3.3 Accounting and Operating Controls: The Board authorizes each President and institutional Board of Trustees to establish and maintain a system of internal accounting and operating controls for their institution. This system of internal controls shall incorporate the principles and objectives specified by the Committee of Sponsoring Organizations of the Treadway Commission report “Internal Control—Integrated Framework.” In addition, the Board recommends the following:

3.3.1 That institutional Boards of Trustees authorize the President and Chief Financial Officer, or Chief Financial Officer and Controller, to establish imprest bank accounts for such purposes as they deem necessary for efficient operation of their institution and authorize appropriate signatures for same.

3.3.2 That institutional Boards of Trustees authorize all bank accounts and approve all signatures except as provided in recommendation 3.3.1.

3.3.3 That the Controller or Treasurer at each institution maintain an up-to-date record of all bank accounts and authorized signatures.

3.3.4 That from time to time there should be a review of cash on hand and cash receipts and internal examiners shall undertake an examination of cash disbursements, accounts payable, and purchasing.

R561, Accounting and Financial Controls¹

R561-1 Purpose: To provide for standardized accounting records and procedures in the Utah System of Higher Education.

R561-2 References

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3.1.1.8 Works of Art: Capitalization limits for Works of Art are as follows: \$5,000 for the University of Utah, Utah State University, Weber State University, Utah Valley University and Salt Lake Community College; \$2,000 for Southern Utah University, Snow College, Utah Tech University, and technical colleges. Pieces classified as inexhaustible works of art shall not be depreciated. Useful lives for other works of art shall be determined by each institution on a case by

case basis. Residual values for other works of art will be determined by each institution on a case by case basis.

3.1.2 Reporting Expenditures in the Financial Statements: To preserve financial statement comparability, institutions will report expenditures as follows:

3.1.2.1 Use natural classifications on the Statement of Revenues, Expenditures and Changes in Net Position as illustrated in GASB statements, and

3.1.2.2 Present both natural and functional classifications in a footnote to the financial statements consistent with the format specified in the NACUBO Advisory Report 2000-8.

3.2 Certification of Financial and Other Documents: Financial and other documents requiring official certification by officers of the Board shall be subject to the following procedures:

3.2.1 Board authorization or approval for certification of such documents shall first be obtained, ordinarily at a regular Board meeting.

3.2.2 The necessary documents shall then be certified in writing (a) as to the above approval and (b) as to their accuracy and consistency with the Board authorization, by the President of the institution concerned, or by the Office of the Commissioner of Higher Education, or both.

3.2.3 The documents thus certified and submitted may then be taken directly to the officer or officers of the Board concerned for any required signatures.

3.2.4 The Commissioner of Higher Education and the Chief Financial Officer are hereby authorized to sign for either the Secretary or the Treasurer of the

Board in the event of the unavailability of either the Secretary or the Treasurer.

3.2.5 A Treasurer of the Board is appointed pursuant to subsection 3.2.4 of R120, Bylaws of the Board of Higher Education, and shall serve in such capacity subject to the recommendation of the Commissioner of Higher Education to, and action by, the Board.

3.3 Accounting and Operating Controls: The Board authorizes each President and institutional Board of Trustees to establish and maintain a system of internal accounting and operating controls for their institution. This system of internal controls shall incorporate the principles and objectives specified by the Committee of Sponsoring Organizations of the Treadway Commission report “Internal Control—Integrated Framework.” In addition, the Board recommends the following:

3.3.1 That institutional Boards of Trustees authorize the President and Chief Financial Officer, or Chief Financial Officer and Controller, to establish imprest bank accounts for such purposes as they deem necessary for efficient operation of their institution and authorize appropriate signatures for same.

3.3.2 That institutional Boards of Trustees authorize all bank accounts and approve all signatures except as provided in recommendation 3.3.1.

3.3.3 That the Controller or Treasurer at each institution maintain an up-to-date record of all bank accounts and authorized signatures.

3.3.4 That from time to time there should be a review of cash on hand and cash receipts and internal examiners shall undertake an examination of cash disbursements, accounts payable, and purchasing.

R567, Internal Audit Program¹

R567-1 Purpose: To establish policies and standards for internal audit departments within the Utah System of Higher Education (“USHE”).

R567-2 References

- 2.1 [Utah Code § 53B-6-102](#), Standardized Systems Prescribed by the Board
- 2.2 [Utah Code § 53B-7-101](#), Financial Affairs Under the General Supervision of the Board
- 2.3 [Utah Code Title 63I, Chapter 5](#), Utah Internal Audit Act
- 2.4 [Board Policy R565](#), Audit Committees
- 2.5 [Board Policy R141-3.9](#), ~~Bylaws of the Board of Higher Education~~ [Functions of the Commissioner of Higher Education](#)
- 2.6 [International Standards for the Professional Practice of Internal Auditing](#), INSTITUTE OF INTERNAL AUDITORS (~~IIA Standards~~)

R567-3 Definitions

3.1 Audit Charter: “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the ~~D~~definition of ~~I~~internal ~~A~~auditing, the Code of Ethics, and the [International Standards for Professional Practice of Internal Auditing \(“IIA Standards”\)](#). The chief audit executive must periodically review the internal audit charter and present it to senior management and the ~~b~~[Utah Board of Higher Education \(“Board”\)](#) for approval.” The audit charter should grant appropriate

¹ Adopted April 24, 1973, amended May 29, 1973, June 26, 1973, November 27, 1973, January 28, 1975 and April 22, 1975; replaced January 17, 1992, amended April 17, 1992, March 18, 2005, March 31, 2017, November 16, 2018, March 25, 2021, ~~and~~ May 21, 2021, ~~and XXX~~.

