BACKGROUND & POLICY CONTEXT OF ISSUE:

In 2021 the Nevada State Legislature approved three performance audits of NSHE’s capital construction projects (LA24-04), self-supporting and reserve accounts (LA24-03), and Institution Foundations (LA24-05).

The Board has previously approved policy recommendations to respond to the Foundation audit findings at its July 21, 2023, special meeting.

The audit related to self-supporting and reserve accounts included various recommendations to ensure self-supporting funds are utilized appropriately and to improve accountability of NSHE resources. The audit of UNR and UNLV managed capital construction projects included recommendations to improve compliance with state laws and sound budgeting practices regarding capital construction financing and management, to help control change orders and strengthen project close out practices, and to strengthen procurement practices.

To address the recommendations of the legislative performance audits of self-supporting and reserve accounts and capital construction projects, the proposed policy revisions provide clarity, additional controls, and increased oversight via regular and consistent reporting.

The proposed Handbooks revisions increase clarity by providing definitions and reporting standards, increase transparency by providing for regular and consistent reporting to the Board, provide for accountability by increasing documentation standards and require compliance with state and federal regulations. In addition, the new section 37 implements policy and establishes guidelines surrounding reserve accounts, as recommended by the Legislative auditor.

The proposed Procedures and Guidelines Manual revisions increase clarity and transparency by formalizing processes for construction project management and the change order process. In addition, additional board reporting is required.

SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

The proposed Handbook and Procedures and Guidelines Manual changes are necessary to fully implement corrective action by NSHE. NSHE’s final response is due October 10, 2023, and implementation of corrective action must be complete at that time.

IMPETUS (WHY NOW?):

These audits were required of the Legislative Auditor by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021). The final audit response and supporting policy language is due by NSHE to the Legislative Auditor by October 10, 2023.

CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase access to higher education)
- Success (Improve student success)
- Close Institutional Performance Gaps
- Workforce (Meet workforce needs in Nevada)
- Research (Increase solutions-focused research)
- X Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- Not Applicable to NSHE Strategic Plan Goals

INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

The acceptance of these policy revisions will increase transparency and accountability as recommended by the legislative audit process and address recommendations as presented by the Legislative Auditor.

BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

As recommended by the Legislative auditor, the proposed policy changes will:
- Increase clarity by providing definitions,
- Provide for consistency by defining reporting standards,
- Increase transparency by providing for regular and consistent reporting to the Board,
- Provide for accountability by increasing documentation standards,
- Require compliance with state and federal regulations, and
- Implement policy and establish guidelines surrounding reserve accounts.

The proposed Procedures and Guidelines Manual revisions will:
- Increase clarity by formalizing processes for construction project management and the change order process.
- Increase transparency by requiring additional board reporting.

POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:
None have been brought forward.

ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:
Policy revisions could not be approved, but that would appear to be unresponsive to the legislature and their audit recommendations.

RECOMMENDATION FROM THE CHANCELLOR’S OFFICE:
The Chancellor’s Office supports the approval of the policy revisions herein, in order to comply with recommendations identified in the LCB audits of self-supporting and reserve accounts and capital construction projects.

COMPLIANCE WITH BOARD POLICY:

☐ Consistent With Current Board Policy: Title # ______ Chapter # ______ Section # ______
X Amends Current Board Policy: Title # 4 Chapter # 9 Section # C.2
X Amends Current Board Policy: Title # 4 Chapter # 10 Section # 12-19, 26
X Amends Current Procedures & Guidelines Manual: Chapter # 5 Section # 2 and 8
X Addition Board Policy: Title # 4, Chapter # 10, Section 37 (NEW)
☐ Fiscal Impact: Yes _____ No X
   Explain: ________________________________________________
Section 2. Financial Policies

1. Uniform Accounting Policies and Procedures
   a. The NSHE institutions will implement uniform accounting and administrative policies and procedures as defined by the NSHE. Revisions to the policies and procedures will be considered by all institutions through the Business Officers Council to the Presidents’ Council for recommendation to the Chancellor.
   b. Definitions for all reporting categories will be in accordance with the nationally accepted National Association of College and University Business Officers (NACUBO) classification system. Policies concerning review and approval of annual operating budget adjustments are applicable to and will vary within each of the three primary groupings (1) State Operating Budget; (2) Self-Supporting Budgets, and (3) other funds, consisting primarily of federal grants and contracts.

