

## **7. BUSINESS PROCEDURES**

### **7.01 Authority**

A business office shall be maintained at each of the institutions of higher learning, with such organizations, powers, and duties as the Board may prescribe and delegate. (Iowa Code §262.20)

### **7.02 Code of Business and Fiduciary Conduct**

#### Purpose

All employees of the Board of Regents and its institutions play a role in ensuring that the resources entrusted are protected, preserved, and enhanced. This Code sets forth the fundamental expectations relating to all business and fiduciary conduct. The Code is not intended to modify or restate policy. Instead, this is the Board of Regents' statement of the underlying principles by which it expects those with business and fiduciary responsibilities to carry out their duties.

#### 1. Fairness, integrity, respect

The Regents value fairness, integrity, and respect, and strive to integrate these values into their business practices. All faculty, staff, students, and administrators are expected to act at all times with fairness, integrity, and respect for others. This standard applies to interactions with the public, contractors, students, and coworkers.

The Regents value self-expression. Faculty and staff members are responsible for promoting a spirit of respect that reflects a commitment to tolerance and diverse points of view.

#### 2. Accountability

Employment by the Board of Regents and its institutions also requires a commitment to work diligently, to perform assigned duties and to strive to meet the objectives, goals, and missions of the organization. Employment responsibilities are to be carried out in a manner that promotes and protects the institution's best interests. Employees should not use their positions to advance their own personal interests over the institution's. Objectivity in decision making is a key component in complying with the standard of accountability. Discretion and recognition of the obligation to treat certain information with confidentiality is a responsibility of all employees.

#### 3. Compliance with law

Persons acting on behalf of the Board of Regents and its institutions are individually accountable for their own actions and, as members of the Regent community, are collectively accountable for upholding these standards of behavior and for compliance with all applicable laws and policies.

Employees should take no action for the purpose of rendering the institution's financial statements materially misleading. In particular, no one should take action to influence, coerce, manipulate or mislead an auditor engaged in the performance of an audit for the purpose of rendering the institution's financial statements materially misleading.

### Senior Management

By virtue of their leadership status, members of senior management have the responsibility for not only complying with this Code of Business and Fiduciary Conduct but also bear responsibility for "setting the tone" for the Board of Regents and its institutions. This added ethical responsibility requires senior management to:

- Provide leadership and vision and serve as role models as stewards of the institution's finances, assets, resources and business processes
- Avoid actual or apparent conflicts of interest involving personal and professional relationships
- Work to promote, by personal example, ethical behavior among employees
- Communicate to employees the content of the Code of Business and Fiduciary Conduct and strive to ensure that the standards of professional conduct it describes are met
- Create realistic expectations and clearly indicate that integrity is not to be compromised in order to achieve results
- Create an environment encouraging employees and others to report policy and law violations promptly, and which protects such persons from retaliation.

## 7.03 General Policies

### A. Budgets

#### 1. Spending Plans

Sound fiscal policy includes the development of a spending plan. Consistent with the Board's strategic plan to serve the people of Iowa and to utilize effective management systems, Regent spending plans would

- Maintain Board and institutional strategic priorities; and
- Pursue:
  - Continuous quality improvement towards reaching best practices in the delivery of education and other services; and
  - Opportunities to realize greater efficiency in operations.

These spending plans would provide transparency promoting more public accountability; demonstrate support for Regent strategic priorities; and identify parameters for seeking financial resources.

- a. Spending Plan Criteria for Operations
  - 1) Relationship to Regent and institutional strategic plans.
  - 2) Identification of plausible available resources, including leveraging provided from external sources.
  - 3) Impact on education, research, outreach, and other areas important to lowans.
  - 4) Equity among institutions.
  - 5) Accountability.
- b. Spending Plan Criteria for Capital Projects
  - 1) Relationship of projects to institutional strategic plans.
  - 2) Priority order of projects in the prior Board-approved five-year plan.
  - 3) Priority ranking of projects as submitted by institutions.
  - 4) Prior appropriations for planning and/or construction.
  - 5) Consistency of the project with the campus master plan.
  - 6) External funding which provides a leverage of state resources.
  - 7) Impact of projects on education, research, outreach, and other areas important to the state.
  - 8) Equity among institutions.
  - 9) Accountability.

## 2. Funding Plans

The Board asserts that maximizing available resources is imperative to providing high quality public education for lowans; cutting-edge research and creative activities to enhance the quality of life; and needed public services that help fuel the state's economy in the best interest of all lowans.

Because of the variety of institutions governed by the Board, different funding plans are necessary based on function, spending plans, and types of available resources.

### a. Universities' General Education

Higher education in Iowa is a partnership among Iowa students and their parents, out-of-state students and their parents, Iowa taxpayers, Iowa public policy makers, the Board of Regents, and the Regent universities.

Funding opportunities for higher education includes three key resource components requiring specific Board action:

- 1) State appropriations – Iowa taxpayers and public policy makers share
- 2) Tuition revenues – student and family share (See Chapter 8.02 Tuition, of this Policy Manual)
- 3) University reallocations – Regent and university share ( See subsection 4, Reallocations, below)

b. Special Schools' General Education

Provision of services by the two special schools must be provided at no cost to Iowa students.

- 1) The key funding resource for Board action is state appropriations, which provide over 90% of the schools' operating funds.
- 2) The Board encourages the schools to leverage other available resources whenever possible.

c. Other institutional units (such as legislatively appropriated units including the Hygienic Laboratory, Agriculture Experiment Stations, Cooperative Extension, economic development operations Lakeside Lab and regional study centers, as well as residence systems, UIHC, athletics, parking, etc.)

Funding consideration will be based on priority of:

- 1) Institutional needs/initiatives
- 2) Available resources
- 3) Other criteria as appropriate

3. Appropriations Process

- a. The Board's strategic plan requires it to continue its long-standing practice of seeking state appropriations annually.
- b. The chronological appropriations process for the institutions governed by the Board of Regents includes the following:
  - 1) Regent institutions identify institutional funding requests based on the established criteria for operating and capital requests.
  - 2) The Board considers preliminary institutional operating funding needs.
  - 3) The Board Office gathers institutional information, discusses priorities, and proposes broad funding plans that include appropriations requests.
  - 4) At its September meeting, the Board approves appropriations requests.

- a) By October 1, the Board-approved appropriations requests are submitted to the Governor, as required by law.
- b) The Governor prepares state appropriations recommendations, including appropriations recommendations for Regent institutions for the legislative session.
- c) During the legislative session, the General Assembly and Governor consider and authorize appropriations.

#### 4. Reallocations

The following represents the key components of the reallocation policy:

- a) Definition: Reallocation of institutional funds occurs when funds within the base budget of a defined university entity (presidential/vice presidential unit, college, academic or nonacademic department, division, program, or other unit) are removed by the dean, vice president, or president overseeing that entity and redirected to another entity or purpose.
- b) Regent universities shall internally reallocate funds annually as a budgeting best practice. Reallocation may be made to:
  - 1) Support strategic initiatives of the Board and institution.
  - 2) Meet enrollment increases and the demand for new courses and services.
  - 3) Fund unavoidable or mandated cost increases.
  - 4) Meet lower revenue targets.
  - 5) Support other initiatives important to the core functions of the institution.

The reallocation policy will be reviewed at least every five years.

#### 5. Budgeting Guidance for Student Fees and Charges

As allowed by Iowa Code section 262.9(18), Regent universities may utilize non-tuition components of the general university funds first. Accordingly, general university funds remaining at the close of a fiscal year are comprised solely of student fees and charges.

#### 6. Budget Approvals – All institutional budgets are to be approved by the Board.

#### 7. Budget Transfers

- a) The chief executive officer of each institution is authorized to approve budget transfers and allocations, except those transfers that increase the current approved budget or the budget ceiling or those required by loan agreements and bond resolutions. The exceptions shall be docketed by each institution for Board action, and such action shall be recorded in the Board minutes.

- b. The chief executive officer of each institution is authorized to approve supplemental budgets which are supported by gifts, grants, and service contracts.

#### 8. Budget Ceilings

Regent institutions will docket for Board action proposed changes in budget ceilings for General Fund operations and will do so prior to institutional action modifying their obligations.

#### 8. Comprehensive Fiscal Report

A report is to be prepared after the close of each fiscal year that compares actual revenues and expenditures with the Board-approved budget, including reallocations; and identifies significant variances and accomplishments.

### B. Collection of Delinquent Accounts

1. Authority: Iowa Code §262.15 provides that the Board shall have charge of the foreclosure of all mortgages and of all collections from delinquent debtors to said institutions. All actions shall be in the name of the Board of Regents, for the use and benefit of the appropriate institution.
2. A collection policy shall be established at the Regent institutions to ensure responsible fiscal management of receivables. The objectives of the collection policy are to combine both internal and external collection resources in a manner which will maximize collection experience.
3. External collection techniques shall allow the use of independent collection agencies selected through a competitive process.
4. To provide staff with an understanding of collection techniques and a well defined collections process to facilitate effective collection practices, the staff at the institutions will be made familiar with collection policies.
5. Collection policies should be publicized so that obligation to pay and payment procedures are clearly understood. Collection policies concerning students shall be displayed on or at, but not limited to, the following sources:
  - a. Schedule of courses book
  - b. Brochures to newly-admitted students
  - c. Pamphlets for off-campus packets
  - d. Points of sale
  - e. Statements mailed each month to students
  - f. Loan and note documents
  - g. University catalog
  - h. Internet web page
6. Collection policies concerning general accounts should be displayed. Electronic posting on an Internet web page is an acceptable option.

7. The Regent institutions should remain in compliance with: state and federal laws regarding privacy and confidentiality.
8. In addition to the aforementioned objectives, procedures and collection techniques, each Regent institution shall maintain its own more detailed written policies.
9. The Regent institutions are encouraged to participate in the state's offset program for collection purposes.
10. The institutions shall handle their own uncollectible student loans with settlements carried out through statutory procedures. Any changes in current or new policies are to be docketed by the chief business officer for Board action.

#### C. Indirect Cost Rate

1. The policy of the Board of Regents is to provide services to other state agencies based on contractual agreements that include clearly specified tasks related to the missions of the institutions and established payment for both direct and indirect costs. This policy is consistent with standard management practices and provides equitable support of programs conducted from all sources of funding by institutions under the jurisdiction of the Board of Regents.
2. For federal programs, the provisions of Office of Management and Budget (OMB) Circular A-21 will be followed.

#### D. Accounting Issues

1. The Board shall direct the expenditure of all appropriations made to the institutions and of any other moneys belonging thereto, but in no event shall the perpetual funds of the Iowa State University of Science and Technology, nor the permanent funds of the State University of Iowa derived under Acts of Congress, be diminished. (Iowa Code §262.9(9))
2. Iowa Code §262.23 requires a number of specific items for compliance by the treasurer of each Regent institution. The Business Officer of each institution shall maintain accounting records and supporting documentation in accordance with accepted business standards for accountability and auditability and shall prepare reports as required, including an annual financial report.
3. All appropriations made payable annually to each of the institutions under the control of the Board of Regents shall be paid in 12 equal monthly installments on the last day of each month on order of the Board. (Iowa Code §262.28)

#### E. Payroll Withholding

1. Payroll withholding programs are permitted according to the following guidelines:
  - a. Withholdings authorized by federal or state laws.
  - b. Withholdings in connection with employee retirement and insurance plans approved by the Board of Regents.