² ~~IIA Standards, 1000: Purpose, Authority, and Responsibility.~~

³ ~~See Utah Code 63I-5-301(3).~~

⁴ ~~IIA Standard 1110.~~

access to data, information, records, and personnel needed to fulfill the internal audit activity's purpose and responsibilities.

3.2 Institution Audit Committee: Institution audit committees provide functional oversight of the internal audit activities, as described in the *Internal Audit Act*, and in accordance with [the -“IIA Standards”](#). The Board ~~of Higher Education~~ shall appoint institution audit committees members in adherence to the Utah Internal Audit Act and [Board Policy](#) R565, Audit Committees.

3.3 Internal Auditing: An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3.4 Institution Internal Audit Activity: Any activity administered by the institution's internal auditing organization. Each institution's audit committee shall establish an audit charter, granting the internal audit unit authority to engage in audit activities.

3.5 Board of Higher Education Audit Director: The audit director reports functionally to the Higher Education Audit Committee and administratively to the Associate Commissioner for Finance, Facilities, and Research within the Office of the Commissioner. The audit director provides audit support to the Board ~~of Higher Education~~ and to institution audit activities.

R567-4 Policy

4.1 General Standards: Internal audit activities shall comply with IIA Standards. Other professional standards (such as ~~“Generally Accepted Auditing Standards” disseminated by~~ the American Institute of Certified Public Accountants' [Generally Accepted Auditing Standards](#), or [the United States Comptroller's Government Auditing Standards](#) ~~published by the Comptroller General of the United States~~) may also apply to particular audit assignments, as

determined by the institution's audit committee or the Board ~~of Higher Education~~.

4.2 Internal Audit Activities Required at All Institutions: The ~~State~~ Utah ~~Board of Higher Education requires e~~Each USHE institution is required to maintain an internal audit activity plan.

4.3 Internal Audit Activities at Technical Colleges: Internal audit activities, functions, and all required audits outlined in subsections 4.5 and 4.6 at technical colleges may be performed under the direction of the Board Audit Director. The Commissioner may permit the Audit Director to hire staff to serve the internal auditor function for the purposes of this policy.

4.43 Internal Audit Activity Independence and Objectivity: Internal audit activities shall remain independent and objective. Institutions and internal auditors may foster independence by adhering to applicable standards, including:

4.43.1 Organizational Independence: Each institution should maintain organizational independence by establishing functional and administrative reporting relationships consistent with IIA Standards 1110 and 1111.

4.43.2 Internal Audit Activity Objectivity: Internal auditors shall adhere to standards of independence and objectivity ~~outlined in~~ under IIA Standards 1100 and 1120.

4.43.3 Independence Impairment Disclosure: Internal auditors shall properly disclose impairments to independence, as required ~~by~~ in IIA Standard 1130.

4.43.4 Role in Institution Operations: System and institution internal auditors shall not participate in institution management or operational responsibilities that would impair independence.

4.54 Institution Audits: In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee. Institution presidents and executive cabinets may also request audit activities.

4.65 Required Audits: Institution internal auditors shall annually conduct the following audits [according to relevant Board policy](#):

4.65.1 Presidential Travel: [Conducted](#) (in accordance with [Board Policy R212-1.2.](#))

4.65.2 Institutional Investments: [Conducted](#) (in accordance with [Board Policy R541-11.](#))

4.65.3 Auxiliary Enterprises: [Conducted](#) (in accordance with [Board Policy R550-7.3.](#))

4.65.4 Information Systems Audits: Each degree granting institution shall conduct regular information systems audits to ensure adequate controls exist to promote the integrity of data security, access, and governance. The audit committee for each degree granting institution also shall prioritize regular information systems audits on auditable risks identified in their institution's annual risk assessment.

4.76 Institution Risk Assessment: Internal auditors shall participate in institution risk assessments at least annually and report the results to the institution audit committee. Institution risks may include financial, operational, efficiency, fraud, compliance, internal control, information systems, data loss, reputation and political.

4.87 Institution Audit Communication: Upon completion of internal audit activities, institution auditors shall communicate the results to the institution audit committee.

4.98 Communication with Institution Management: The chief audit executive shall meet with the institution president at least annually to review completed audits, institution responses, and other pertinent issues.

4.109 Audit Committee Responsibilities: The audit committee shall ~~adhere to fulfill the~~ responsibilities established in the Utah Internal Audit Act and [Board Policy R565; Audit Committees](#).

4.110 Coordination of System-Wide Audits: Under the direction of the Board's ~~of Higher Education~~ Audit Subcommittee, the Commissioner of Higher Education and institution presidents shall coordinate assignments to conduct system-wide internal audits.

