

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Fiscal Affairs

NUMBER: 03.A.05

AREA: General

SUBJECT: Contract Administration

1. PURPOSE

This document sets forth guidelines for the approval and awarding of contracts for services, including but not limited to contractual documents, terms and conditions, leases, letters of agreement, letters of intent, memoranda of understanding, and interagency agreements. This document does not apply to procurement of supplies, goods or equipment that is normally provided by component university purchasing departments.

2. POLICY

- 2.1. No person has the authority to bind the System or any of its component universities contractually except in accordance with this document. The Board must approve certain contracts in accordance with [Board of Regents Policy 55.01](#), [Board Policy 53.04](#), and Board Bylaws. The Board delegates to the Chancellor the authority to negotiate, execute, and administer all other contracts or delegate said authority.
- 2.2. Each component university shall develop written policies and procedures to implement this policy and for general contract administration, provided however that such policies and procedures must not conflict with the policies and procedures set forth in the Contract Administration Guide mentioned in Section 2.6 of this document.
- 2.3. All contracts shall have all applicable administrative and legal reviews completed and be signed by all parties prior to commencement of any duties/actions by the parties as stipulated in the contract. Board approval must be obtained in an open meeting for certain contracts (see Section 4 of this document).
- 2.4. Contracts are legally binding on the System and/or its component universities only upon execution of the contract by the System and/or component university official with delegated contractual signatory authority.
- 2.5. Amendments, modifications, extensions, or renewals to the original contract must be (a) processed in the same manner as the original contract and (b) reviewed and approved by the System Office of Contract Administration (which is an office within the System Office of General Counsel). A copy of the original contract must be included with the amendment, modification, extension, or renewal at the time the documents are processed for approval. In instances where the original

contract was approved by the Board and the aggregate revised contract amount does not exceed 25% of the original contract, the Chancellor is authorized to execute the amendment, modification, extension or renewal without further action by the Board. In instances where the original contract was not approved by the Board and the aggregate revised contract amount will exceed \$1,000,000, the Board must approve the amendment, modification, extension or renewal.

- 2.6. Each component university shall follow the contract administration guidelines and policies promulgated by the System Office of Contract Administration, including without limitation the guidelines and policies set forth in the [Contract Administration Guide](#) promulgated by the System Office of Contract Administration. The System Office of Contract Administration may revise the Contract Administration Guide at its sole discretion.

3. GENERAL PROVISIONS

3.1. Contract Management:

- a. Each component university shall retain at least one executed copy of every contract into which it enters. These copies may be retained by the unit that originated the contract or by a central repository as specified by the component university. Although original and signed contracts are preferred by this document, certain situations exist, i.e., contracting parties located overseas, etc., that may require electronic or facsimile (collectively “facsimile”) copies of the contract and contract signatures so that contract performance may begin. Fully-signed agreements (or facsimiles) must be obtained by the originating unit within 10 business days from the date of final execution and prior to performance under the contract. All personnel responsible for contracts within the originating units should anticipate the time needed to receive fully signed contracts and plan accordingly.
- b. Each component university shall develop and maintain a contract management system, including contract monitoring mechanisms such as contract monitoring checklists and other mechanisms as defined by the component university, to ensure that the terms and conditions of each contract are performed in an appropriate manner. The individual(s) responsible for ensuring that the terms and conditions of the contract are met shall sign an appropriate statement acknowledging this important responsibility. Such documentation, to include an acknowledgement statement and the person’s name, title, signature and date of signature shall be maintained with the records associated with each contract. If responsibility transfers to another individual prior to the contract end date or renewal of the contract, a new acknowledgment statement must be completed identifying the person responsible for ensuring the terms and conditions of the contract are met. This chain of responsibility

memorandum, containing a signed acknowledgment statement, should be retained by the department(s) responsible for contract compliance.

In the case of System-wide or multi-campus contracts, the individual assuming responsibility for ensuring that the terms and conditions of the contract are met shall also ensure that standardized contract monitoring mechanisms are in place at all component universities. This includes ensuring acknowledgment by appropriate personnel at the component universities for contract monitoring roles and responsibilities, and that as changes in personnel occur, a new acknowledgment statement is completed to transition and document contract monitoring roles. If responsibility transfers to another individual prior to the contract end date or renewal of the contract, a new acknowledgment statement must be completed identifying the individual responsible for ensuring the terms and conditions of the contract are met. This chain of responsibility memorandum, containing a signed acknowledgment statement, should be retained by the department(s) responsible for monitoring contract compliance.

- c. Each component university shall comply with all contract publication and reporting requirements of the General Appropriations Act and Texas Government Code 2261.253 for agreements which are executed on September 1, 2015 or after on its web site, whether reviewed by the System Office of Contract Administration or not, in the manner required by the Division of Administration and Finance.