- c. Withholdings authorized by individual employees for institution-wide contributive programs of direct benefit.
  - d. Withholdings authorized by individual employees for United States savings bonds.
  - e. Withholdings for amounts due the institution from and authorized by its employees.
  - f. Withholdings for amounts authorized by individual employees for dues for the convenience of organizations which relate to employment conditions, such as union organizations or university-wide professional organizations. Payroll withholding programs in this category shall not be initiated without 100 participants at Iowa State University and the State University of Iowa, 50 participants at the University of Northern Iowa, and 25 participants at Iowa School for the Deaf and Iowa Braille and Sight Saving School, unless justification exists for fewer participants; payroll programs in this category may be discontinued if the number of participants falls below 25.
  - g. Insurance deductions in accordance with 681 IAC 8.7.
2. Each Regent institution shall require the employee or eligible organization to submit written authorization for payroll withholding for each withholding program, including the assent of the spouse of the employee, as required.
  3. The Business Officers are required to maintain such records as necessary for audit purposes.

#### F. Reimbursement of Travel Expenses for Employees of Regent Institutions

1. It is the intent of the Board of Regents that employees of Regent institutions be reimbursed for reasonable expenses associated with work-related travel.
2. It is the further intent of the Board that the Regent institutions adopt cost effective or as otherwise deemed appropriate institutional policies consistent with this statement, along with any other provisions relating to travel reimbursements which are more specific or restrictive.
3. Some travel reimbursements may be taxable. For example, any meal reimbursement not associated with overnight travel is taxable income which must be reported in the next pay period. It is subject to federal and state income tax withholding and Social Security tax payments. Travel advances must be substantiated in a timely fashion (generally within 90 days of completion of travel) or they will be reported as taxable income.
4. Travel expense vouchers should be submitted promptly on return from the trip. Employees will be reimbursed for transportation, lodging, and meals on the following basis:
  - a. The use of Regent-owned vehicles is encouraged. However, transportation reimbursement for official travel by private automobile when the use of a personal car is authorized by the appropriate institutional official, per this policy, reimbursement shall be paid at no more than:

- 1) At the standard mileage rate for business use as established by the U.S. Internal Revenue Service, for travel when a motor pool vehicle is not available and the employee must use his/her personal vehicle or an employee is traveling less than 100 miles round trip or when the travel is to/from local airports or when travel is to/from airports designated by each Regent institution and the lower airfare cost justifies use of a designated airport
- 2) At 50% of the rate in 1) above for travel if a motor pool vehicle is available, but the employee chooses to use his/her own vehicle. The 50% is formula-based to promote optimal use of Regent-owned vehicles.
- 3) At a rate to be determined by the appropriate institutional official on a case-by-case basis when an individual must use a substantially modified or specially equipped privately owned vehicle.

b. Air or rail transportation should be by common carriers. Use of university or chartered aircraft is permitted when advantageous.

c. Meals would be reimbursed based on actual and reasonable costs. The institutions may use the federal General Services Administration per diem rates to establish maximum meal rates for in-state and out-of-state meals. However, maximum meal reimbursements may not be less than \$31 for in-state and \$40 for out-of-state.

d. The individual amounts for each meal would apply only in the case of persons in travel mode for partial days. Otherwise, the total amounts for each day would apply, thus allowing some discretion in adjusting meal allowances within the day. In the case of a partial day, meal allowance will be distributed:

Breakfast	20%
Lunch	30%
Dinner	50%

e. Exceptions to these meal standards requested in advance of travel could be accommodated if justified to senior university officials (e.g., vice presidents, business officers, collegiate deans, and major directors of administrative units). Exceptions not authorized in advance of travel may be considered by senior university officials only after careful review and consideration of any unanticipated costs incurred by the university traveler.

f. Lodging reimbursement is limited to the actual/reasonable cost for a standard single room. Lodging rates set by Federal regulations will be used as a guide. This rate is reviewed and amended periodically.

## 5. Reimbursement for Foreign Travel

a. Meal and lodging policies and rates approved by the U.S. Department of State are to be followed unless university or granting agency regulations are more restrictive. For partial days of travel, one-fourth of the rate for a full day will be reimbursed for each six-hour period or the fraction thereof that the employee is in travel status.

b. The traveler may be reimbursed at more than the standard per diem if approved by authorized university officials. The traveler must provide an explanation of the extenuating circumstances and original receipts supporting

all lodging and meal expenditures. Reimbursements in excess of the standard rates will not be approved if prohibited by granting agency regulations.

G. Selection of Employees and Agents Utilized in the Issuance of Bonds or Notes (Iowa Code §262.9(18) and 681 IAC 8.8)

1. The IAC provides specific guidelines for the open selection process of financial advisors and bond counsel necessary to carry out the issuance of bonds or notes by the Board. Agreements are to provide for annual renewals during a period not to exceed five years.
2. Requests for proposals (RFP) for these services are to be brought before the Board. These RFP's will be sent to a list of candidate firms and any other firms the Board wishes to consider.
3. Representatives of the Board Office and the universities will review the submissions received in response to each of the RFP's, and recommend three or four finalist firms to be interviewed by a selection committee. The selection committee will be comprised of representatives of the Board, the Board Office, and the universities.
4. The Board will make the final selection of service providers.

H. Awards to Private Agencies

Iowa Code §11.36 allows the Auditor of the State, at the request of the Board of Regents, to review working papers prepared by a certified public accountant covering the receipt and expenditure of state or federal funds provided by the Board of Regents to any other entity to determine if the receipt and expenditure of those funds by the entity is in substantial compliance with the laws, rules, regulations, and contractual agreements governing those funds. If an entity has not been audited by a certified public accountant, the Auditor of State may, at the request of the Board of Regents review the records covering the receipt and expenditure of state and federal funds to determine the same.

I. Inventory

1. Pursuant to Iowa Code §7A.30, a written, detailed inventory is required to be maintained. All equipment valued at \$5,000 or more and held for one year or more shall be included in the institution's equipment inventory.
2. Surplus Property Disposal
  - a. Regent institutions and the Board Office have established surplus property disposal procedures to insure items defined as surplus by departments are placed within the institution to the extent feasible.
  - b. Items declared surplus and not placed within the institution or the Board Office may be disposed of in one or more of the following ways:
    - 1) Use as a trade in;

- 2) Transfer to another Regent institution, state agency, or Iowa government entity;
  - 3) Sell to highest bidder after soliciting three or more bids;
  - 4) Auction to the highest bidder;
  - 5) Sell internally through surplus sales open to the public;
  - 6) Dismantle for parts utilization; or
  - 7) Scrap if no other value can be determined.
- c. See Chapter 9 of the Policy Manual for disposal, transfer, or sale of buildings.

## **7.04 INVESTMENT POLICY**

### **A. Introduction**

The State of Iowa delegates to the Board of Regents (Board) the authority to govern the University of Iowa, Iowa State University, University of Northern Iowa, Iowa Braille & Sight Saving School, and Iowa School for the Deaf. In carrying out this responsibility, the Board establishes a framework for the investment management of all institutional funds. This policy states the responsibilities of the parties involved in carrying out the investment program.

The Board delegates to its Investment Committee the authority for monitoring institutional investment activities and recommending investment policy. The Board delegates management and oversight authority for investment program activities at each institution to the vice presidents for finance. The Board appoints the treasurers for each institution who are delegated authority by the vice presidents for finance to manage the investment and treasury activities of the institution within the policies defined by the Board of Regents and by the individual institutions.

### **B. General Policy Statement**

The Board's objective is to preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of investable assets while obtaining a reasonable return for a prudent level of risk. The institutions, and any designated investment advisor or investment manager shall exercise the judgment and care which persons of prudence, discretion and intelligence exercise in accordance with applicable state law. An overall investment strategy and the purpose of funds to be invested should be considered in making investment and management decisions.

### **C. Roles and Responsibilities**

#### **1. Board of Regents**

The Board shall exercise its investment responsibilities through its Investment Committee. In consultation with the Investment Committee, the Board shall:

- approve investment policies, investment objectives, particular investment strategies, and asset allocations for the institutional investment programs.
- appoint investment advisors.
- receive periodic reports on investment performance results.

- approve other investment related matters.

## **2. Investment Committee**

The Board delegates to its Investment Committee the responsibility of annually reviewing this investment policy with the vice presidents for finance and the investment advisor. The Investment Committee shall keep the Board informed regarding investment activities.

In consultation with the investment advisor and the vice presidents for finance/ treasurers, the Committee shall:

- develop investment policy recommendations and investment program objectives for Board approval.
- monitor and evaluate performance of investment managers, and each institutional investment pool on a regular basis.
- adopt performance benchmarks for each investment manager and each investment pool.
- maintain sufficient knowledge about the investment program and the individual investment managers so as to be reasonably assured of investment manager compliance with Board investment policy.
- submit periodic investment performance reports to the Board.
- periodically review investment pool asset allocation, investment guidelines for each investment manager, and benchmarks for each investment manager and each investment pool.
- select and terminate brokerage firms for institutionally invested funds, investment advisor, and individual investment managers as necessary.
- periodically review formula and spending rates for endowments.
- consider other investment related matters.

### **3. Investment Advisor**

The investment advisor shall regularly communicate with the Investment Committee and advise the Investment Committee on:

- Investment policy and investment opportunities and strategies that include:
  - periodic review and evaluation of investment objectives and asset allocation of institutional investment pools and specific recommendations with regard to maintaining or modifying investment strategies.
  - recommendations and advice on matters regarding investment manager selection, retention, and termination.
  - development of written investment guidelines specific to each investment manager.
  - recommended performance benchmarks for individual investment managers and for institution investment pools.
- Investment performance that include:
  - on-going reports on the performance of the institutional fund investment pools and performance of individual investment managers.
  - periodic evaluation of investment manager ability to exceed the established benchmark over a full market cycle in comparison with investment markets and other investment managers, including recommendations with regard to continuing or terminating contracts with investment managers.
  - evaluation of investment manager adherence to the terms and conditions of the investment manager agreement, including investment manager compliance with Board investment policy and the specific guidelines and standards provided to each investment manager.

- monitoring of investment manager soft dollar policies and practices to ensure an appropriate relationship to the management of the Board's investment account.
- review of investment and management fees and report on reasonableness.

The investment advisor shall provide immediate notification to the Investment Committee of any major change in its confidence in a particular asset class or individual managers or funds. Issues of losses or imminent losses shall be addressed and shall progress toward speedy resolution as soon as practicable. Responsibilities include:

- notice of any regulatory actions against the investment manager firms, its principals, owners or employees.
- recommend corrective action to avoid imminent losses, to prevent further losses, or to correct a substantial policy violation.

#### **4. External Investment Managers**

Each external investment manager (including each comingled vehicle, mutual fund, and exchange traded fund) is authorized to execute investment transactions within established investment guidelines, subject to any restrictions established by the Board. Investment managers are directed to:

- adhere to stated objectives, guidelines and restrictions.
- seek best price/execution when purchasing or selling securities at all times.
- provide monthly and quarterly reports on performance and other appropriate matters.
- meet with the Investment Committee upon request to review:
  - the investment manager's current outlook for the economy and capital markets and how the firm intends to adapt to these expectations.
  - investment portfolio structure, past investment manager performance, and the appropriateness of the present investment portfolio given these expectations and the Board's investment policies.
  - investment guidelines provided to the investment manager and any recommended changes.
  - any substantive changes expected in the portfolio or in the organization.