4.121 Special Audits Directed by the Commissioner: Under the direction of the Board's ~~of Higher Education~~ Audit Subcommittee, the Commissioner may schedule and conduct an audit at an institution, separately or in cooperation with a resident chief audit executive. ~~(See Board of Higher Education Bylaw~~ [Policy R141-3.9. R120-3.3.2.7.\)](#)

4.132 Audit Notification: The institution's vice president of finance or chief audit executive shall promptly notify the Board ~~of Higher Education a~~ [Director regarding about](#) apparent fraud or misconduct with any of the following attributes:

4.132.1 ~~s~~ [Significant](#) embezzlement, theft, or other fraud;

4.132.2 ~~e~~ [Concerns](#) that may damage an institution's reputation;

4.132.3 ~~a~~ [Apparent](#) misuse of institutional resources of at least \$25,000;

4.132.4 ~~i~~ [Issues](#) that may be covered by the media; or

4.132.5 ~~a~~ [Any](#) other issue that requires attention from the Board ~~of Higher Education~~ or the Commissioner.

R567, Internal Audit Program¹

R567-1 Purpose: To establish policies and standards for internal audit departments within the Utah System of Higher Education (“USHE”).

R567-2 References

- 2.1 [Utah Code § 53B-6-102](#), Standardized Systems Prescribed by the Board
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- 2.3 [Utah Code Title 63I, Chapter 5](#), Utah Internal Audit Act
- 2.4 [Board Policy R565](#), Audit Committees
- 2.5 [Board Policy R141-3.9](#), Functions of the Commissioner of Higher Education
- 2.6 [International Standards for the Professional Practice of Internal Auditing](#), INSTITUTE OF INTERNAL AUDITORS

R567-3 Definitions

3.1 Audit Charter: The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of internal auditing, the Code of Ethics, and the International Standards for Professional Practice of Internal Auditing (“IIA Standards”). The chief audit executive must periodically review the internal audit charter and present it to senior management and the Utah Board of Higher Education (“Board”) for approval. The audit charter should grant appropriate access to data, information, records, and personnel needed to fulfill the internal audit activity’s purpose and responsibilities.

¹ Adopted April 24, 1973, amended May 29, 1973, June 26, 1973, November 27, 1973, January 28, 1975 and April 22, 1975; replaced January 17, 1992, amended April 17, 1992, March 18, 2005, March 31, 2017, November 16, 2018, March 25, 2021, May 21, 2021, and XXX.

3.2 Institution Audit Committee: Institution audit committees provide functional oversight of the internal audit activities, as described in the *Internal Audit Act*, and in accordance with the “IIA Standards”. The Board shall appoint institution audit committee members in adherence to the Utah Internal Audit Act and Board Policy R565, Audit Committees.

3.3 Internal Auditing: An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3.4 Institution Internal Audit Activity: Any activity administered by the institution’s internal auditing organization. Each institution’s audit committee shall establish an audit charter, granting the internal audit unit authority to engage in audit activities.

3.5 Board of Higher Education Audit Director: The audit director reports functionally to the Higher Education Audit Committee and administratively to the Associate Commissioner for Finance, Facilities, and Research within the Office of the Commissioner. The audit director provides audit support to the Board and to institution audit activities.

R567-4 Policy

4.1 General Standards: Internal audit activities shall comply with IIA Standards. Other professional standards (such as the American Institute of Certified Public Accountants’ *Generally Accepted Auditing Standards*, or the United States Comptroller’s *Government Auditing Standards*) may also apply to particular audit assignments, as determined by the institution’s audit committee or the Board.

4.2 Internal Audit Activities Required at All Institutions: The Utah Each USHE institution is required to maintain an internal audit activity plan.

4.3 Internal Audit Activities at Technical Colleges: Internal audit activities, functions, and all required audits outlined in subsections 4.5 and 4.6 at technical colleges may be performed under the direction of the Board Audit Director. The Commissioner may permit the Audit Director to hire staff to serve the internal auditor function for the purposes of this policy.

4.4 Internal Audit Activity Independence and Objectivity: Internal audit activities shall remain independent and objective. Institutions and internal auditors may foster independence by adhering to applicable standards, including:

4.4.1 Organizational Independence: Each institution should maintain organizational independence by establishing functional and administrative reporting relationships consistent with IIA Standards 1110 and 1111.

4.4.2 Internal Audit Activity Objectivity: Internal auditors shall adhere to standards of independence and objectivity under IIA Standards 1100 and 1120.

4.4.3 Independence Impairment Disclosure: Internal auditors shall properly disclose impairments to independence, as required by IIA Standard 1130.

4.4.4 Role in Institution Operations: System and institution internal auditors shall not participate in institution management or operational responsibilities that would impair independence.

4.5 Institution Audits: In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee. Institution presidents and executive cabinets may also request audit activities.

4.6 Required Audits: Institution internal auditors shall annually conduct the following audits according to relevant Board policy:

4.6.1 Presidential Travel: Conducted in accordance with Board Policy R212-1.2.

4.6.2 Institutional Investments: Conducted in accordance with Board Policy R541-11.

4.6.3 Auxiliary Enterprises: Conducted in accordance with Board Policy R550-7.3.

4.6.4 Information Systems Audits: Each degree granting institution shall conduct regular information systems audits to ensure adequate controls exist to promote the integrity of data security, access, and governance. The audit committee for each degree granting institution also shall prioritize regular information systems audits on auditable risks identified in their institution's annual risk assessment.