- 3.2. Audit Clause: All revenue generating contracts and all contracts where payment by a component university is contingent upon records processed and maintained by another party to the contract shall contain an audit clause. This clause shall give the System and/or its component universities the right to access and audit any and all documents pertaining to the contractual relationship held by any party to the contract.

4. CONTRACTS REQUIRING BOARD APPROVAL

- 4.1. Board approval must be obtained in an open meeting for contracts described in [Board Policy 55.01.01](#), including the following contracts:
 - a. Contracts for the purchase, gift or acquisition of real property;
 - b. Contracts for the sale of real property or conveyance of any interests in real property; expressly excluded are utility easements to serve one or more component universities;
 - c. Real estate leases, lease renewals and extensions, as lessee, if the obligation of the lease is equal to or greater than \$1,000,000;

- d. Oil and gas leases with an expected bonus exceeding \$100,000;
 - e. Banking agreements for financial institutions which serve as primary depositories for operating or investment purposes of the System or any of the component universities;
 - f. Any single procurement or revenue contract for construction, equipment, goods and/or services, not specified above, that is expected to exceed \$1,000,000;
 - g. Any extension, modification, or renewal of an existing contract that would cause the revised aggregate contract amount to exceed \$1,000,000, or that increases the value of a contract already approved by the Board by over 25%;
 - h. Any series of contracts that are initiated in the same department for the same goods or services with the same party within a fiscal year, that if combined in one contract, would require Board approval; and
 - i. Any other contract the Board might designate as having significant importance to require Board approval.
- 4.2. The Board holds four regularly scheduled meetings per year. The current meetings schedule can be accessed at <http://www.uhsystem.edu/board-of-regents/meetings/index.php>. With the exception of Division of Research and Intellectual Property contracts, in order to submit a contract for Board approval, each component must send the contract with a completed Board of Regents' Agenda Cover Sheet to the Office of the Senior Vice Chancellor for Administration and Finance. The template for the Board of Regents' Agenda Cover Sheet may be obtained from the Board of Regents' Office.

5. PROCEDURES FOR CONTRACTS REQUIRING BOARD APPROVAL

- 5.1. The Chancellor shall execute all contracts approved by the Board.
- 5.2. All delegations of contracting authority must be made in writing, approved by the Chancellor, and filed with the Board as well as with the System Office of Contract Administration by September 1 of each fiscal year in which they will be effective. No employee, officer or agent of the System shall have the authority to execute contracts unless expressly delegated such authority pursuant to this document.
- 5.3. All contracts requiring Board approval must be reviewed and approved by the System Office of General Counsel before execution.

- 5.4. In the event of a bona fide emergency, as declared by the Chairman of the Board upon consultation with the Chancellor, the Chancellor may execute a contract that would otherwise require Board approval. The Chancellor must then submit the contract to the Board for ratification at its next regular meeting.
 - 5.5. The component Purchasing Director must verify in writing that the solicitation, procurement method, and contractor selection process are in accordance with state law and university policy for any contract over \$5,000,000 that is executed on September 1, 2015 or after, and will report any potential issues about the solicitation, procurement method, or contract selection process for these contracts to the Board of Regents.
 - 5.6. Each component university shall monitor all procurement contracts over \$1,000,000 executed on September 1, 2015 or after, which are considered contracts that require enhanced performance monitoring, for compliance with terms during the term for such contracts and shall provide reporting of such in the manner required by the Division of Administration and Finance.
6. **DELEGATION OF AUTHORITY FOR CONTRACTS NOT REQUIRING BOARD APPROVAL**
- 6.1. Each President or President's designee may negotiate, execute, and administer all contracts and related legal documents that do not require Board approval, except as otherwise noted in this section. No President or President's designee shall have authority to execute contracts unless expressly delegated such authority pursuant to this policy.
 - 6.2. All contracts must be reviewed and approved as to form by the System Office of General Counsel before execution. However, the System Office of General Counsel has approved standard contracts for use which would not require additional review and approval if there are no modifications to the standard form and:
 - a. The amount of the contract is \$50,000 or less and is for acquisition of goods and/or services or is a revenue-generating contract; or
 - b. The amount of the contract is \$100,000 or less for construction or maintenance related matters managed by the System Office of Facilities, Planning and Construction or managed by a component university's department responsible for facilities management (including Change Orders).
 - 6.3. Each President or President's designee, delegated the authority described in Section 6.1., may execute the following contracts when the total budget is not expected to exceed \$300,000:
 - a. Contracts for new construction;