Investment manager use of soft dollar trades to acquire products or services to be used in the administration of the fund are permissible only if the trade provides best execution and price. Investment managers shall report soft dollar policies and practices to the Board's investment advisor.

Investment managers shall provide immediate written notification to the Investment Committee and institution officers of any extraordinary losses or conditions which could reasonably be expected to lead to an extraordinary loss or substantial violation of the Board's investment policies or any of the following circumstances:

- any material change in the investment outlook, strategy, portfolio structure, and ownership or senior personnel.
- any noncompliance with any provision of the Board investment policy and investment guidelines, or the terms and conditions established in its contract with the Board, and a recommended plan of action and timetable to correct any violations.
- any regulatory authority's citation of the existence of a material weakness in internal control structure, or regulatory orders or sanctions against the investment entity or investment professional, with regard to the type of services being performed under the contracts or agreements.

Investment manager guidelines may specify individual security credit quality and maturity, and individual portfolio average credit quality and duration. Diversification is desirable and limitations may be established with regard to holdings of a single issuer and additional limitations as to sector and industry may also be a part of the investment manager guidelines.

#### **5. Vice Presidents for Finance/Treasurers**

Under the direction of the Investment Committee, the Board delegates to the individual institution vice presidents for finance/treasurers the responsibility for the general management of investment activities and the investment program in accordance with Board policy. General investment management activities include execution of investment transactions, oversight and interactions with the investment advisor and investment managers, investment pool rebalancing and investment portfolio account reconciliation, and policy compliance and due diligence.

The institution vice presidents for finance/treasurers shall regularly communicate with the Investment Committee and advise the Investment Committee on institutional fund investment activities and investment program matters. Institution vice presidents for finance/treasurers shall:

- monitor and review investment advisor and investment manager reports, the actions of the investment managers, and the status of the institution's investment strategies and investment pools.
- appoint knowledgeable and capable staff to carryout the investment, banking and cash management functions of the institution.
- inform the Investment Committee of any material events that are discovered during the ongoing compliance and due diligence review and reconciliation of investment manager reports or any non-compliance with investment policy reported by the Auditor of State.
- make recommendations to the Investment Committee on the selection, retention, or termination of the investment advisor.
- receive audit reports from the Auditor of State and the Regents Internal Auditor and report any non-compliance with investment policy and state law to the Board.
- maintain systems of internal control to prevent losses.

In consultation with the investment advisor, institution vice presidents for finance/treasurers shall:

- make recommendations concerning investment policies, objectives, and strategies.
- rebalance investment pools quarterly or as otherwise deemed appropriate to stay within the asset allocation parameters of the investment pool asset allocations.

The institutions shall regularly solicit competitive bids from two or more brokers before executing internal investment transactions except in the following circumstances:

- the security is a new offering of direct obligations of the U.S. government or agencies of the U.S. government.
- the security is maturing within one year from the purchase date.
- It is deemed in the best interest of the institution and is approved in writing by the Treasurer or Vice President for Finance, i.e. where timing or placement is a concern and additional solicitation would likely have a detrimental effect or loss of opportunity.

**D. Nature of Assets for Investment**

Institutional funds include non-endowment funds and endowment funds, both restricted and unrestricted. Restricted funds are defined as those funds existing within both the non-endowment and endowment funds which are restricted for investment and spending purposes as imposed by contractual or legal requirements, such as bond indentures, loan or grant agreements, or donor instructions.

1. Non-endowment funds include state appropriations, student tuition, fees, university sales and services, patient care sales and services, government and other sponsored research grants, federal appropriations, bond issue proceeds, gifts, and other income sources. These non-endowment funds can be allocated into three distinct groups:

- a) Short-term operating funds consist of cash which is needed to meet underlying cash requirements of the institutions. These funds have investment restrictions that limit effective maturities (weighted average life) that do not exceed 63 months.

These funds may only be invested in the liquidity investment pools.

- b) Other operating funds are the total of any remaining cash balances that may be invested in the liquidity and the intermediate investment pools.
- c) Quasi-endowment funds are longer-term in nature but have no externally imposed restriction that the principal remain intact in perpetuity.

These funds may be invested in any of the three investment pools (liquidity, intermediate, and long-term).

2. Endowment funds are primarily donor gifts and other funds received for specific purposes. The purpose of endowment funds is to provide intergenerational equity of income in perpetuity. These endowment funds are to provide a stable income sufficient to meet the reasonable spending needs of the component endowments by keeping pace with inflation and not degrading the real value of the corpus over

time. Endowment funds are synonymous with the term “institutional funds” as defined by Iowa Code section 540A.

These funds may be invested in a long-term investment pool.

## **E. Asset Classes**

Individual asset class performance will be measured against appropriate benchmarks as determined by the Investment Committee in consultation with the investment advisor and the vice presidents for finance/treasurer.

### **1. Fixed Income**

Fixed income assets provide stability, generate income, and diversify the market risk of an investment portfolio.

### **2. U.S. Equities**

The purpose of equity investments is primarily to provide capital appreciation. Domestic equity markets earn an equity risk premium to enhance the long-term returns of an investment portfolio based on the assumption of greater market variability and risk than with fixed income investments.. This asset class consists of marketable equity securities of primarily U.S.-based companies. These may include equity securities of non-U.S. based companies which are traded as “American depository receipts (“ADR’s”) on U.S. stock exchanges.

### **3. Global Equities (excluding U.S. Equities)**

International equities earn an equity risk premium and diversify the equity exposure within the investment portfolio. This asset class consists of marketable equity securities outside the U.S. This class shall be diversified geographically and may include emerging markets. Investments are to be primarily in developed market countries that are included in the Morgan Stanley Capital International (MSCI) World ex-US Index. Currency hedging transactions are allowable in so far as the transactions shall be for investment not speculative purposes, and intended only to protect expected earnings.

### **4. Private Equity**

Private equities enhance the investment portfolio return through long-term capital appreciation. This asset class utilizes private equity investments that are typically long duration investments with substantial illiquidity such as venture capital, leveraged buyouts and mezzanine debt. The primary strategic role for private equity is to increase the expected investment return of an institutional investment fund. Private markets typically provide higher returns than traditional asset classes, such as stocks and bonds, due to the market inefficiencies and the premium paid for illiquidity. The key factors to be considered in managing the risk and return characteristics of the private equity portfolio are partnership selection, diversification and illiquidity. Investments in private equity may be made through a fund of funds vehicle and will be diversified over time (i.e., vintage years).

### **5. Real Assets**

The Board invests in real assets to generate a rate of return that exceeds the rate of inflation. Real assets offer diversification since they tend to perform better than traditional asset classes such as fixed income and equities during periods of high unexpected inflation. Most real assets are physical assets having intrinsic value and have potential to generate returns with some degree of correlation to inflation, thereby serving as an inflation hedge. Real assets may be publicly traded in securities or futures markets, or accessed through private markets. Types of real

assets may include TIPS (Treasury Inflation Protected Securities), commodities, REITs (Real Estate Investment Trusts), equities (natural resource and infrastructure), private real estate, timberland, farmland, infrastructure, and oil and gas investments. Investments shall be in limited liability investment vehicles, such as limited partnerships, limited liability corporations, private REITs and other pooled investment vehicles including fund of funds. Investment shall be primarily equity oriented, but may also include debt instruments secured by real estate with equity like returns. Real asset investments shall be diversified by type and by geographic location, when applicable.

## **F. Investment Pools**

A prudent, diversified investment portfolio shall be disciplined and consistent over time and among asset classes. The overall objective is for asset classes to work in concert to manage market fluctuations and their impact on the value of the pools. Allocations among asset classes are to be modified or new classes or investment strategies added when such actions are expected to produce incremental returns, to reduce risk, or both.

Each individual investment pool and each institution's investments pools as a whole shall be managed as an overall investment strategy having risk and return objectives reasonably suited to the purpose of the pool. Overall benchmarks for each pool shall be determined by the Investment Committee in consultation with the investment advisor and the vice presidents for finance/treasurers.

### **1. Liquidity Pools**

The primary goal of the liquidity pool is to maintain the necessary liquidity to match expected liabilities while seeking to preserve capital and obtain a reasonable return for a prudent level of risk. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year. The weighted average life of a security may not exceed 63 months.

### **2. Intermediate Pools**

The primary goal of an intermediate pool is to consider time horizons and match expected liabilities while seeking to obtain a reasonable return for a prudent level of risk. In consultation with the investment advisor and the vice presidents for finance/treasurers, the Investment Committee shall review and approve the allocations among asset class and shall modify and shall add new classes or investment strategies when such actions are expected to produce incremental return, to reduce risk, or both. Different investment attributes may lead to a variety of asset allocations, which could lead to various intermediate pools.

### **3. Long-Term Investment Pool**

The goal of this pool is to maintain and preserve over time the real (i.e., net of inflation) value of the funds with the intention of obtaining the highest possible total return (current income plus net realized and unrealized appreciation).

Investment policy must be integrated with the spending policy of the endowment fund. The purpose of the spending rate formula is to provide a stable income stream that keeps pace with inflation and does not degrade the real value of the corpus of the endowment over time.

The long-term approach should not be viewed as justification for exposing the pool to levels of volatility that might significantly affect the principal value of the assets.

## **G. Permitted Investments**

It is the intent of the Board that all investment pools be broadly diversified among asset classes as much as possible. Diversification by the number of individual securities, industry, economic sector, and within governmental issues is viewed as desirable.

Permitted investments include:

1. Obligations of the United States government, its agencies and instrumentalities.
2. Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to Iowa Code Chapter 12C.
3. Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than thirty percent of the investment portfolio shall be in investments authorized by this paragraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
4. Commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the Superintendent of Banking by rule adopted pursuant to Iowa Code Chapter 17A, provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase no more than thirty percent of the investment portfolio shall be in investments authorized by this paragraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
5. Repurchase agreements whose underlying collateral consists of the investments set out in paragraphs "1" through "4" if the treasurer of the institution takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements.
6. Investments authorized for the Iowa Public Employee Retirement System, not otherwise restricted in this policy, in Iowa Code §97B.7A.
7. Corporate debt with a maturity of greater than 270 days that is rated investment grade by Standards & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities that are deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase. Rule 144A was introduced by the SEC to allow corporations to place securities privately with large sophisticated institutional investors without extensive registration documents.
8. Mortgage pass-through securities and mortgage- or asset-backed securities that are issued by U.S. government agencies or carry a BBB- or Baa3 rating at the time of purchase from Standard & Poor's or its equivalent as defined by Moody's or another Nationally Recognized Statistical Rating Organization (NRSRO).
9. "Yankee" bonds – dollar-denominated bonds issued in the U.S. by foreign corporations, banks, and governments that meet the credit quality guidelines outlined in this policy.