4.7 Institution Risk Assessment: Internal auditors shall participate in institution risk assessments at least annually and report the results to the institution audit committee. Institution risks may include financial, operational, efficiency, fraud, compliance, internal control, information systems, data loss, reputation and political.

4.8 Institution Audit Communication: Upon completion of internal audit activities, institution auditors shall communicate the results to the institution audit committee.

4.9 Communication with Institution Management: The chief audit executive shall meet with the institution president at least annually to review completed audits, institution responses, and other pertinent issues.

4.10 Audit Committee Responsibilities: The audit committee shall fulfill the responsibilities established in the Utah Internal Audit Act and Board Policy R565.

4.11 Coordination of System-Wide Audits: Under the direction of the Board's Audit Subcommittee, the Commissioner of Higher Education and institution presidents shall coordinate assignments to conduct system-wide internal audits.

4.12 Special Audits Directed by the Commissioner: Under the direction of the Board's Audit Subcommittee, the Commissioner may schedule and conduct an audit at an institution, separately or in cooperation with a resident chief audit executive. *See* Board Policy R141-3.9.

4.13 Audit Notification: The institution's vice president of finance or chief audit executive shall promptly notify the Board Audit Director about apparent fraud or misconduct with any of the following attributes:

4.13.1 Significant embezzlement, theft, or other fraud;

4.13.2 Concerns that may damage an institution's reputation;

4.13.3 Apparent misuse of institutional resources of at least \$25,000;

4.13.4 Issues that may be covered by the media; or

4.13.5 Any other issue that requires attention from the Board or the Commissioner.

R571, Procurement~~urchasing~~¹

The following policy is an administrative rule formally codified by Utah Administrative Code R765-571a.

~~**R571-1 Purpose:** As required by the Utah Procurement Code, this policy and corresponding Utah Admin. Code R765-571 govern the management and control of procurements and procurement procedures conducted by the institutions in the state system of higher education.~~

~~**R571-2 References**~~

~~**2.1**~~ Utah Code § 53B-1-102(4), Utah System of Higher Education

~~**2.2**~~ Utah Code § 53B-7-101(11), Operating Budgets

~~**2.3**~~ Utah Code ~~§§~~Title 63G, Chapter 6a, -6a-101-2407 (Utah Procurement Code)

R765. Higher Education (Utah Board of), Administration.

R765-571a. Procurement.

R765-571a-1. Purpose.

As required by Title 63G, Chapter 6a, Utah Procurement Code, this rule governs the management and control of procurements and procurement procedures conducted by the institutions in the state system of higher education.

R765-571a-2. Authority.

This rule is authorized by Subsections 63G-6a-103(77)(f) and 63G-6a-107.7(1)(a).

R765-571a-3. Definitions.

(1) The terms used in this policy shall be defined as they are in Sections 63G-6a-103 and 63G-6a-104.

(2) In addition, the following definition shall apply:

¹ Approved September 14, 2012, amended May 15, 2015, January 20, 2017, ~~and~~ September 21, 2018, and XXX.

(a) "Institution" means an institution of higher education listed in Section 53B-1-102.

R765-571a-4. Delegation of Authority.

As established in Subsection 63G-6a-103(77)(f), the Utah Board of Higher Education is the body designated with rulemaking authority over procurements for institutions in the state system of higher education. The Board does not formally adopt any part of Title R33. However, each institution may adopt, in whole or in part, any rule listed in Title R33. Such adoption must be in writing. In the event of any conflict, inconsistency, or discrepancy between this rule and Title R33, this rule will govern. The Board delegates to each institution the authority to adopt and administer procurement policies and processes that conform with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Each president, or designee, is given authority over procurements at their respective institution.

R765-571a-5. Guiding Principles.

Each institution is charged to provide efficient and timely procurement services that maximizes the institution's resources and promotes its instruction, research, extension, and professional service programs. Each institution shall establish policies that require the institution to strive to obtain the maximum value for each dollar expended, utilizing open competition and impartial evaluation of alternate products. Those policies shall also foster fair, ethical, and legal trade practices, which develop a strong vendor community and promote public trust in the institution and the system of higher education.

R765-571a-6. Small Purchases.

Each institution shall establish policies, and processes governing small purchases.

(1) Each institution shall establish the maximum expenditure that may qualify as a small purchase.

(2) Each institution may establish expenditure thresholds and procurement requirements related to those thresholds in relation to small purchases, including:

(a) Purchasing Cards or P-Card: Purchasing card programs establish a more efficient method of paying for low-dollar transactions. Institutions shall establish procedures that govern card issuance, card-holder training, and auditing of purchasing card transactions.

(b) Requests for Quotation or RFQ: Institutions shall seek competition whenever practicable. RFQs involve soliciting quotes from two or more known vendors. Each institution should establish procedures regarding the acceptance of phone, fax, and email quotes.

- (c) Small-dollar Purchase Orders.
- (d) Reimbursements.
- (e) Petty Cash.

R765-571a-7. Solicitations.

When procuring items over an established threshold for small purchases outlined in Section R765-571a-6.1, each institution shall use a standard procurement process or an exception to the standard procurement process described in Section R765-571a-8 and comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Each institution shall establish policies, and processes governing solicitations, including:

(1) Invitation for Bid or IFB: The Invitation for Bids is used to initiate a competitive sealed bid procurement.