2. Reporting

   Consistent and uniform quarterly reporting of financial activity is an obligation of the System units and institutions to the Chancellor’s office. Reporting of fiscal exceptions for self-supporting programs and capital project accounts to the Business, Finance and Facilities Committee will be determined by the Chancellor. The quarterly fiscal exception report for System units and institutions will include a plan for resolving any reported program or project funding shortfall.

3. Self-Supporting Budget Review

   a. Definition. A self-supporting activity is a course, program, or affiliated entity that generates its own revenue through tuition and fees or other sources of revenues, rather than state or federal appropriations. Self-supporting activities are designed to be self-sufficient, cover their own costs, and do not require additional funding from the institution or external sources.
   b. Reporting. All self-supporting budgets accounts exceeding $250,000 of projected annual expenditure activity will be included in the annual budget process. Fund transfers will not be included in determining whether a self-supporting budget meets the $250,000 threshold for inclusion in the annual budget process. Excluded from this requirement are grants and contracts and plant, loan, endowment, clearing, fiduciary, student fees, and scholarship funds. The annual report shall include the funds being carried over from the prior year.
4. Budget Revisions
   a. The principle governing the review and approval structure for budget revision shall be that the Chancellor and President of each System institution have authority and responsibility for proper and effective management, thereby enabling and enhancing efficient utilization of institutional resources.

   b. Revisions of self-supporting budgets, excluding revisions between object codes, exceeding twenty-five percent of expenditures for budgets up to $400,000; or revisions of $100,000 or greater for budgets exceeding $400,000 must be approved by the institution President or designee. Institutions must provide plans regarding:
      1. The impacts of the revisions on the affected programs, particularly noting how reductions in personnel and operating expenses will be accommodated for the remainder of the fiscal year; and
      2. What the fiscal and program implications are for subsequent years. The Chancellor will submit to the Board of Regents an annual report detailing the number and type of revisions by institutions that were approved by the President or designee.

5. Transfers
   a. When both non-state and state-resources are allocated for a functional purpose, and an institution expends resources from non-state accounts that are in compliance with state regulatory requirements, they may transfer expenditures from the non-state account to the state account.

   b. Expenditures transferred from non-state accounts to state accounts must meet the intent of the state appropriation and have a similar operating purpose and function. Transfers must be reviewed and approved by authorized budget personnel within the institutional finance department, as designated by the institutional business officer, and must be properly documented to ensure transparency and accountability. The transfer of expenses from non-state to state budgets [after May 1] must be reviewed and approved by the institution President with appropriate supporting justification and reported in an annual summary to the Board of Regents as outlined in subsection d.

[b]c. The Presidents have authority to transfer funds into or out of each budget subject to policy guidelines of Title 4, Chapter 9(c), Section 2, Subsections 4 and 10, and state appropriation restrictions.

[e]d. Budget transfers between functions of more than $500,000 of State Appropriated or Self-Supporting Budget Funds must be reviewed and approved by the institution President or designee and reported to System Administration with justification, including how the transfer met the intent of the state appropriation or funding source. A budget transfer must maintain the original function. A quarterly report will be provided to the Board of Regents for transfers across functions when the total accumulated budget transferred exceeds $500,000 for the fiscal year.

   e. Documentation Requirements. All transfers must be properly documented, including detailed information about the purpose of the transfer, amounts involved, and any restrictions or requirements associated with the transfer.
6. Use of [Instructional] State Operating Funds

Each NSHE institution [that provides] with a State-Operating Budget must utilize state appropriated funds to the greatest extent possible in support of the purpose the funds were appropriated. NSHE institutions that provide student instruction and [derive] derive instructional funding through the State-Operating Budget must utilize those resources to the greatest extent possible in support of student credit-based instruction. Funds provided through the State-Operating Budget for facilities maintenance must be utilized to the greatest extent possible in support of facilities operation and maintenance, which may include remodeling projects and deferred maintenance. The State-Operating Budget supports several institutional functions and to the greatest extent possible the funds should be used to support the institution function approved as part of the State-Operating Budget request. The use of state operating funds for functional purposes outside of the approved function must follow the procedures for transfers in Title 4, Chapter 9, Section 2 (5). The use of instruction funds for noninstructional purposes must be certified by the institution’s President and approved by the Chancellor and Board of Regents prior to budgetary commitment. Approval should be only under the most unusual conditions.