10. Investment grade corporate bonds. Investment grade bonds are defined as being those rated at or better than BBB- ("regarded as having an adequate capacity to pay interest/dividends and repay principal") as defined by Standard and Poor's or its equivalent by Moody's or another Nationally Recognized Statistical Rating Organization. Any bonds downgraded below investment grade subsequent to purchase shall be reviewed.
11. With approval, below investment grade corporate bonds as defined by Standard and Poor's or its equivalent by Moody's or another Nationally Recognized Statistical Rating Organization. This type of investment may be made strategically as a fixed allocation or opportunistically by designated investment grade managers. Investments shall be in limited liability investment vehicles, such as limited partnerships, limited liability corporations, and other pooled investment funds. Additional credit quality restrictions may be made in the designated manager's investment guidelines.
12. Investment grade zero-coupon securities otherwise authorized in this policy.
13. Convertibles – corporate bonds that can be exchanged, at the option of the holder, for a specific number of shares of the company's preferred stock or common stock.
14. An open-end management investment company organized in trust form registered with the federal Securities and Exchange Commission under the federal Investment Company Act of 1940, 15 U.S.C. Section 80(a), and operated in accordance with 17 C.F.R. Section 270, 2a-7. The Fund Manager may engage in currency hedging transactions in so far as the transactions shall be for investment, and not speculative, purposes and intended only to protect expected earnings.
15. The Common Fund for Non-Profit Organizations.
16. The use of derivatives is permitted to facilitate risk management and to manage the cost of investing in publicly-traded stocks and bonds. Derivatives should be used only in circumstances where they offer the most economic means of improving the risk/reward profile of the portfolio. The use of derivatives should not violate either the letter or spirit of the guidelines that limit exposure to market, sector, and security risks. Derivatives should not be used to effectively leverage the portfolio. Derivatives should not be used for speculative purposes (i.e. naked options). Derivatives shall be allowed for hedging purpose and creating portfolio risk profiles.
17. Futures and options contracts are not permissible investments.
18. Commingled Vehicles/Mutual funds/Exchange traded funds. Investment may be made in commingled vehicles or mutual funds in which a specified set of guidelines developed for a broad number of institutions are already predetermined. The Investment Committee in conjunction with the investment advisor and institution vice presidents/treasurers will review the fund's investment guidelines to ensure compatibility with the desired asset class and investment style exposures and report such investment decisions to the Board.

## **H. Other Provisions**

### **1. Investment Management Factors**

Investment management factors for consideration shall include:

- general economic conditions and the possible effect of inflation or deflation.

- expected total return from income and the appreciation of investments.
- needs of the institution and the fund to make distributions and to preserve capital.
- cash flow requirements and liquidity demands of the institution.
- investment time horizon.
- regulatory and legal considerations.

**2. Borrowing Restricted**

There shall be no borrowing for investment purposes.

**3. Gifts of Investments**

Gifts of investment will generally be invested in the Long-Term Investment Pool unless directed otherwise by donors. Gifts of investments may be held where it is prudent to do so. Those accompanied by specific donor instructions for investment of unauthorized investments must be carefully evaluated. For those gifts invested according to donor instructions in unauthorized investments, the institution will immediately notify the Board. Neither the state nor the Board of Regents shall be liable therefore or on account thereof.

**4. Fees**

The institutions may charge a reasonable fee to offset management and donor development related expenses.

**5. Applicable State Laws/Regulations**

Iowa Code

12B.10, 10A, 14, 15	Public Funds Investment Standards
12B.10A.6d	Public Investment Maturity and Procedural
12C	Deposit of Public Funds
12F	Restrictions on Sudan Related Investments
262.14	Loans, Conditions, Other Investments
540A.101-109	Uniform Prudent Management of Institutional Funds Act
633A.4301-4309	Uniform Prudent Investor Act
97B.7A	Investment Management of Retirement Fund Standards (IPERS)
11.2	Annual Settlements (Auditor of State)
I.A.C. 681-8.1(1)	Procurement Policy

**7.05 Financing**

**A. Mortgages and Loans**

1. The Board of Regents may invest funds belonging to the institutions under its jurisdiction, subject to Iowa Code §§262.14 and 633.4301-4309, the State's

Uniform Prudent Investor Act and the investment policies adopted by the Board through the use of mortgages and loans.

2. The Board shall have charge of the foreclosure of all mortgages and of all collections from delinquent debtors to the institutions under its jurisdiction. All actions shall be in the name of the Board of Regents, for the use and benefit of the appropriate institution. (Iowa Code §262.15)
3. When loans are paid, the Board shall release mortgages securing the same. (Iowa Code §262.16)
4. In case of a sale upon execution, the premises may be bid off in the name of the Board of Regents for the benefit of the institution to which the loan belongs. (Iowa Code §262.17)
5. Deeds for premises so acquired shall be held for the benefit of the appropriate institution and such lands shall be subject to lease or sale the same as other lands. (Iowa Code §262.18)
6. No lapse of time shall be a bar to any action to recover on any loan made on behalf of any institution. (Iowa Code §262.19)

#### B. Lease Financing of Equipment and Facilities

1. Upon the recommendation of the chief business officer of an institution the Executive Director may execute lease agreements on behalf of the institution with a third-party leasing agent with which the Board has approved master lease documents and when outstanding leasing is within dollar allocation amounts set by the Board.
  - Master lease drawdowns shall be reported to the Board at its next meeting following the drawdown.
2. Vendor installment purchase agreements may be executed by the chief business officer of an institution under the delegated purchasing authority as outline in Section 7.05, Purchasing, subject to the provisions below:
  - a. Vendor installment purchase agreements with a total value of greater than \$250,000 for the universities and \$25,000 for the special schools shall be approved by the Executive Director and reported to the Board at its next meeting following the agreement date.
  - b. All vendor installment purchase agreements of \$50,000 or more shall be reported to the legislative fiscal bureau as required by Iowa Code §8.46.
  - c. Vendor installment purchase agreements shall meet all other standards pertaining to purchasing, including obtaining cash price quotes, and shall be evaluated against the relative economics of a cash purchase, the Board's Master Lease Agreement and other third-party leases.
3. True leases of equipment where ultimate ownership of the equipment is not intended, other than through the future exercise of an option to purchase, may be

executed by the chief business officer or designee of an institution under the delegated purchasing authority.

#### C. Parietal Rules and Dormitories

1. Students may choose to live in university residence halls, university apartments, fraternities, sororities, or off-campus housing.
2. When and if a requirement for a parietal rule requiring students to live in university housing is needed, in the university's judgment, to carry out the responsibility of the Board under its bond covenants to assure maximum occupancy of the dormitories, the university shall first present a recommendation to the Board.
3. If the above parietal rule for any of the three Regent universities is to be invoked, the Board will publish notice before any enforcement of the parietal rule.
4. The Board encourages the directors of student housing and dining services to meet regularly to exchange information and to discuss policies, practices, and procedures and for the three universities to prepare appropriate information that will enable analysis trends in occupancy by class, sex, and age.
5. The Board covenants and agrees that, so long as any of the bonds (dormitory) shall remain outstanding, it will continuously operate and maintain the system; will adopt such rules and regulations for occupancy, including parietal rules, as will assure maximum occupancy of the buildings; and will fix, maintain, revise and adjust from time to time such rates, rents, fees, and charges for the use of said system as will provide revenues sufficient at all times to pay the reasonable cost of operating and maintaining the system and to provide and maintain the "Dormitory Revenue Bond Sinking Fund" and the required reserve therefore; that it will not permit any free use of the system; and that it will collect and account for and apply the rents, profits, income, and revenues in accordance with (its bond resolutions).

#### D. University of Iowa Hospitals and Clinics

1. Rate schedules will be presented to the Board annually for approval prior to submission of final budgets.
2. The director of the department of Human Services, in respect to institutions under the director's control, the administrator of any of the divisions of the department, in respect to the institutions under the administrator's control, the director of the Iowa Department of Corrections, in respect to the institutions under the department's control, and the Board of Regents in respect to the Iowa Braille and Sight Saving School and the Iowa School for the Deaf may send any inmate, student, or patient of an institution, or any person committed or applying for admission to an institution, to the hospital of the medical college of the state university for treatment and care as provided in this chapter, without securing the order of court required in other cases. The Department of Human Services, the Iowa Department of Corrections, and the Board of Regents, shall respectively pay the traveling expenses of any patient thus committed, and when necessary the traveling expenses of an attendant for such patient, out of funds appropriated for the use of the institution from which the patient is sent. (Iowa Code §261.21)

## 7.06 Purchasing

The Regents affirm that the best interests of the state of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system.

### A. Authority

1. The Board of Regents is authorized by statute to contract for goods, services, and capital improvements. (I.C. Chapter 262 and §§8A.122 and 8A.302; capital improvements are addressed in Chapter 9 of this Policy Manual.)
2. The Board delegates authority to approve agreements and contracts for all goods and services purchased by the institutions, except for capital improvements, fire protection, legal services, and engineers. (681 IAC 8.2(3))
3. Remedies for breach of contract shall be in accordance with Iowa Code Chapter 554.

### B. Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of all procurement functions. The Board Office and institutions shall meet regularly to ensure coordination of purchasing policies and procedures.
2. Goods and services are purchased by the Chief Business Officer of each institution, acting through the institutional Purchasing Director, on the basis of competitive procedures. Such purchases need not be reported to or approved by the Board of Regents, provided that the Chief Business Officer has determined that there is no unusual circumstance which requires the special attention of the Board and provided the purchase does not involve a lease which must be approved or reported.

Policies related to capital projects, including bidding, bid security, selection of architects/engineers for Regent institutions are in Chapter 9 of this Policy Manual.

3. Each Regent institution, through an institutional purchasing department, shall be responsible for purchasing goods and services. Institutions may delegate purchasing responsibility to departments. Low dollar procurement authority may also be delegated to institutional units through the use of credit cards or other appropriate procurement instruments, consistent with prudent, contemporary business and audit practices.
  - a. For low dollar transactions (i.e. procurement cards), each university shall establish specific procedures for departments that identify employee contractual obligations, department approval responsibilities, training requirements for users, appropriate uses, preferred vendors, restricted uses, processes for approval of exceptions, reconciliations and analysis of purchases, and other pertinent information.
  - b. Each university shall monitor uses of these instruments to reduce the potential for misuse, periodically review and update processes as

necessary for effective administration, and, in consultation with each university's chief business officer, determine appropriate use of rebates created with such instruments.

4. Each Regent institution shall establish a purchasing procedure for goods and services.
5. Each Regent institution shall maintain a purchasing policy and procedure document.
6. Each Regent institution shall be custodian of its purchasing records, including but not limited to purchase requisitions, requests for quotations, purchase orders, vendor correspondence and related documents and shall maintain such records in accordance with applicable law.
7. Iowa State University will process purchases of \$5,000 or more for the special schools.
8. Under the Iowa Code and the Iowa Administrative Code vendors may only charge a maximum interest of 1% per month in some situations when a claim remains unpaid after 60 days. This does not apply to claims against the state under Iowa Code Chapters 25 and 669 or claims paid with federal funds. (I.C. §8A.514 and 681 IAC 8.2(4))
9. The provisions of Iowa Code Chapter 551, "Unfair Discrimination," shall not apply.
10. Regent institutions shall adhere to the professional ethics embodied in the code of the National Association of Educational Buyers.
11. Employees, officers, and members of the Board of Regents shall comply with the Iowa Code Chapter 68B, "Conflicts of Interest of Public Officers and Employees" and Regent Conflict of Interest Policy (681 IAC 8.9).
  - a. Board of Regents institutions shall take appropriate steps to notify employees, vendors, and suppliers of Regent policy on conflict of interest.
  - b. This policy shall be incorporated in the operations manual of Regent institutions, along with any other provisions relating to the subject of an explanatory or more specific or restrictive character.
12. Definitions:
  - a. Moveable equipment is defined as any moveable property valued at a unit acquisition cost of at least \$5,000 which is identifiable, is not a replacement part, and has a useful life of one year or more.