(a) An IFB shall comply with the requirements of Subsection 63G-6a-603(2).

(b) IFBs must be publicly advertised as outlined in Title 63G, Chapter 6a, Utah Procurement Code.

(c) Bids shall be submitted using a sealed bid process.

(d) Bids shall be opened in accordance with Section 63G-6a-604.

(e) Institutions shall evaluate bids based on the requirements set forth in the IFB, including objective evaluation criteria. Criteria not included in the IFB may not be used to evaluate bids.

(f) Contracts shall be awarded with reasonable promptness by notice to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the IFB.

(g) Unless otherwise established by policy, institutions shall resolve tie bids by having the president or designee toss a coin in the presence of a minimum of two witnesses with the firm first in alphabetical order being heads.

(h) Institutions may handle bids as otherwise permitted by Title 63G, Chapter 6a, Utah Procurement Code, including, but not limited to, rejecting bids, cancelling the IFB, and using a reverse auction process.

(2) Request for Proposal or RFP: An RFP process may be used instead of the IFB process if the procurement officer determines, in writing, that the RFP process will provide the best value to the institution.

(a) An RFP shall comply with Section 63G-6a-703.

(b) RFPs must be publicly advertised as outlined in Title 63G, Chapter 6a, Utah Procurement Code.

(c) Proposals shall be processed as outlined in Title 63G, Chapter 6a, Procurement Code.

(d) The institution shall establish an evaluation committee of at least three individuals.

(e) The evaluation committee will rate proposals based on the criteria outlined in the RFP. Criteria not included in the RFP may not be used to evaluate proposals.

(f) The RFP process may be conducted in multiple steps, including presentations/discussions and requests for best and final proposals.

(g) Each institution shall establish policies and processes governing best and final offers in accordance with Title 63G, Chapter 6a, Utah Procurement Code and this rule.

(h) Institutions shall complete a justification statement as required by Title 63G, Chapter 6a, Utah Procurement Code.

(3) Request for Information or RFI: The purpose of an RFI is to obtain information, comments, or suggestions from potential bidders or offerors before issuing an IFB or RFP. An RFI is not a procurement process and may not be used to:

- (a) solicit cost, pricing, or rate information;
- (b) negotiate fees;
- (c) make a purchase; or
- (d) enter into a contract.

(4) Request for Statement of Qualifications or RFSQ: An institution may use a RFSQ process to prequalify potential bidders or offerors to provide any type of procurement item and limit participation in an IFB or RFP to the prequalified potential bidders or offerors. An institution may also use a RFSQ process to create an approved vendor list. A RFSQ process is a supplemental procurement process described in Section 63G-6a-410.

(a) A RFSQ in multiple-stage procurement process shall comply with Subsection 63G-6a-410(4).

(b) A RFSQ in an approved vendor list process shall comply with Subsection 63G-6a-410(5).

(5) Approved Vendor List Procurement Process: Each institution may establish policies and processes governing approved vendor lists and award contracts using methods that comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule.

(a) Award: Institutions choosing to use a vendor list may award a contract to a vendor on an approved vendor list at an established price based on a price list, rate schedule, or pricing catalog in accordance with Section 63G-6a-113.

(b) Selection of Vendors: Institutions choosing to use a vendor list shall select vendors based on a rotation system, the assignment of vendors to a specified geographic area, classifying vendors by particular expertise, qualifications or field, or some other method in accordance with a written, public, and fair process.

(c) Removal of Vendors from the Approved Vendor List: Institutions choosing to use an approved vendor list shall include a statement indicating that vendors whose performance does not meet the minimum performance rating threshold may be disqualified and removed from the approved vendor list.

R765-571a-8. Exceptions to Procurement Requirements.

Each institution shall establish policies, rules, and processes governing exceptions to procurement requirements that comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Institutions may award a contract for a procurement item without using a standard procurement process under the following circumstances and in compliance with Section 63G-6a-802:

(1) Sole Source Procurement - A standard procurement process is not required where there is only one source for a procurement item. The institution's president or designee shall determine in writing whether a procurement shall be made as a sole source. Notice of a sole source procurement must be published in accordance with Subsection 63G-6a-802(3) if the cost of the procurement item exceeds the amount established by Title 63G, Chapter 6a, Utah Procurement Code except where excluded under Section R765-571a-8.6.

(2) Transitional Cost - A standard procurement process is not required where transitional costs are a significant consideration in selecting a procurement item and the results of a cost benefit analysis demonstrate that transitional costs are unreasonable or cost-prohibitive and that the awarding of a contract without engaging in a standard procurement process is in the best interest of the institution. Notice of a procurement based on transitional cost must be published in accordance with Subsection 63G-6a-802(3) if the cost of the procurement item exceeds the amount established by Title 63G, Chapter 6a, Utah Procurement Code except where excluded under Section R765-571a-8.6.