In addition, the State separately funds deferred maintenance and capital projects. Funds appropriated by the State for deferred maintenance and capital projects must be used for those purposes. The use of State funds appropriated for deferred maintenance and capital projects for other purposes is strictly prohibited.

7. Scholarship Function

Amounts budgeted by each NSHE institution in the scholarship function shall be approved annually by the Board of Regents as part of the institution’s operating budget; provided, however, that in the event that the amount budgeted by the institution is less than the amount funded by the Nevada State Legislature in the scholarship function such amount shall be considered separately by the Board and shall be accompanied by the President’s justification for such variance. This provision does not preclude an institution from augmenting the budgeted amounts of the Scholarship function. Any supplemental amounts transferred into the Scholarship function are not subject to the student access guidelines established in Title 4, Chapter 18, and may be reallocated to other functions without restriction.

8. Overrides

The controller or equivalent official at each NSHE institution is responsible for the control of override activities within their financial organizations. Overrides of financial transactions are restricted to the controller and those who report directly to the controller. Authority for other personnel can be given on a case-by-case basis. All “level five” financial overrides will be monitored through a System override report. Payroll entries will be monitored on an after-
the fact-basis. Exceptions in specific grant and contracts accounts and non-state budgets may be approved by System Administration.

9. Reconciliation of Bank Accounts

Each NSHE institution must have documented procedures detailing the processes regarding reconciliation of bank accounts. Bank reconciliations must be completed and submitted to the Office of Banking and Investments within sixty days of the close of the month.

10. Account Control

Each institution should review annually all budget accounts and eliminate those that have been inactive for an extended period of time and where it is unlikely that they will have any future activity. Consolidation of similar accounts should be undertaken to reduce further the number of overlapping and unnecessary accounts. The Board of Regents will review annually a report of the number of accounts that are consolidated or eliminated by institution.

11. Budget to Actual Report

The System Administration will develop annually a report that compares the original budget to actual revenues and expenditures for Self-Supporting Budgets as defined under Policy 3 the review will include all self-supporting budgets that exceed annually $250,000 in projected annual expenditure activity. The report will summarize and highlight those activities that vary from the original budget by the greater of $250,000 or 10%.

12. Capitalization Threshold

Capital equipment is defined as those items exceeding a $5,000 expense threshold and having a useful life of greater than one year.
Section 12. Use of the Capital Improvement Fee

1. A portion of the registration fee established pursuant to Title 4, Chapter 17, for all credit-bearing courses, shall be allotted for capital projects and improvements, and will be referred to as the “Capital Improvement Fee.”

2. Funds generated from the Capital Improvement Fee shall be deposited into a Capital Improvement Fee Fund for each institution that is maintained separately. If a project has multiple revenue sources, then the intended uses or the reason why the funds are appropriate shall be documented by the institution and expenditures matched with the funding source.