Fixed equipment is defined as permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, kitchen cabinets, laboratory casework, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other

fixtures and equipment installed with the intent of permanent use in that location. Fixed equipment, which is part of a capital project, is exempt from the requirements of the following subsections.

- b. Equipment purchases are subject to the following review procedures prior to the issuance of a purchase order or any other purchase commitment by the institution.
  - 1) Equipment with a unit cost of less than \$250,000 or a total purchase cost less than \$500,000, will be purchased by the chief business officer of each institution, acting through the institutional purchasing agent, as outlined in Section 7.06 B.2 of this Policy Manual.
  - 2) Equipment with a unit cost greater than \$250,000 or a total purchase cost of \$500,000 to \$1,000,000 will be submitted to the Board Office for approval. The Executive Director will notify the Board of such actions. At the discretion of the Executive Director, the equipment purchase may be submitted to the Board for approval.
  - 3) Equipment costing more than \$1,000,000 will be submitted to the Board for approval.
- c. The Executive Director may approve emergency purchases which exceed \$1,000,000 to be followed by Board ratification. Emergency purchases are defined in 681 IAC 8.9(4).
- d. Any request submitted to the Board Office for approval pursuant to sections 12(b). and 12(c) of this policy will include the following information regarding the equipment to be purchased:
  - 1) Description of the equipment.
  - 2) Justification of the need for the equipment.
  - 3) Any known alternatives to the equipment proposed.
  - 4) Estimated cost and source of funding.

#### C. Qualified Vendors of Goods and Services

1. Each institutional purchasing department shall maintain a master list of prospective suppliers. This list is a resource to be used at the discretion of the Purchasing Director.
2. Any person, agency, or firm wishing to supply goods or services in a category may request, in writing, that its name be added to the institutional master list. The name is added to the institutional master list if, in the professional judgment of the Purchasing Director, the addition would aid in fostering a competitive situation. The Purchasing Director may require the requesting party to furnish information on qualifications to supply the item(s) indicated and financial responsibility prior to determining whether to add a vendor's name to the institution's master list.

3. Third party bid subscription services, who themselves do not supply goods or services utilized by Regent institutions, are not approved vendors. The institutions need not add these bid services to their institutional master list of suppliers, nor provide electronic access for downloading copies of bids, if access is reserved for approved vendors. Third party bid subscription services and non-approved vendors may request copies of bids under public records statutes. Institutions providing copies may charge a reasonable fee to cover the costs including, but not limited to, copying, labor, and postage. The opportunity to receive copies may be suspended should reimbursement of such costs not be made promptly. (I.C. §§22.3 – 22.4)

4. Nonresponsive and Nonresponsible Vendors.

Once a supplier is added to the master list, the name shall not be removed from the list by an institution except for good and sufficient reasons. Such reasons shall include, but not be limited to, the following:

- a. Delivery of goods and services that do not comply with specifications;
- b. Failure to deliver within the specified time;
- c. Refusal to deliver after submitting a quotation, bid, or proposal and after receiving an order;
- d. Withdrawal of quotations, bids, or proposals prior to the placing of an order;
- e. Failure to have qualified service available in the area to set up, check out, or instruct personnel in use of goods or failure to have parts to service goods, if a part of the agreement or warranty, written or implied;
- f. Bankruptcy or other evidence of insolvency, or any other fact which might cause substantial doubt about the supplier's ability to continue as a responsible source and fulfill obligations;
- g. Failure to comply with the Regent Equal Employment Opportunity Policy;
- h. Illegal purchasing practices;
- i. Failure to respond to requests for prices;
- j. No longer in business;
- k. No bids or orders issued in the last consecutive two-year period;
- l. Failure to timely cure one or more noncompliant deliveries;
- m. Removal from an institutional master list of another Regent institution.

5. Removal for cause is not to exceed three years, except upon specific authorization of the Board. Reinstatement requires application to the institution.

## D. Vendor Appeal Procedures

The following procedures shall be used by any Vendor who wishes to file a complaint regarding a Purchasing action made pursuant to Chapter VII of this policy manual, with the exception of disputes involving the terms, conditions, obligations and interpretations of executed contracts or purchase orders; including, but not limited to, change orders. If an executed contract or purchase order contains a dispute resolution clause, that clause shall apply and not the procedure outlined in this section. The filing of a complaint shall not delay the award process if it is determined to be in the best interest of the institution. Failure to raise a timely complaint in accordance with the following procedure shall be deemed a waiver of the right to contest the matter further.

### 1. Informal Dispute Resolution with the University Department

A Vendor who has a concern with a decision made by a Purchasing Agent shall contact the Purchasing Agent within five (5) working days of when the Vendor became aware, or reasonably should have become aware, of the decision or action which forms the basis of the concern. The Purchasing Agent shall discuss the issue(s) with the Vendor in an attempt to resolve the dispute.

### 2. Initiation of Complaint to University Administration

- a. Within five (5) working days of discussing the matter with the Purchasing Agent, a Vendor (hereinafter "Complainant") shall outline the concern in writing to the institutional Purchasing Director.
- b. The complaint shall be in writing and shall include the following information:
  - i. Name, address, and contact information of the Complainant;
  - ii. Identification of the purchasing action complained of, including the RFQ/RFP number if available;
  - iii. A detailed statement of the legal and factual grounds of the complaint, including copies of relevant documents;
  - iv. The specific relief requested; and
  - v. Signature of the Complainant.
- c. Upon receipt of the complaint, the Purchasing Director shall conduct a review of the complaint and render a decision within ten (10) working days. Where information needed for the decision must be obtained from sources outside the Purchasing Department, the university's response may be delayed up to ten (10) additional working days.
- d. The Purchasing Director's decision shall be in writing and shall contain the name and contact information of the individual to whom the decision may be appealed.

- e. The decision of the Purchasing Director is final unless written appeal is filed with the individual identified in the written decision to receive the appeal. The appeal must be filed within five (5) working days of receipt of the Purchasing Director's written decision, and shall contain the specific grounds upon which appeal is made.
3. Appeal to University Administration
    - a. Upon receipt of the appeal, the institution's Business Vice President, or his/her designee, shall conduct a review of the written record of the complaint and render a decision in writing within ten (10) working days.
    - b. Copies of the decision of the institution's Business Vice President, or his/her designee, shall be provided to the Complainant and the institution's Purchasing Director.
    - c. The written decision of the institution's Business Vice President shall be final unless written appeal is filed with the General Counsel for the Board of Regents.
  4. Should the complaint be affirmed at any stage of institutional review, the institutional representative responsible for reviewing the complaint may, in his/her discretion, grant the requested relief or fashion an alternate remedy as deemed appropriate. The issuance of a specific remedy shall not be subject to appeal under this procedure.
  5. Copies of any written complaint received by the institution and any decision rendered pursuant to this procedure shall be forwarded to the Office of the Board of Regents if there are inter-institutional implications.
  6. Appeal to the Board of Regents
    - a. Written appeal to the Board of Regents must be filed with the General Counsel for the Board of Regents within five (5) working days of receipt of the final decision of the institution's Business Vice President. The appeal must state the specific grounds on which appeal is made and include copies of all relevant documents and written institutional decisions.
    - b. Upon receipt of an appeal to the Board of Regents, the Executive Director, or his/her designee, shall take steps to assist the Complainant and the Institution in resolving the issue(s)
    - c. If the issue(s) remain unresolved, and in the opinion of the Executive Director the complaint involves serious questions of law or allegations of procedural error having a material impact on the award process, the appeal will be docketed for further review by the Board of Regents. If the appeal is docketed, the Executive Director shall notify the parties in writing of the date on which the appeal will be heard.
    - d. If a right of review is granted, the parties may submit additional written argument for review by the Board of Regents. The Executive Director shall notify the

parties of the deadline for submission of additional written materials. Oral argument before the Board of Regents shall not be permitted.

- e. Following review, the Board may affirm, reverse, modify or remand all or any part of the final institutional decision. The decision of the Board of Regents is considered final agency action.

#### E. Competitive Conditions

The following policies establish the competitive conditions under which Regent institutions shall operate.

1. Competitive Procedures. Each purchasing director or chief business officer shall be responsible for establishing procedures to ensure that goods and services are competitively selected. Written bids are required for purchases, which are expected to exceed \$25,000. Competitive selection may incorporate multiple award criteria, with awards made based on bidder whose proposal provides the best value as determined by the institution / purchasing department.

Negotiated, noncompetitive, and sole source purchases are recognized by the Regents as proper procurement procedures in appropriate circumstances where the public will be served. With appropriate institutional review, both competitive negotiation and noncompetitive negotiation processes may replace written competitive bidding when the purchase is anticipated to exceed \$25,000. Regent institutions shall justify the use of negotiated, noncompetitive, and sole source purchasing procedures upon request.

2. Bidding.

- a. Two types of bid solicitations, either formal or informal shall be used. The determination of which type of bid to be used shall be at the discretion of the institutional purchasing department, except as otherwise provided by law or administrative rule.

- 1) Formal Sealed Bid. Public notice is required for formal sealed bidding with a bid opening at a specified place on a scheduled day and at a scheduled time. Sealed bids will be publicly opened and read at the date and time specified in the written notice, unless otherwise indicated in the bid documents.

- 2) Informal Quotation. This is a request for prices or quotations that is mailed, faxed, communicated by telephone, emailed or otherwise delivered electronically by the institutional purchasing department with due date and time noted. There is no public reading of bids or quotations.

Institutional purchasing departments shall provide an opportunity for qualified prospective vendors to prepare timely bids or quotations.

- 3) Bids or quotations are tabulated in the purchasing department. A buyer either makes the award decision or consults with the requesting

department for assistance in the decision, particularly when alternate products are offered by bidders.

- 4) The names of the bidders and the amounts bid shall be supplied to any person upon request after the opening of the bids and as soon as the evaluation of the bids is completed and the award is made. Information will not be released in situations in which the release would provide a competitive advantage to any of the bidders.
- 5) Nothing contained in these conditions shall be construed to mean that the lowest priced goods or inferior or substandard goods must be purchased. The Regent institutions are to purchase goods at the lowest cost consistent with the quality and service required.
- 6) Should a buyer recommend an award to other than the low compliant and responsible bidder, a review of the recommendation shall be conducted by the institutional purchasing director or designee. It shall be the responsibility of the chief business officer or his/her designee to monitor the low bid rejections.

- b. **Withdrawal of Bids.** Bids may be withdrawn prior to the time set for receipt of bids. Bids shall not be withdrawn after that time, except as noted herein, without penalty.

Only in the event of an obvious and documented error where it would be a manifest injustice to require the vendor to perform, can a vendor withdraw a bid after the time set for receipt of bids. Such withdrawal of bids can be done only upon the recommendation of the institution under procedures approved by the Executive Director.