(3) Circumstances in which the Standard Procurement Process is Impractical and Not in Institution's Best Interests: Institutions may establish policies and procedures that designate circumstances under which the standard procurement process is impractical and not in the best interest of the institution. Although the president or designee may add additional criteria, the following are procurements that are deemed to make the awarding of a contract through a standard procurement process impractical or contrary to the institution's best interests:

- (a) public utility services;
- (b) a procurement item where the; most important consideration in obtaining the item is the compatibility of equipment, technology, software, accessories, replacement parts, or service;

- (c) unique research materials;
 - (d) instructional materials or other needed items for curriculum purposes based on pedagogical need and academic freedom of instructors;
 - (e) membership fees, conference registrations, seminars, subscriptions to intellectual content;
 - (f) conference venues and associated meals and entertainment at said venues;
 - (g) used equipment when determined to be more practical or advantageous to the institution;
 - (h) placement advertising in magazines, journals, newspapers, radio, television, online, buses, billboards.;
 - (i) library journals, periodicals, and rare books;
 - (j) athletic game guarantees;
 - (k) guest lecturers, performers, entertainers, convocations;
 - (l) broadcasting rights, television programming, and associated fees;
 - (m) original works of art;
 - (n) study abroad travel expenses;
 - (o) travel, including commercial airfare and hotels;
 - (p) sub-recipients of sponsored projects contributing to the scope of work for the project;
 - (q) supplies or services required by the National Collegiate Athletic Association or the institution's athletic conference;
 - (r) institutional sponsorship of third parties;
 - (s) a procurement item from a specific supplier, service provider, or contractor that is a condition of a grant that will fund the cost of the supply, service, or construction item;
 - (t) publications of an article, manuscript, research paper in a professional journal, periodical, or other source;
 - (u) original equipment manufacturer parts, supplies, maintenance, and service when determined to be in the best interest of the institution; and
 - (v) a procurement item from a specific supplier, service provider, or contractor that is a condition of a donation or sponsorship that will fund the cost of the supply, service, or construction item. Neither state funds nor institutional funds may be added to the donation or sponsorship in order to make an award under the provisions of this section;
- (4) Trial Use - The institution may award a contract for a procurement item without competition if the requirements of Section 63G-6a-802.3 are met and the president or designee determine in writing that the procurement item is needed for trial use or testing to determine whether the procurement item will benefit the institution.
- (5) Emergency Procurement - Emergency procurement is appropriate when an emergency condition exists that limits the capability

of the institution to obtain competition. An emergency condition is a situation described in Subsection 63G-6a-803(1). These procurements shall be made with as much competition as reasonably practical while:

- (a) avoiding a lapse in a critical government service;
 - (b) avoiding harm, or a risk of harm, to the public health, safety, welfare, or property; or
 - (c) protecting the legal interests of the institution.
- (6) Publication of Notice Not Required. Publication of notice under Subsection 63G-6a-802(3) is not required when the award is made under the circumstances described in Section R765-571a-8.

R765-571a-9. Protests.

Aggrieved bidders, offerors, or potential bidders or offerors, may protest the solicitation's specifications or award decision in accordance with Title 63G, Chapter 6a, Utah Procurement Code. The aggrieved party may appeal a protest decision in accordance with Title 63G, Chapter 6a, Utah Procurement Code. Each institution shall establish policies and processes governing protests related to procurement in accordance with Title 63G, Chapter 6a, Utah Procurement Code.

R765-571a-10. Ethics.

The institution's employees shall discharge their duties impartially so as to assure fair competitive access to procurements. Employees' conduct should foster public confidence in the integrity of the system of higher education.

R765-571a-11. Multi-Year Contracts.

Multi-year contracts, including renewals, may exceed five years if the president or designee determines in writing that:

- (1) a longer period is necessary in order to obtain the item;
- (2) a longer period is customary for industry standards; or
- (3) a longer period is in the best interest of the Institution. The written determination must be included in the procurement file

R571, Procurement¹

The following policy is an administrative rule formally codified by Utah Administrative Code R765-571a.

References

[Utah Code § 53B-1-102\(4\)](#), Utah System of Higher Education

[Utah Code § 53B-7-101\(11\)](#), Operating Budgets

Utah Code Title 63G, Chapter 6a, Utah Procurement Code

R765. Higher Education (Utah Board of), Administration.

R765-571a. Procurement.

R765-571a-1. Purpose.

As required by Title 63G, Chapter 6a, Utah Procurement Code, this rule governs the management and control of procurements and procurement procedures conducted by the institutions in the state system of higher education.

R765-571a-2. Authority.

This rule is authorized by Subsections 63G-6a-103(77)(f) and 63G-6a-107.7(1)(a).

R765-571a-3. Definitions.

(1) The terms used in this policy shall be defined as they are in Sections 63G-6a-103 and 63G-6a-104.

(2) In addition, the following definition shall apply:

(a) "Institution" means an institution of higher education listed in Section 53B-1-102.

R765-571a-4. Delegation of Authority.

As established in Subsection 63G-6a-103(77)(f), the Utah Board of Higher Education is the body designated with rulemaking authority over

¹ Approved September 14, 2012, amended May 15, 2015, January 20, 2017, September 21, 2018, and XXX.

procurements for institutions in the state system of higher education. The Board does not formally adopt any part of Title R33. However, each institution may adopt, in whole or in part, any rule listed in Title R33. Such adoption must be in writing. In the event of any conflict, inconsistency, or discrepancy between this rule and Title R33, this rule will govern. The Board delegates to each institution the authority to adopt and administer procurement policies and processes that conform with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Each president, or designee, is given authority over procurements at their respective institution.