3. Funds generated by the Capital Improvement Fee may be expended on projects or improvements of up to $100,000 that have been approved by the President and if for the purposes listed in paragraphs (a) to (h). Funds generated by the Capital Improvement Fee may be expended on projects of more than $100,000, but not exceeding $1,200,000, or the actual balance in the fund, whichever is less, for the purposes listed in paragraphs (a) to (h).
   a. For the service of revenue bonds when a revenue bond issue is authorized by the Nevada State Legislature and approved by the Board of Regents. Such revenue bonds may be issued for the purpose of construction and furnishing of facilities.
   b. For the necessary supplementation of capital projects that have been approved by the Nevada State Legislature.
   c. For loans on residence and dining hall bond indebtedness service when funds are not otherwise available to meet the required annual payments.
   d. For remodeling projects and related furniture, fixtures, and equipment as are urgently needed for the accommodation of students in buildings but which cannot be funded from other institutional funds or State Public Works Board Capital Improvement Funds.
   e. For programming, planning, design, and feasibility studies pertaining to capital projects, which require consulting services in order to carry out the institution’s basic responsibilities in developing long-range programs and plans.
   f. For real property improvements as are necessary.
   g. For the purchase of land or buildings adjacent to a campus or branch campus and within the master plan areas as such land or buildings become available and are offered for sale.
   h. For other purposes approved by the Board of Regents

4. If the amount to be expended is $100,000, or less, prior notice to the Board is not required. If the amount to be expended exceeds $100,000 but does not exceed $1,200,000, or the actual balance in the fund, whichever is less, the President shall cause a notice of intent to expend the amount to be sent to members of the Board of Regents at least 30 days prior to making
the expenditure. Expending funds generated by the Capital Improvement Fee for projects or expenses in excess of $1,200,000, or if in excess of $100,000 but more than the actual balance in the fund, requires approval by the Board of Regents.

5. **Capital projects or improvements not included in Subsection 3 shall follow guidelines in the NSHE Procedures and Guidelines Manual, Chapter 5, Section 3, Preparation and Approval of Contracts.**

6. **Project accounts should be closed no later than six months after the completion of the project.**

7. **Reporting. Institutions will report annually to the Board on the use of the Capital Improvement Fee in a reporting template provided by the Vice Chancellor for Budget and Finance.**
Section 13. Use of the General Improvement Fee

1. A portion of the registration fee established pursuant to Title 4, Chapter 17 for all credit-bearing courses shall be allotted for general improvements as defined in this Section and will be referred to as the “General Improvement Fee.”

2. Funds generated from the General Improvement Fee shall be deposited into a General Improvement Fee Fund for each institution that is maintained separately.

3. Funds generated by the General Improvement Fee shall be expended on goods and services that directly enhance the educational experience of the student body, including, but not limited to student advising, counseling, recruiting, orientation, and other general student support services. This includes expending funds on [salaries and wages] compensation and fringe benefits, operating, equipment, [and] library materials, and other expenses that benefit the general student population. One dollar of the General Improvement Fee funds generated at each institution may be used for other purposes as designated by the President.

4. Approval. Expending funds generated by the General Improvement Fee for other purposes than those described in [Section 3 Subsection 3] shall require approval by the Board of Regents. This requirement does not apply to the dollar that may be used for purposes designated by the President unless otherwise provided for in Board policy.

5. Reporting. Institutions will report annually to the Board on the use of the General Improvement Fee in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 14.  Use of the Activities and Programs Fee

1.   A portion of the registration fee established pursuant to Title 4, Chapter 17, for all credit-bearing courses, shall be allotted for graduate and undergraduate student activities and programs and will be referred to as the “Activities and Programs Fee.”

2.   Funds generated from the Activities and Programs Fee shall be deposited into an Activities and Programs Fee Fund for each institution that is maintained separately. The institution may account for such [funds] fees in multiple accounts if necessary.

3.   Funds generated by the Activities and Programs Fee shall be expended on specific student activities and programs[. that enhance the student experience, including compensation and fringe [salaries and wages], operating, and equipment.

4.   Approval. The use of these fees requires approval by the institutional business officer. Expending funds generated by the Activities and Programs Fee for purposes other than those described in Subsection 3 shall require approval by the Board of Regents.

5.   Reporting. Institutions will report annually to the Board on the use of the Activities and Programs Fee in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 15. Use of the Student Association Fee

1. A portion of the registration fee established pursuant to Title 4, Chapter 17, for all credit-bearing courses shall be allotted for student government and will be referred to as the “Student Association Fee,” unless a Board-approved student association fee has been established outside of the registration fee distribution.

2. Funds generated from the Student Association Fee shall be deposited into a Student Association Fee Fund with the fees from each institution maintained separately.