- c. **Procedure for Withdrawal of Bids**

- 1) A request to withdraw a bid shall be provided in writing to the institutional purchasing director or designee of the institution taking such bids.
- 2) A vendor is required to provide written documentation of any alleged error.
- 3) Each request for withdrawal will be considered on its own merit.
- 4) An investigation into the request of the vendor to withdraw a bid shall be carried out by the institutional purchasing director or designee.
- 5) A request for withdrawal of bids shall be made part of the vendor's record.
- 6) Any future request for bid withdrawal by the same vendor may be cause for removal from bid lists of all Regent institutions as an indication of a nonresponsible vendor .

- d. **Bid Security.** Regent institutions have discretion to use bid security as an incentive to vendors to enter into contractual requirements.

e. Common Conditions for Use of Bid Security

- 1) Bid security shall be used in cases where the purchasing director determines there is a need to protect the interest of the institution. The need for bid security may, in part, be determined by the size of the proposed purchase, the item or items being bid, the competitive conditions surrounding the purchase, and the history of such purchases, including general reliability of vendors being requested to bid a particular purchase.
- 2) Occasionally, it may be appropriate to require bid security from prospective buyers.

Bid security, when utilized for purchasing, shall follow bid security requirements as set forth in the 681 IAC 8.6(2 & 4).

3. Sole Source Purchases. The Board of Regents recognizes that in some instances scientific, mechanical, and technical equipment or supplies or services may be required which are obtainable only from a sole source.
4. Emergency Purchases. The Board of Regents recognizes that in some emergency situations the taking of competitive bids or quotations is not feasible or possible. In such situations the requirements to do so may be waived. Emergency purchases are defined in 681 IAC 8.9(4).
5. Iowa Prison Industries. Regent institutions are encouraged to purchase products produced by Iowa Prison Industries unless the exceptions in the Iowa Code apply. (I.C. §904.808) Nothing herein shall require Regent institutions to procure items from Iowa Prison Industries when such items are purchased from Targeted Small Businesses.
6. Iowa Products. All state agencies shall use those products produced within the State of Iowa when they are of a quality reasonably suited to the purpose intended and can be secured without additional cost over foreign products or products of other states. (I.C. §73.1)
7. Targeted Small Business. It is the policy of the Board of Regents, State of Iowa to provide contract opportunities to targeted small businesses. All laws and rules pertaining to solicitations, bid evaluations, contract awards, and other procurement matters apply to targeted small businesses. (681 IAC 7.7, Regent Policy Manual § 5.05)
8. Professional Service Contracts.
  - a) "Professional service agreements" are contracts for unique, technical and/or infrequent functions performed by an independent contractor qualified by education, experience and/or technical ability to provide services. In most cases these services are of a specific project nature, and are not a continuing, on-going responsibility of the institution. The services rendered are predominately intellectual in character even though the contractor may not be required to be licensed. Professional service agreements may be with partnerships, firms or corporations as well as with individuals.

- b) Selection of a Provider. Professional service agreements for greater than \$25,000 must be selected through a competitive Request for Proposal (RFP) process unless the service is a sole source purchase that is appropriately documented. The \$25,000 threshold is not based on a one-time cost, but rather on a cumulative cost for on-going services under the terms of the project engagement. Professional service agreements, which are less than \$25,000 over the course of service, may be entered into without using the required competitive bidding process. Total payment to a professional services provider for services provided to any one university department may not exceed \$25,000 in a fiscal year, unless subject to competitive bidding or review and approval by the institutional purchasing department. Selection of a professional service provider shall be based on a variety of criteria including, but not limited to, demonstrated competence, knowledge, references and unique qualifications to perform the services, in addition to offering a fair and reasonable price that is consistent with current market conditions. Additional criteria may be used as appropriate to the circumstances.
- c) Provider Accountability. Work requirements should clearly define all performance objectives, work expectations and project milestones, and hold the contractor accountable for successful completion of the resultant agreement. Requirements may include, but not be limited to, reports, training sessions, assessments, evaluations or other tangible services.
- d) Provisions of Professional Service Agreements. The following terms and conditions must be addressed:
  - 1) Performance Requirements. Performance requirements should be precise and written in such a way that it can easily be determined if and when the contractor has successfully fulfilled his/her obligations under the Agreement. Consequences for noncompliance such as non-payment and/or termination of the contract must also be defined. Scheduled due dates that specify milestone targets must be clearly identified and may include, but not be limited to, regular meetings scheduled to evaluate progress, identification of problem areas to determine actions to be taken to resolve any concerns, dates for formal written reports, required oral progress reports, and contract monitoring requirements.
  - 2) Period of Performance. The resultant agreement must specify a start date and a completion date. While there may be exceptions, in most circumstances an end date to the agreement will be required. If an end date cannot be determined, a maximum time limit or maximum number of hours must be stated. Agreements with organizations are typically written for a specific term of successive years. In some instances, these agreements are annually renewable. Other provisions of an agreement may include a renewal clause beyond the original term of the agreement. Extended term agreements for individuals are discouraged.
  - 3) Compensation and Payment. Compensation and payment terms include elements relating to cost and payment, such as maximum cost, (i.e. not to exceed cost), cost per deliverable, hourly rates for individuals providing services, number of hours required, allowable expenses and total

authorized for expenses, payment and invoicing procedures. Compensation and payment terms should also include a statement as to whether the Regent institution will pay expenses incurred by the contractor and if so, which ones. Such expenses may include, but not be limited to, airfare (economy or coach class), lodging and subsistence necessary during periods of required travel; expenses incurred during travel for telephone, copying and postage, and private vehicle mileage. If other types of expenses are allowed, they must be clearly defined.

- 4) Performance Monitoring. The institution shall monitor the compliance with the terms and conditions of the agreement and applicable laws and regulations.
- 5) Provision of Liability. The provider may be required to show proof of insurance coverage and workers compensation in compliance with statutory requirements, in the form specified by the institution.

#### F. Specifications and Standards

1. Consistent with the Board's purchasing policies and procedures, institutions, when establishing standards and specifications and size of orders for goods and services, shall give due consideration to the ability of Iowa businesses to compete in bidding for those goods or services. The institutions shall continue to observe the goals of quality and economy in purchasing while meeting the needs of the institutions.
2. Specifications shall be prepared to assure that they do not restrict or preclude competition.
3. All requests for bids and proposals for goods and services and other needed articles to be purchased at public expense shall, whenever possible and practical, be made in general terms addressing functional specifications rather than brand, trade name, or other individual mark. Brand names and numbers, when used, are for reference purposes and indicate the character or quality desired. If brand names are used, the specifications shall contain an "or equal" or "or acceptable alternate" clause. The institutional purchasing director shall determine what is an acceptable alternate.
4. Recognition is also given to standardization and compatibility requirements which should be maintained for purposes of economies in replacement and maintenance.
5. Life cycle cost and energy efficiency shall be included in the criteria used by institutions under the Board of Regents in developing standards and specifications for purchasing energy consuming products. Life cycle cost means the expected total cost of ownership during the life of a product. (I.C. §8A.311) Institutional procedures may identify the parameters for which energy consuming products are subject to this section.

Preference shall be given to purchasing American-made products and purchases from American-based businesses if the life cycle costs are comparable to those products of foreign businesses which most adequately fulfill the institution's need.

Iowa Code addresses purchasing paper and other recycled products. (I.C. §262.9(4-6)).

6. Standard terms and conditions, contained on requests for bids, quotations, and purchase orders, are intended to ensure that all the basic considerations relevant to the agreement are covered. For purposes of internal consistency, all Regent institutions shall standardize general terms and conditions on purchase orders and bid solicitations. Such terms and conditions shall include, but not be limited to, exclusive agreements between parties, acceptance agreements between parties, acceptance conditions, guarantees and warranties, rights of inspection, termination, and listing of specific federal regulations
7. Regent institutions are encouraged to use specifications for flexible fuel vehicles when purchasing light-duty vehicles and when equivalent flexible fuel models are available. Flexible fuels are defined in Iowa Code §8A.362(5) and include E85. The provisions outlined in this policy do not pertain to those used for the purchase of vehicles used for law enforcement, off-road maintenance work, or to pull loaded trailers. Regent institutions are encouraged to operate flexible fuel vehicles on E85 fuel when an E85 fueling station is available. Regent institutions are also encouraged to use biodiesel blends in diesel vehicles when the blends are available.

#### G. Inspection and Testing

1. When practical and feasible, Regent institutions should test and evaluate all goods.
2. Product association testing reports, independent research laboratories or governmental testing reports may be utilized in evaluation criteria.
3. An inspection of goods shall be performed at time of receipt and/or use.

#### H. Cooperative Purchasing

1. Regent institutions are encouraged to exchange price information, vendor lists, bidder histories, and standard specifications and to implement interinstitutional purchasing arrangements wherever practical and feasible so that maximum value can be obtained.
2. Regent institutions are encouraged to participate in interagency cooperative purchasing agreements. It is the Regents' intent that such cooperative purchasing continue to provide the lowest competitive price consistent with quality and service requirements of Regent institutions.
3. Regent institutions may purchase from state central purchasing contracts if it is in the best interest of the institution.
4. State agencies, by prior agreement, may purchase items through Regent institutions providing that such purchases shall not jeopardize educational discounts accruing to Regent institutions.

5. Regent institutions are encouraged to participate in interinstitutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

I. Reporting

An annual report on purchasing, including purchases from Regent employees, shall be submitted by each institution to the Board Office.

## 7.07 Risk Management

A. Statement of Risk Management Policy

1. The policy of the Board of Regents with respect to risks of property and liability loss is to:
  - a. Protect the Regent budgets and assets against large losses
  - b. Minimize and stabilize total risk management costs
  - c. Protect Regent employees against losses.
2. When risks of a catastrophic nature exist, they will be eliminated or reduced to the extent practical. Funding will be arranged when the potential loss is large. Funding will be obtained from:
  - a. The State General Fund,
  - b. Insurance, when it is available at a premium judged acceptable by the Board,  
or
  - c. Self-insurance, with appropriate reserves for incurred but unpaid claims.
3. The Board will not insure risks that do not present a significant loss potential unless the purchase is indicated by other factors, such as a need required by contract, bond or statute.
4. The Regent institutions shall work with the Board Office to develop appropriate protocols to implement Regent-wide risk management programs, in accordance with the Board's policies and procedures.

B. Liability Coverage

1. Iowa Code Chapter 669, also known as the "Iowa Tort Claims Act" provides for the defense and indemnification of state employees, volunteers and agents for monetary claims for property damage, personal injury or death, caused by the negligent or wrongful act or omission of the covered individuals while acting within the scope of their authorized responsibilities.
2. Under the provisions of an interagency 28E Agreement for Settlement of Small Tort Liability Claims, the three Regent universities are authorized to settle small tort liability claims, subject to the financial responsibility limits within the 28E Agreement.
3. Motor Vehicle Self-Insurance Program

The Board has established a self-insurance program for automobile liability, including expanded coverage for comprehensive and collision for vehicles owned or rented by the institutions.

### C. Property Program

#### 1. Auxiliary and Self-Supporting Property

The Regent institutions shall purchase property insurance for self-supporting operations in accordance with the Risk Management Policy. (See Section 7.07A.)