R765-571a-5. Guiding Principles.

Each institution is charged to provide efficient and timely procurement services that maximizes the institution's resources and promotes its instruction, research, extension, and professional service programs. Each institution shall establish policies that require the institution to strive to obtain the maximum value for each dollar expended, utilizing open competition and impartial evaluation of alternate products. Those policies shall also foster fair, ethical, and legal trade practices, which develop a strong vendor community and promote public trust in the institution and the system of higher education.

R765-571a-6. Small Purchases.

Each institution shall establish policies, and processes governing small purchases.

(1) Each institution shall establish the maximum expenditure that may qualify as a small purchase.

(2) Each institution may establish expenditure thresholds and procurement requirements related to those thresholds in relation to small purchases, including:

(a) Purchasing Cards or P-Card: Purchasing card programs establish a more efficient method of paying for low-dollar transactions. Institutions shall establish procedures that govern card issuance, card-holder training, and auditing of purchasing card transactions.

(b) Requests for Quotation or RFQ: Institutions shall seek competition whenever practicable. RFQs involve soliciting quotes from two or more known vendors. Each institution should establish procedures regarding the acceptance of phone, fax, and email quotes.

(c) Small-dollar Purchase Orders.

(d) Reimbursements.

(e) Petty Cash.

R765-571a-7. Solicitations.

When procuring items over an established threshold for small purchases outlined in Section R765-571a-6.1, each institution shall use a standard procurement process or an exception to the standard procurement process described in Section R765-571a-8 and comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Each institution shall establish policies, and processes governing solicitations, including:

(1) Invitation for Bid or IFB: The Invitation for Bids is used to initiate a competitive sealed bid procurement.

(a) An IFB shall comply with the requirements of Subsection 63G-6a-603(2).

(b) IFBs must be publicly advertised as outlined in Title 63G, Chapter 6a, Utah Procurement Code.

(c) Bids shall be submitted using a sealed bid process.

(d) Bids shall be opened in accordance with Section 63G-6a-604.

(e) Institutions shall evaluate bids based on the requirements set forth in the IFB, including objective evaluation criteria. Criteria not included in the IFB may not be used to evaluate bids.

(f) Contracts shall be awarded with reasonable promptness by notice to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the IFB.

(g) Unless otherwise established by policy, institutions shall resolve tie bids by having the president or designee toss a coin in the presence of a minimum of two witnesses with the firm first in alphabetical order being heads.

(h) Institutions may handle bids as otherwise permitted by Title 63G, Chapter 6a, Utah Procurement Code, including, but not limited to, rejecting bids, cancelling the IFB, and using a reverse auction process.

(2) Request for Proposal or RFP: An RFP process may be used instead of the IFB process if the procurement officer determines, in writing, that the RFP process will provide the best value to the institution.

(a) An RFP shall comply with Section 63G-6a-703.

(b) RFPs must be publicly advertised as outlined in Title 63G, Chapter 6a, Utah Procurement Code.

(c) Proposals shall be processed as outlined in Title 63G, Chapter 6a, Procurement Code.

(d) The institution shall establish an evaluation committee of at least three individuals.

(e) The evaluation committee will rate proposals based on the criteria outlined in the RFP. Criteria not included in the RFP may not be used to evaluate proposals.

(f) The RFP process may be conducted in multiple steps, including presentations/discussions and requests for best and final proposals.

(g) Each institution shall establish policies and processes governing best and final offers in accordance with Title 63G, Chapter 6a, Utah Procurement Code and this rule.

(h) Institutions shall complete a justification statement as required by Title 63G, Chapter 6a, Utah Procurement Code.

(3) Request for Information or RFI: The purpose of an RFI is to obtain information, comments, or suggestions from potential bidders or offerors before issuing an IFB or RFP. An RFI is not a procurement process and may not be used to:

- (a) solicit cost, pricing, or rate information;
- (b) negotiate fees;
- (c) make a purchase; or
- (d) enter into a contract.

(4) Request for Statement of Qualifications or RFSQ: An institution may use a RFSQ process to prequalify potential bidders or offerors to provide any type of procurement item and limit participation in an IFB or RFP to the prequalified potential bidders or offerors. An institution may also use a RFSQ process to create an approved vendor list. A RFSQ process is a supplemental procurement process described in Section 63G-6a-410.

(a) A RFSQ in multiple-stage procurement process shall comply with Subsection 63G-6a-410(4).

(b) A RFSQ in an approved vendor list process shall comply with Subsection 63G-6a-410(5).

(5) Approved Vendor List Procurement Process: Each institution may establish policies and processes governing approved vendor lists and award contracts using methods that comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule.

(a) Award: Institutions choosing to use a vendor list may award a contract to a vendor on an approved vendor list at an established price based on a price list, rate schedule, or pricing catalog in accordance with Section 63G-6a-113.

(b) Selection of Vendors: Institutions choosing to use a vendor list shall select vendors based on a rotation system, the assignment of vendors to a specified geographic area, classifying vendors by particular expertise, qualifications or field, or some other method in accordance with a written, public, and fair process.