3. Funds generated from the Student Association Fee shall be expended for the support of institutional student government associations, including compensation and fringe [salaries and wages], operating, scholarships, and equipment expenses. Any unexpended funds at year end may carried forward for one year.

4. Approval. Expending funds generated by the Student Association Fee for other purposes than those described in Subsection 3 shall require approval by the Board of Regents.

5. The provisions of this section concerning the authorized use and administration of funds generated from the Student Association fee are also applicable to any Board approved student association fee charged in addition to registration fees.

6. Reporting. Institutions will report annually to the Board on the use of the Student Association Fee in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 16. Use of the Technology Fee – Regular

1. Funds generated by the Technology Fee – Regular must be used directly for the betterment of the students’ educational experience. Funds may be used for any technology-related expenditure, including, but not limited to equipment, associated software and licensing, Internet and Web-related support, user services/help desk support, lab support, lab coordinators and assistants, electronic library media, enhanced instructional technology for classrooms and labs, and distance education/interactive video equipment and facilitators. [Each institution shall report annually the use of technology fee-generated funds to the Board of Regents.]

2. Approval. The use of these fees requires approval of the institutional business officer.

3. Reporting: Institutions will report annually to the Board on the use of the Technology Fee in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 17.  Use of the Technology Fee – iNtegrate

1. Funds generated by the Technology Fee – iNtegrate must be used directly to support the development of a system-wide information system. Funds may be used for the implementation of the iNtegrate Project, including but not limited to support for functional and technical staff, technology costs, and costs for communication devices. Each institution shall report annually the funds generated and expenditures associated with the fee to the Board of Regents. Upon completion of the iNtegrate Project, the Board of Regents shall review the use of the Technology Fee – iNtegrate.

2. Approval. The use of these fees requires approval by the institutional business officer.

3. Reporting. Institutions will report annually to the Board on the use of the Technology Fee-iNtegrate in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 18.  Use of Differential Program Fees

1. Funds generated from a differential program fee shall be deposited into a Differential Program Fee Account that is maintained separately for each program.

2. Funds generated from a differential program fee will not be included in the state supporting operating budget and will be retained by the institution.

3. Funds generated from a differential program fee shall be expended on goods and services directly related to the program with which the fee is associated, including, but not limited to, salaries and wages, operating, equipment, and library materials, and centralized services that directly benefit the program. Appropriate levels of state support for the program shall continue.

4. At least 15 percent of the differential program fee at the universities and state college and 10 percent of the differential program fee at the community college must be allocated for need-based financial aid for students enrolled in the program for which there is an approved differential program fee. Institutions may establish policies and procedures consistent with this Subsection to allow graduate assistants in a program with an approved differential fee to register without such a fee and to account for such allowance in reporting the required set aside for need-based financial aid.

5. **Approval.** Expending funds generated by the differential program fee for purposes other than those described in Subsections 3 and 4 shall require approval by the Board of Regents.

6. **Reporting.** On or before February 1 of each year, each institution with approved differential fees will submit a detailed written report to the Chancellor’s Office regarding the actual expenditure of differential program fees with an explanation of how the fees have been used for the benefit of the academic program for which the differential fee was established. The Chancellor’s Office shall transmit these reports to the Board annually.

7. As used in this Section, “differential program fee” refers to a differential program fee established in Title 4, Chapter 17.
Section 19.  Fee Account Balances

1. It is the intention of the Board of Regents that any fees collected from students be utilized for the direct benefit of the students from whom they are collected while directly reporting revenue and expenditures. Except as otherwise provided in Subsection 2, all fees, including but not limited to student fees, special course fees, differential program fees, health center fees, technology fees, and registration fees (including student access, capital improvement, general improvement, and activities and programs fees) that remain unexpended or dedicated as of June 30th of the fiscal year in which they are collected may be carried forward for up to one fiscal year.

2. Except as otherwise provided in this subsection, this policy applies to the fees listed in subsection 1 and approved by the Board of Regents under Chapter 7 of the Procedures and Guidelines Manual. [The policy does not apply to the fee account balances associated with self-supporting programs or student association fees.]