#### 2. General Fund Supported Property

- a. The Regent institutions shall purchase catastrophic property insurance with a single incident deductible of \$2 million for each university for general fund buildings and \$1 million for each special school.
- b. A Regent institution may seek reimbursement of General Fund property losses over \$5,000 and under the insurance deductible, from the State of Iowa under the provisions of Iowa Code 29C.20 (see below). Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable cause.
- c. General Fund - State Property Loss Program
  - 1) Iowa Code §29C.20, Contingent Fund-Disaster Aid provides for a contingent fund for the purpose of paying for repair, rebuilding, or restoring of state property injured, destroyed, or lost by fire, storm, theft, or unavoidable cause.
  - 2) Losses in excess of \$5,000 shall be promptly reported to the Board Office under procedures established administratively. Such notification shall occur no later than the next regular working day following the loss.
  - 3) The institution should prepare immediately and submit to the Board Office within five working days of the loss, a preliminary loss report including cost estimates. Within 45 days of the loss, the institution should submit a formal loss report including proposed plans and specifications for repairs or replacement of equipment, and buildings
  - 4) The Executive Council of Iowa's Guidelines for Allocation of 29C.20 Funds prescribe the protocol for written notice and request for allocation of funds, required documentation for review by the State Auditor, the process for approval, payment, resolution of differences, and appeal.

#### 3. Type of Coverage and Valuation Basis

- a. To the extent practical and when available at a reasonable cost, property shall be insured for:

- 1) 'All risk' or perils of fire; windstorm; lightning; earthquake and flood and extended coverage including theft, vandalism, and malicious mischief.
- 2) Replacement cost or on a 90 percent coinsurance basis.

B. Purchase of Insurance

Purchasing terms and bid requirements are provided in 681 IAC 8.4.

## **7.08 Compliance and Reporting**

A. Financial Reports

1. The executive officer of each Regent institution shall, make a report to the Board, setting forth such observations and recommendations for appropriations for the ensuing budget period as in the executive officer's judgment are for the benefit of the institution. (Iowa Code §262.24)
2. The business officers for each institution shall report to the Board in such detail and form as it may prescribe:
  - a. The funds available each fiscal year from all sources for the erection, equipment, improvement, and repair of buildings.
  - b. Interest on endowment and other funds, tuition, state appropriations, laboratory and janitor fees, donations, rents, and income from all sources affecting the annual income of the support funds of said institution.
  - c. How the funds so received were expended, giving under separate heads the cost of instruction, administration, maintenance and equipment of departments, and the general expense of the institution.
  - d. The number of professors, instructors, fellows, and tutors, and the number of students enrolled during each year, stating separately the number of students attending short courses.
  - e. The amount of unexpended balances of departments remaining in the hands of the treasurer and the amounts undrawn from the state treasury on June 30 of each year.
  - f. The report for the Iowa State University of Science and Technology shall also show the receipts of the experiment station from all sources for each fiscal year, and how the same were expended. (Iowa Code §262.25)
3. The Board shall, at the time provided by law, report to the Governor and the Legislature such facts, observations, and conclusions respecting each of such institutions as in the judgment of the Board should be considered by the Legislature. Such report shall contain an itemized account of the receipts and expenditures of the Board, and also the reports made to the Board by the executive officers of the several institutions or a summary thereof, and shall submit budgets for appropriations deemed necessary and proper to be made for the support of the several institutions and for the extraordinary and special

expenditures for buildings, betterments, and other agreements. (Iowa Code § 262.26)

B. Claims Activity Reports not here

1. Each Regent institution shall prepare and submit periodically to the Executive Director a Claims Activity Report of pending and resolved litigation, tort and contract claims; administrative agency complaints; workers' compensation claims, Faculty and Professional and Scientific staff grievances and disciplinary cases, including formal ethical complaints and investigations; and internal grievances/claims and investigations of merit employees (Policy Manual §1.05D).
2. Each Regent institution shall also report promptly to the Executive Director on the receipt, initiation, change in status and settlement of all significant litigation; tort and contract claims; administrative agency complaints; internal discrimination claims; Faculty and Professional and Scientific staff grievances and disciplinary cases, including formal ethical complaints and investigations; and internal grievances and investigations of merit employees

C. Gifts and Grants

1. The Board shall accept and administer trusts and may authorize nonprofit foundations acting solely for the support of institutions governed by the Board to accept and administer trusts deemed by the Board to be beneficial. Notwithstanding the provisions of Iowa Code §633.63, the Board and such nonprofit foundations may act as trustee in such instances. (Iowa Code § 262.9(8))
2. The chief executive officer of each institution is authorized to accept and approve all gifts, grants, and service contracts except gifts of real estate. Gifts, grants, and service contracts are to be accepted only if supportive of the mission of the institution.
3. Each institution, on or before the 15th day of each month, shall send the report of gifts and grants that was received during the preceding month to the Executive Director for transmittal to the director of the Department of Management and the director of the Legislative Fiscal Bureau. The members of the Board of Regents shall receive an annual report detailing amounts, sources, and purposes of these gifts and grants. The Board Office shall retain one copy of all reports for its files. The institution will make this report in the form currently used to comply with Iowa Code §8.44.
4. Each university, on or before the 15<sup>th</sup> day of the month following the end of the quarter, shall send, electronically to the Board Office, the detail of gifts and grants for the quarter for transmittal to the designated individual of the Legislative Fiscal Bureau. The Board Office shall retain one copy of all reports for its files.

D. Policy on Competition with Private Enterprise

1. 681 IAC 9.4 implements Iowa Code Chapter 23A, which restricts government entities from competing with private enterprise, unless specifically authorized by statute, rule, ordinance, or regulation.
2. The Board has adopted a policy that Regent institutions shall not engage in competition with private enterprise unless the activity will assist in the education, research, extension, or service mission of the institutions.
3. To fulfill their missions effectively, institutions under the control of the Board occasionally provide goods and services which enhance, promote, or support the instructional, research, public service, and other functions to meet the needs of students, faculty, staff, patients, visitors, and members of the public participating in institutional events.
4. Each institution has established written policies regarding competition with private enterprise. These policies ensure that:
  - a. Activities provided by the institutions are consistent with Board policy.
  - b. Processes are identified to handle inquiries about activities carried out by the institution.
  - c. There is a means for community businesses to interact with the institutions including discussion of complaints.
5. Annually, a report will be provided to the Board of institutional activities which may compete with private enterprises, including any formal complaints related to competition with private enterprise, during the past calendar year.

#### E. Traffic and Parking Regulations

1. Iowa Code §262.68 authorizes the Board to establish speed limits for all vehicles on the institutional roads and streets.
2. Iowa Code §262.69 authorizes the Board to make rules for the policing, control, and regulation of traffic and parking of vehicles and bicycles on the property of any institution under its control.
3. All traffic and parking regulations shall be subject to Board approval prior to enforcement. Changes in existing regulations, general or specific, shall be brought to the Board annually for approval.
4. If any change in traffic and parking regulations include an increase in monetary sanctions, notification of students is to be consistent with §8.01 of this Policy Manual.
5. General traffic and parking regulations for each university shall be filed in accordance with Iowa Code Chapter 17A, Iowa Administrative Procedure Act. (Regulations are in 681 IAC 1-4.)

#### F. Records Management and Examination of Public Records

1. Records Management

- a. Iowa Code §305.15 requires the Board of Regents to adopt rules for their employees, agencies, and institutions for records management. The Board's rules are in 681 IAC 10.
2. Examination of Public Records (Iowa Code Chapter 22)

The following language excerpts and paraphrases key statutory provisions applying to the Board and Regent institutions:

- a. "Public records" include all records, documents, tape or other information, stored or preserved in any medium.

"Public records" also include all records relating to the investment of public funds including but not limited to investment policies, instructions, trading orders, or contracts, whether in the custody of the public body responsible for the public funds or a fiduciary or other third party.

- b. Every person shall have the right to examine and copy public records and to publish or otherwise disseminate public records or the information contained therein as provided by law.
- c. Such examination and copying shall be done under the supervision of the lawful custodian of the records or the custodian's authorized deputy. The rules adopted by the Board are in 681 IAC 17.
- d. Those public records which shall be kept confidential unless otherwise ordered by a court, by the lawful custodian of the records, or by another person duly authorized to release information are detailed in Iowa Code § 22.7.

#### G. Administrative Procedure Act

1. The Board of Regents operates in compliance with the Iowa Administrative Procedure Act, pursuant to Iowa Code Chapter 17A.
2. Each Regent institution establishes institutional procedures to administer Iowa Code Chapter 17A, subject to Board approval as necessary.
3. When a timely request for making an oral presentation in regard to a rule is presented to the Board as provided by Iowa Code §17A.4, the Executive Director will set a time and place for the presentation. The time will be not less than 20 days after notice is published in the Iowa Administrative Bulletin. The notice will state whom the Executive Director has designated to conduct the presentation, the subject matter, and the location.
  - a. In addition to the rules adopted by the Board in 681 IAC 19, the person in charge of a public hearing may, in his/her discretion, announce and invoke any or all of the following rules for orderly conduct and the proper decorum:
    - 1) Request that those present sign an attendance roll giving their names and addresses and representative status, if any;

- 2) Request that those requesting to make oral presentations, including those entitled to make oral presentations, sign a roster, giving their names and addresses and representative status, if any;
- 3) Permit oral presentations from anyone present or by a spokesperson for those present, including those not otherwise entitled to make an oral presentation;
- 4) Limit individual oral presentations to a fixed time;
- 5) Fix the time for the entire public hearing;
- 6) Establish and amend the agenda and the order of oral presentations;
- 7) Cause unruly or disorderly persons to be ejected;
- 8) Make and enforce other reasonable regulations for the good order and the proper decorum for the conduct of the public hearing.

#### H. Fire Protection Contracts

1. The Board of Regents shall have power to enter into contracts with the governing body of any city, town, or other municipal corporation for the protection from fire of any property under the control of the Board, located in any such municipal corporation or in territory contiguous thereto, upon such terms as may be agreed upon. (Iowa Code §262.33)
2. New contracts or renewal of contracts shall be brought to the Board for approval. Annual payments as specified in a multi-year contract previously approved by the Board shall be made by the institution involved without further Board approval.

#### I. Conflict of Interest - Sales from Employees, Officers, and Board Members (Iowa Code Chapter 68B)

Employees, officers, and members of the Board of Regents shall comply with Iowa Code Chapter 68B, "Conflicts of Interest of Public Officers and Employees" and Chapter 4 of the Regents Policy Manual

#### J. Investment Activity

1. The Board shall collect the highest rate of interest, consistent with safety, obtainable on daily balances in the hands of the treasurer of each institution. (Iowa Code 262.9[10])
2. Demand deposit accounts and other similar accounts can only be established at banks approved pursuant to Iowa Code Chapter 12C and previously approved by the Board. Proposed changes in the Investment relationships shall be reviewed by the Audit/Compliance and Investment Committee and approved by the Board. (Iowa Code §12C.2)
3. A deposit of public funds in a depository pursuant to this chapter shall be secured as follows (Iowa Code §12C.1.3):

- a. If a depository is a credit union, then public deposits in the credit union shall be secured pursuant to Iowa Code §§ 12C.16 through 12C.19 and 12C.23 and 12C.24.
- b. If a depository is a bank, public deposits in the bank shall be secured pursuant to Iowa Code §§ 12C.23A and 12C.24.