(c) Removal of Vendors from the Approved Vendor List: Institutions choosing to use an approved vendor list shall include a statement indicating that vendors whose performance does not meet the minimum performance rating threshold may be disqualified and removed from the approved vendor list.

R765-571a-8. Exceptions to Procurement Requirements.

Each institution shall establish policies, rules, and processes governing exceptions to procurement requirements that comply with Title 63G, Chapter 6a, Utah Procurement Code and this rule. Institutions may award a contract for a procurement item without using a standard procurement process under the following circumstances and in compliance with Section 63G-6a-802:

(1) **Sole Source Procurement** - A standard procurement process is not required where there is only one source for a procurement item. The institution's president or designee shall determine in writing whether a procurement shall be made as a sole source. Notice of a sole source procurement must be published in accordance with Subsection 63G-6a-802(3) if the cost of the procurement item exceeds the amount established by Title 63G, Chapter 6a, Utah Procurement Code except where excluded under Section R765-571a-8.6.

(2) **Transitional Cost** - A standard procurement process is not required where transitional costs are a significant consideration in selecting a procurement item and the results of a cost benefit analysis demonstrate that transitional costs are unreasonable or cost-prohibitive and that the awarding of a contract without engaging in a standard procurement process is in the best interest of the institution. Notice of a procurement based on transitional cost must be published in accordance with Subsection 63G-6a-802(3) if the cost of the procurement item exceeds the amount established by Title 63G, Chapter 6a, Utah Procurement Code except where excluded under Section R765-571a-8.6.

(3) **Circumstances in which the Standard Procurement Process is Impractical and Not in Institution's Best Interests:** Institutions may establish policies and procedures that designate circumstances under which the standard procurement process is impractical and not in the best interest of the institution. Although the president or designee may add additional criteria, the following are procurements that are deemed to make the awarding of a contract through a standard procurement process impractical or contrary to the institution's best interests:

- (a) public utility services;
- (b) a procurement item where the; most important consideration in obtaining the item is the compatibility of equipment, technology, software, accessories, replacement parts, or service;
- (c) unique research materials;
- (d) instructional materials or other needed items for curriculum purposes based on pedagogical need and academic freedom of instructors;
- (e) membership fees, conference registrations, seminars, subscriptions to intellectual content;

(f) conference venues and associated meals and entertainment at said venues;

(g) used equipment when determined to be more practical or advantageous to the institution;

(h) placement advertising in magazines, journals, newspapers, radio, television, online, buses, billboards.;

(i) library journals, periodicals, and rare books;

(j) athletic game guarantees;

(k) guest lecturers, performers, entertainers, convocations;

(l) broadcasting rights, television programming, and associated fees;

(m) original works of art;

(n) study abroad travel expenses;

(o) travel, including commercial airfare and hotels;

(p) sub-recipients of sponsored projects contributing to the scope of work for the project;

(q) supplies or services required by the National Collegiate Athletic Association or the institution's athletic conference;

(r) institutional sponsorship of third parties;

(s) a procurement item from a specific supplier, service provider, or contractor that is a condition of a grant that will fund the cost of the supply, service, or construction item;

(t) publications of an article, manuscript, research paper in a professional journal, periodical, or other source;

(u) original equipment manufacturer parts, supplies, maintenance, and service when determined to be in the best interest of the institution; and

(v) a procurement item from a specific supplier, service provider, or contractor that is a condition of a donation or sponsorship that will fund the cost of the supply, service, or construction item. Neither state funds nor institutional funds may be added to the donation or sponsorship in order to make an award under the provisions of this section;

(4) Trial Use - The institution may award a contract for a procurement item without competition if the requirements of Section 63G-6a-802.3 are met and the president or designee determine in writing that the procurement item is needed for trial use or testing to determine whether the procurement item will benefit the institution.

(5) Emergency Procurement - Emergency procurement is appropriate when an emergency condition exists that limits the capability of the institution to obtain competition. An emergency condition is a situation described in Subsection 63G-6a-803(1). These procurements shall be made with as much competition as reasonably practical while:

(a) avoiding a lapse in a critical government service;

(b) avoiding harm, or a risk of harm, to the public health, safety, welfare, or property; or

(c) protecting the legal interests of the institution.

(6) Publication of Notice Not Required. Publication of notice under Subsection 63G-6a-802(3) is not required when the award is made under the circumstances described in Section R765-571a-8.

R765-571a-9. Protests.

Aggrieved bidders, offerors, or potential bidders or offerors, may protest the solicitation's specifications or award decision in accordance with Title 63G, Chapter 6a, Utah Procurement Code. The aggrieved party may appeal a protest decision in accordance with Title 63G, Chapter 6a, Utah Procurement Code. Each institution shall establish policies and processes governing protests related to procurement in accordance with Title 63G, Chapter 6a, Utah Procurement Code.

R765-571a-10. Ethics.

The institution's employees shall discharge their duties impartially so as to assure fair competitive access to procurements. Employees' conduct should foster public confidence in the integrity of the system of higher education.

R765-571a-11. Multi-Year Contracts.

Multi-year contracts, including renewals, may exceed five years if the president or designee determines in writing that:

- (1) a longer period is necessary in order to obtain the item;
- (2) a longer period is customary for industry standards; or
- (3) a longer period is in the best interest of the Institution. The written determination must be included in the procurement file