3. Given the nature of capital projects, the capital improvement fees will be reported separately. For purposes of the maximum carryforward, all capital improvement fees collected should be allocated to a project within one fiscal year after the year in which the funds were collected.

4. Exceptions for anticipated capital, residence life operations, and equipment expenditures requiring a multi-year carry-forward may be approved by the president, in consultation with student government. Such exceptions, including a description and the justification for the reserves, must be reported to the Chancellor by September 30th of each year.

5. **Funds must be established for all fees, including but not limited to student fees, special course fees, differential program fees, health center fees, technology fees, and registrations fees (including student access, capital improvement, general improvement, and activities and programs fees). Student fee revenue must not be commingled with other funds. If a project or program is funded from multiple revenue sources, then the authorized amount for the project or program from each applicable student fee account must be clearly accounted for. Institutional business officers are responsible for establishing accounting practices to ensure that an annual report of each student fee account accurately reflects revenue and expenditures and any year-end balance in the account. The institution may account for any student fee in multiple accounts, if remaining in the same fund.**
Section 26. Property, Capital Improvement Planning, and Facilities Management

8. Agreement Between NSHE and State Public Works Board.

The Chancellor shall establish procedures and divisions of responsibility regarding campus master planning, capital improvement programming, the project design process, construction projects, and for projects financed by state appropriated and non-appropriated funds.

Effective with the 2026 capital improvement budget cycle described in Subsection 6, every even numbered year, NSHE will submit to the State Public Works Board for approval the NSHE procedures and responsibilities that NSHE will undertake regarding campus master planning, capital improvement programming, the project design process, deferred maintenance projects, and capital construction projects.
Section 37. Working Capital, Reserves, Contingencies, Liquidity

1. Institutions shall adopt the guidelines outlined in this section, or propose alternate guidelines that are more appropriate based on the institutional operations, finances, or performance. If an institution intends to propose alternate guidelines, those guidelines will be presented to the Board for approval.

2. Definitions.
   a. Working Capital. Working capital refers to funds that institutions maintain to ensure the ability to pay for ongoing operational expenses such as employee compensation, utilities, supplies, and other routine expenses recognizing the cash flow fluctuations inherent in the business cycle.
   b. Contingency. Contingency refers to a line item established within a budget to address potential unanticipated cost escalation associated with known risks. A common example is building a contingency into construction or renovation projects or software implementation projects in recognition that there may be unforeseen conditions or circumstances that are identified over the course of a project.
   c. Reserves. Reserves are funds maintained by the institution beyond its routine working capital balance. Reserves may be identified for specific planned future investments; as a safeguard against unknown risks, such as unforeseen revenue shortfalls; and as a resource to fund strategic opportunities that may arise.
   d. Liquidity Ratio. The liquidity ratio measures the number of days of cash on hand (includes short-term investments), and calculates how long, in days, the organization could meet operating expenses without receiving new income. Note that cash on hand includes funds identified as working capital, contingencies, and reserves, and may include gift and other funds subject to specific purpose restrictions.

3. General Guidelines
   a. The following guidelines for working capital, contingencies, reserves and liquidity primarily relate to self-supporting funds. State operational appropriations are distributed on a monthly basis and institutions can reasonably rely on the consistent distribution of these revenues. State capital appropriations are typically managed through the State Public Works Department and include project-specific contingencies.
   b. Institutions should maintain working capital, contingencies, reserves and liquidity ratios based on the institutional risk profile and complexity. These elements are to be included in the institutional annual budget and approved by the President of the institution.
   c. Institutions are expected to determine the amount of working capital that is essential to manage through business cycle fluctuations.
   d. Institutions are expected to budget for contingencies where known risks exist.
e. Institutions are expected to establish a target balance of the general reserve fund, which should be based on an assessment of the institution's risks, vulnerabilities, and potential liabilities. Reserves may also be established for individual operations, projects, and programs requiring risk management issues specific to the operation/project. The scope of the reserve should be clearly defined, including the reasons for and the amount of funds that will be set aside.

f. Institutions are expected to establish a liquidity ratio range that balances the risk of having too little cash on hand, which increases the risk that the institution will be unable to meet its cash flow needs, and the risk of having too much cash on hand, which may raise concerns that resources are not being appropriately allocated to current campus needs.