- b. Contracts for repair and rehabilitation;
 - c. Contracts for furnishings and equipment related to new construction or repair and rehabilitation;
 - d. Contracts for architects, engineers and general contractors supporting projects noted in this Section a.-c. above;
 - e. Contracts for professional services firms relating to testing, environmental issues and HVAC systems supporting projects noted in this Section a.-c. above, or
 - f. Other contracts not expected to exceed \$300,000, except for contracts described in Section 6.8 below.
- 6.4. All contracts from \$300,000 to \$500,000 shall be approved by the Senior Vice Chancellor/Vice President for Administration and Finance. Contracts greater than \$500,000 require the approval of the Chancellor; Senior Vice Chancellor/Vice President for Administration and Finance; component university President (if appropriate); component university Chief Financial Officer (if appropriate); and (in the case of construction contracts) the Associate Vice Chancellor for Facilities/Construction Management. Furthermore, all contracts greater than \$500,000 must be signed by the Chancellor or his or her designee.
- 6.5. Contracts greater than \$1 million must be approved by the Chancellor, following approval by the Board.
- 6.6. The Senior Vice Chancellor/Vice President for Administration and Finance shall present for approval to the Board projects for new construction or major repair and rehabilitation of buildings and facilities consistent with [Board Policy 53.04](#). In such cases, the Board will be presented with the project, budget, schedule and, if applicable, a program and schematic design. Once a project is approved, the Chancellor or his or her designee is authorized to negotiate and execute all appropriate contracts and easements required to accomplish the project, provided it is within the approved scope and budget of the project.
- 6.7. When total project costs of a new construction and/or renovation project are \$300,000 or less, each component university shall ensure that all plans, specifications and bidding documents are reviewed for compliance with applicable state laws prior to being released for bidding. When total project costs are greater than \$300,000, the System FP&C Department shall manage the projects. This includes the review of all plans, specifications and bidding documents for compliance with applicable state laws prior to being released for bidding.

- 6.8. The following contracts must be routed through the System Office of General Counsel for review and approval prior to the Chancellor's approval and execution. Delegated authority is not given to the component university Presidents in this regard.
- a. Contracts for the purchase, gift or acquisition of real property;
 - b. Contracts for the sale of real property or conveyance of any rights in real property;
 - c. Contracts for real estate leases, lease renewals and extensions, as lessor or lessee; and
 - d. All other real estate transactions.
- 6.9. Each President has, or may delegate, the authority to negotiate, execute, and administer all contracts and grants pertaining to sponsored activities, including externally-funded research contracts, cooperative agreements, joint research projects and similar agreements. The presidents must annually report a list of such contracts exceeding \$1,000,000 to the Board as an information item.

7. SPECIAL CONTRACTING REQUIREMENTS

7.1. Competitive Procurement Requirements:

- a. The System and its component universities may acquire goods or services by the method that provides the best value to the institution, including
 - Competitive bidding;
 - Competitive sealed proposals;
 - A catalog purchase;
 - A group purchasing program; or
 - An open market contract.
- b. The following criteria shall be considered in determining best value:
 - The purchase price;
 - The reputation of the vendor and of the vendor's goods or service,;
 - The quality of the vendor's goods or services;

- The extent to which the goods or services meet the institution's needs;
- The vendor's past relationship with the institution;
- The impact on the ability of the institution to comply with laws and rules relating to historically underutilized businesses and to the procurement of goods and services for persons with disabilities;
- The long-term cost to the institution of acquiring the vendor's goods or services;
- Any other relevant factor that a private business entity would consider in selecting a vendor; and
- The use of material in construction or repair to real property that is not proprietary to a single vendor unless the institution provides written justification in the request for bids for use of the unique material specified.

c. The following additional criteria shall be considered in determining best value:

- A vendor proposal must meet the requirements of the institution's solicitation document; and
- A vendor proposal that is non-responsive to the criteria set forth in the institution's solicitation document shall be rejected.

7.2. Lease of Space by a Component Unit: The Chancellor must approve all leases, regardless of the source of funding.

An originating unit desiring to lease space should anticipate working with the System Office of Real Estate Services and the System Office of General Counsel, after obtaining approval of the Chancellor as noted in Section 6.8.c. With respect to the foregoing, an originating unit must confirm the source of funds before submission of the lease.

7.3. Professional Services Contracts: See [Texas Government Code, Chapter 2254](#).

a. Professional Services: State law requires that selection and award of contracts for professional services be based on (a) the professional's demonstrated competence, (b) the professional's qualifications for the type of services to be performed, and (c) a fair and reasonable price, rather than on the basis of competitive bids.