#### K. Post-Issuance Compliance Policies for Tax-Exempt Obligations

##### 1. General Policy

- a. The Board's objective is to ensure that tax-exempt obligations retain tax-exempt status pursuant to post-issuance requirements which include the following:
  - Tracking proceeds of a debt issuance to ensure dollars are spent on qualified tax-exempt purposes.
  - Maintaining detailed records of all expenditures and investments related to tax-exempt funds.
  - Monitoring that the financed project is used in a manner consistent with applicable legal requirements.
  - Providing required disclosure information on an annual basis.
- b. Each university shall adopt specific internal policies and procedures (copies of which shall be filed with the Board Office) with respect to matters involving: tax exempt debt issuance; proper use of tax exempt proceeds and bond financed assets; arbitrage and rebate compliance; record retention; advance refundings; and continuing disclosure obligations.

##### 2. Compliance Coordinator

- a. The vice president for finance at each university shall identify the coordinator of post-issuance compliance for tax-exempt obligations (the "Coordinator") who shall be accountable for post-issuance compliance at his/her particular university.
- b. The Coordinator will ensure such records are maintained as necessary to meet the requirements of this policy.
- c. The Coordinator will consult with the Regents bond counsel, rebate consultant, financial advisor, IRS publications and other resources as necessary to understand and meet the requirements of this policy.
- d. With the assistance of bond counsel, the Coordinator will monitor that training and information is obtained to adequately update all pertinent university staff regarding new developments and/or requirements for tax-exempt obligations.

#### **7.09 Audit Activities**

- A. For the national corporate environment, numerous actions have been taken to improve accountability through the implementation of the Sarbanes Oxley Act. The Board of Regents, through its Audit/Compliance and Investment Committee, expects to enhance accountability and fulfill its audit oversight responsibility by:

1. Reviewing all external financial, bond-specific, and other audit reports conducted on the Regents office and any part of its institutions and Regent-associated regional study centers.
  2. Reviewing the annual audit plans proposed by the Board's Internal Audit Director.
  3. Reviewing all reports prepared by internal auditors of the Regent institutions.
  4. Encouraging continued evaluation, improvement, and adherence to all Board and institutional policies, procedures, and practices at all levels.
  5. Encouraging an open avenue of communication among the independent auditors, financial and senior management, internal auditors, Committee, and Board of Regents.
  6. Reporting to the Board of Regents regularly regarding the execution of the Committee's duties and responsibilities.
- B. While the Audit/Compliance and Investment Committee can delegate certain audit related responsibilities to the institutions, the ultimate reporting by all auditors for all institutional related audits is to the Audit/Compliance and Investment Committee.
- C. External Audits
1. State Audits
    - a. As established by law, the auditor of state shall annually make a complete audit of the books and accounts of every department of the state, a quarterly audit of the educational institutions, and audit testing of the Board's investments. (Iowa Code §11.2)

Each department and institution of the state shall keep its records and accounts in such form and by such methods as to be able to exhibit in its reports the matters required by the auditor of state, unless otherwise specifically prescribed by law. Each department and institution of the state shall keep its records and accounts in a current condition. The failure of the head of any department of the state to comply with this provision shall be grounds for their suspension from office. (Iowa Code §11.5)
    - b. The institutions will send all draft state audit comments and recommendations from the State Auditor's Office to the Board Office for review.
    - c. Proposed institutional responses to state audit comments and recommendations will be developed by the institutions in consultation with the Board Office. The proposed responses must be approved by the Board Office before they are submitted to the State Auditor's Office.
    - d. A copy of all state audits related to a Regent institution shall be, upon completion, sent to the Board Office for docketing on the Audit/Compliance and Investment Committee agenda.
    - e. The State Auditor's Office may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee
    - f. The Audit/Compliance and Investment Committee may request the State Auditor's Office to discuss financial and audit related issues with the Committee.
  2. General Provisions

- a. For audit services other than statutorily required from the Auditor of State, the institutions are to select external auditors through a competitive Request for Proposal (RFP) process in accordance with the Board's policies on professional services contracts in the Purchasing section of this Chapter. This process shall occur no less than every five years.
  - b. All external audit firms must be currently and appropriately licensed and have a current permit to practice as a Certified Public Accounting firm in the state of Iowa.
  - c. Audit managers for each engagement must be rotated at least every five years.
  - d. Institutions must comply with all state, Board, and institutional conflict of interest policies.
  - e. External auditors for an institution are restricted from providing any of the following services for that institution:
    - 1) Bookkeeping or other services related to the accounting records or financial statements of the institution
    - 2) Financial information systems design and implementation
    - 3) Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
    - 4) Actuarial services
    - 5) Internal auditing outsourcing services
    - 6) Management functions or human resources
    - 7) Broker or dealer, investment advisor, or investment banking services
    - 8) Legal services and expert services unrelated to the audit
    - 9) Any other service that the Board determines is impermissible
  - f. Any exceptions to the restrictions above must be approved by the Audit/Compliance and Investment Committee prior to the performance of the proposed services, unless the aggregate amount of all such non-audit services provided to the institution constitutes less than 5 percent of the total amount paid by the institution to its auditor during the fiscal year in which the non-audit services are provided. Each institution is responsible for notifying the Board Office of all such non-audit services received under this exception.
  - g. Institutions should carefully consider and document the benefits and risks of employing an individual who has worked for the auditing firm within the previous year and consider how the position may relate to the institution's external audit.
3. Hospital Audits
- a. The University of Iowa Hospitals and Clinics will arrange for an annual external audit of hospital accounts, in accordance with the general provisions of subsection 2 and shall submit, upon completion, a copy of the audit and management letter to be docketed on the Audit/Compliance and Investment Committee agenda.
  - b. The UIHC external auditor may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee

- c. The Audit/Compliance and Investment Committee may request the UIHC external auditor to discuss financial and audit related issues with the Committee.

#### 4. Other External Audits

Copies of all external audits conducted on any subunit of a Regent institution or regional study center shall be submitted, upon completion, to the Board Office for docketing on the Audit/Compliance and Investment Committee's agenda.

External auditors may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee.

The Audit/Compliance and Investment Committee may request the other external auditors to discuss financial and audit related issues with the Committee.

#### D. Internal Audits

1. Purpose. The Board of Regents authorizes the University presidents to hire internal audit staff to provide independent appraisal services to the Board and institutional administrators. Internal auditing is a managerial control which functions by measuring and evaluating the effectiveness of other financial and managerial controls.
2. Objective and Scope. The objective of internal auditing is to assist the Board of Regents and institutional administrators in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The attainment of this objective involves such activities as:
  - a. Reviewing and appraising the soundness, adequacy and application of accounting, administrative and other operating controls, and promoting effective control at reasonable cost.
  - b. Ascertaining the extent of compliance with established policies, plans and procedures.
  - c. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds.
  - d. Ascertaining the reliability of management data developed within the organization.
  - e. Conducting special examinations and reviews at the request of the Audit/Compliance and Investment Committee, the Board of Regents or institutional heads.
  - f. Evaluating the economy and efficiency with which resources are employed and recommending improvements in operations, including reviews of administrative and support services with the objective of reducing operating costs.
3. Authority. The internal audit staffs are authorized by the Board of Regents to conduct a comprehensive program of internal auditing. To accomplish their objectives, the internal auditors are authorized to have unrestricted access to university functions, records, properties and personnel.

4. Reporting. The internal audit staffs report to the Board's Internal Audit Director and indirectly to the University presidents, and where appropriate, to the Superintendents of the special schools, for all auditing activities except those related to the offices of President and Superintendent. Audit activities related to the offices of President and Superintendent are to be reported directly to the President of the Board of Regents. The ultimate reporting responsibility of internal auditors is to the Audit/Compliance and Investment Committee.
5. Annual Report. Each year, the Board's Internal Audit Director will develop and execute a comprehensive audit plan to be conducted in accordance with applicable professional auditing standards. A comprehensive report on the internal audit function will be made to the Board through the Audit/Compliance and Investment Committee each year and will include.
  - a. An annual audit plan containing:
    - Methods for audit focuses, including internal control evaluation and risk assessment.
    - High-risk areas routinely included in the internal audit cycle.
    - Administrative and support services review.
    - Cooperative plans among Regent University internal audit departments.
    - Internal audits planned for the special schools
  - b. Review of all previous fiscal year audits completed and in progress, including any follow-up reviews;
  - c. Any audits which were scheduled but not completed; and
  - d. A list of all audits completed within the last three fiscal years.
6. A copy of each internal audit report and follow-up review, upon its completion, will be sent to the Board Office for docketing on the Audit/Compliance and Investment Committee agenda.
7. Any activity which is illegal or the legality of which is questioned by the audit staff (e.g. conflict of interest, embezzlement or theft) shall be reported to the appropriate institutional administrator or President of the Board (consistent with Section 4 of this subsection of the Policy Manual) immediately upon discovery by audit staff. The Auditor of State and other appropriate authorities should also be notified.
8. In the performance of their functions, internal audit staff will have neither direct responsibility for, nor authority over, any of the activities and operations reviewed.
9. Internal auditors may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee.

10. The Audit/Compliance and Investment Committee may request the internal auditors to discuss financial and audit related issues with the Committee.

## 7.10 Printing

### A. Authority

1. The Board of Regents is authorized by statute to obtain printing services. (HF 534, 2003 session, and Iowa Code Chapter 262)
2. The Board delegates authority to obtain printing services to its office and institutions.

### B. Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of printing.
2. Each Regent institution, through an institutional central printing operation, shall:
  - a. Be responsible for obtaining reasonable and cost effective printing services and equipment.
  - b. Establish written policies and procedures for obtaining printing services and equipment that include usage and maintenance records, cost and volume information, purchase or lease data, and documentation for consideration of minimizing operational costs.
  - c. Be custodian of the central printing records and shall maintain such records in accordance with applicable law.

### C. Definition

Printing is defined as either the reproduction of an image from a surface generally made by a contact impression that causes a transfer of ink or the reproduction of an impression/document by either a photographic process or electronic means. Printing services are not considered professional services.

### D. Procurement of Printing Services

1. Printing services are unique commodity items. Each project is different and specifically produced for a given customer according to unique specifications.
2. While not all printing services are available at an institution's central printing operation, it is important to have knowledgeable individuals involved in the printing procurement process.
3. Procurement of all printing services and related printing equipment must first be routed through the central institutional printing operation for evaluation and approval. Institutions may grant exceptions to this policy for equipment to support individual or incidental printing.

4. Upon granting this approval, the central institutional printing operation shall determine whether the work is performed in-house or contracted through external providers. When contracting through external providers, the central institutional printing operation's procurement of the printing services and equipment is to follow the normal institutional procurement processes and guidelines consistent with those defined in Section 7.06 of this Policy Manual.
5. When competitive bids are sought for printing services, the institutions are encouraged to request bids from the Iowa Department of Administrative Services and the Iowa Prison Industries.
6. Individual departments and colleges may utilize their own office copiers and printers for convenience purposes, but consideration should include total operating costs.

#### E. Cooperative Ventures

1. The Regent institutions are encouraged to participate in interagency cooperative printing agreements to provide the lowest competitive price consistent with quality and service requirements of the Regent institutions.
2. In lieu of obtaining bids for printing services and equipment, the institutions are authorized to obtain cost effective printing services and equipment from another Regent institution.
3. State agencies, by prior agreement, may obtain printing services through Regent institutions providing that such services shall not jeopardize operations of the Regent institutions.
4. Regent institutions are encouraged to participate in inter-institutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

#### F. Reporting

The Regent institutions are to collect measurements and comparative data for evaluation of institutional printing services and submit this information to the Board Office on an annual basis.