- b. State Agency Reporting:
 - 1. Professional Services: Each component is required by the Legislative Budget Board (LBB) by directive letter dated August 2014 and by law to provide written notice to the LBB not later than the 10th day after the date on which the component enters into contracts for professional services, other than contracts for physician or optometric services, valued at over \$14,000, including an amendment, modification, renewal, or extension of the contract ([Texas Government Code, §2254.006](#)).
 - c. Yearly Report to the Board of Regents: The Associate Vice Chancellor/Vice President for Administration, in consultation with the Senior Associate Vice Chancellor/Vice President for Finance, shall compile a report of all contracts for consulting or professional services, where total compensation from System-wide sources to a single entity exceeded \$250,000 during the fiscal year, for submission by the Senior Vice Chancellor/Vice President for Administration and Finance to the Board of Regents at the first meeting of the next subsequent fiscal year (refer to [Board Policy 55.01.4](#)).
- 7.4. Construction Contracts: Each component is required by law to provide written notice to the Legislative Budget Board (LBB) not later than the 10th day after the date on which the component enters into contracts for construction projects valued at over \$14,000, including an amendment, modification, renewal, or extension of the contract (see [Texas Government Code §2166.2551](#)).
 - 7.5. Revenue-Generating Contracts: All contractual transactions for which revenues will be generated for the component university and/or any unit of the component university must comply with requirements set forth in this document, including review by the Senior Associate Vice Chancellor/Vice President for Finance (or designee at each component university), the Associate Vice Chancellor/Vice President for Administration (or designee at each component university), and the University of Houston Tax Director (only for revenue contracts over \$50,000, and such review should occur prior to submission of the contract to the System Office of Contract Administration), review by the System Office of Contract Administration, processing by the applicable contracting office, and execution by the appropriate component university official. Component university units are authorized to arrange for contractual opportunities that generate revenue, if the transaction is directly related to furthering the component university's educational, research, extension, and public service or campus support functions.
 - 7.6. Contracts for Legal Services: Originating units cannot initiate contracts for legal services. All contracts for legal services are initiated only by the System Office of General Counsel and only after approval has been obtained from the Office of

the Attorney General for the State of Texas (refer to [SAM 01.D.02, Employment of Outside Legal Counsel](#)).

- 7.7. Contracts for Major Information Systems: The component university is required by law ([Texas Government Code §2054.008](#)) to provide written notice to the LBB, not later than the 10th day after the date on which the component university enters into a contract for a major information system. For purposes of such reporting, a “major information system” includes:
- a. One or more computers that, in the aggregate, cost more than \$1,000,000;
 - b. A service related to computers, including computer software, that costs more than \$1,000,000; and
 - c. A telecommunications apparatus or device that serves as a voice, data, or video communications network for transmitting, switching, routing, multiplexing, modulating, amplifying, or receiving signals on the network and costs more than \$1,000,000.
- 7.8. Electronic State Business Daily (ESBD): The System and its component universities will post notification on the ESBD of formal procurement solicitations for which the agency expects to pay more than \$25,000, when any non-federal funds will be used to pay for the contract and more than \$150,000 when only federal funds will be used to pay for the contract. The ESBD can be accessed at <http://www.txsmartbuy.com/sp>. A unit that desires to post notification should contact the appropriate contracting office and/or the component Purchasing Department for assistance with ESBD posting requirements.
- 7.9. Vendor Identification: The component university shall report to the Texas Office of the Comptroller each vendor who is indebted to the State or has a tax delinquency. The report must contain information and be submitted in a manner and frequency required by the Texas Office of the Comptroller. The contracting unit must obtain the needed vendor information by accessing the Texas Office of the Comptroller at <https://www.comptroller.texas.gov/>; or by contacting the appropriate contracting office and/or the Purchasing Department.
- 7.10. Agreements With Other State and Local Government Entities: The System and component universities may contract with another state agency for the provision of necessary and authorized services and resources by Interagency Agreement subject to the requirements of this policy. Assistance may be requested from the appropriate contracting office and/or the System Office of Contract Administration.
- 7.11. Contracting With Historically Underutilized Businesses (HUBs): The System and component universities will comply fully with the letter and spirit of

[Chapter 2161](#) of the Texas Government Code and [Title 34, Texas Administrative Code, Chapter 20](#) (refer to [Board Policy 55.04](#) and [SAM 03.B.02](#)).

8. REVIEW AND RESPONSIBILITY

Responsible Parties: Associate Vice Chancellor/Vice President for Administration
Senior Associate Vice Chancellor/Vice President for Finance

Review: Every five years

9. APPROVAL

Approved: Jim McShan
Senior Vice Chancellor/Vice President for Administration and Finance

Renu Khator
Chancellor

Date: 11/22/19

10. REFERENCES

[Office of Contract Administration Web Site](#)

[Signature Authority Web Site](#)

[Contract Administration Guide](#)

[Contract Management Handbook](#)