4. Reporting Requirements. Annually, institutions will report to the Business, Finance and Facilities Committee on working capital, reserves, contingencies, and liquidity in a reporting template provided by the Vice Chancellor for Budget and Finance.
Section 2. Purchasing and Related Procedures

The Business Centers conform to the following procedures:

I. Basic Purchasing Procedure. Except for personal/consultant services involving technical, professional or specialized skills or training and as noted in Chapter 5, Section 2c, all materials, supplies, equipment, services, and construction shall be purchased from the lowest responsive and responsible bidder after giving due consideration to price, life cycle cost, quality, availability, conformance to specifications, financial capability and service. The Purchasing Department of each Business Center may develop more detailed policies and procedures for purchasing activities as long as they are in compliance with the limits and delegations defined in the Board of Regents Purchasing Policy (Title 4, Chapter 10). The Purchasing Division of each Business Center will develop specific policies for obtaining personal/consultant services involving technical, professional or specialized skills or training, including architects, engineers, and other design professionals.

....

g. Capital Construction.

Any new construction, repair, improvement, or reconstruction on land, appurtenances and buildings of the Nevada System of Higher Education (NSHE), the estimated cost of which is [$25,000] $250,000 or more, which is intended for long-term, continued use or which extends the useful life of a capital asset, is deemed a capital construction project.

This does not apply to deferred maintenance projects, repair or maintenance projects, or remodeling projects of internal rooms of a building even if these projects extend the useful life of a capital asset and that are under $250,000. These will be referred to as repair and maintenance projects.

Institutions will establish a fund for capital projects. The institutional business officer will be required to review requests for capital projects and repair and maintenance projects to ensure they are classified properly. Annually, institutions will provide a report to the Board identifying all capital project accounts separated by those with State funds of greater than 25 percent and all others.

[The respective institutional Facilities Departments must provide direct oversight for all capital construction projects, including remodeling projects. Facilities Management staff will be sufficiently involved in the project review, approval, and management of all capital construction projects to ensure compliance with all internal and external requirements.]
The respective institutional department responsible for capital construction (i.e., Facilities or Planning and Construction) must provide direct oversight for all capital construction projects, including repair and maintenance projects. Project management staff and if applicable, the department staff who will be the user of the project, will be sufficiently involved in the project planning, review, approval, and management of all capital construction projects to ensure compliance with all internal and external requirements.

Upon the request of [a campus of the Nevada System of Higher Education] an institution, the State Public Works Board may delegate to that campus any of the authority granted to the State Public Works Board pursuant to Nevada Revised Statutes (NRS) 341.141 to NRS 341.148, inclusive. Delegation by the State Public Works Board shall be documented in the project records; otherwise, capital projects shall comply with NRS 341.141 through NRS 341.148.

A contract for a capital construction project [for the Nevada System of Higher Education] may be entered into without advertising for sealed bids if the estimated cost to perform the contract is less than $100,000.

(1) If the estimated amount for performing the contract is more than $25,000, but is less than $100,000, requests for firm written quotations must be solicited from not less than three responsible bidders capable of performing the contract. The Nevada System of Higher Education may award the contract to the lowest bidder or reject all quotations. Nothing in this section prohibits the advertising for or requesting of bids for purchase of any dollar amount.

(2) Such projects over $100,000 shall be advertised in a newspaper of general circulation in the area of the campus where the work is to be performed and not less than four (4) calendar days prior to opening bids.

(3) Separate sealed bids for each capital construction project are required.

(4) Approved plans and specifications for the capital construction project must be on file at a place and time stated in the advertisement for the inspection of all persons desiring to bid thereon and for other interested persons.

(5) The institution may accept bids on either the whole or part of the construction, equipment and furnishings, and may let separate contracts for different and separate portions of any project, or a combination contract for structural, mechanical, and electrical construction if savings will result to the lowest bidder.

(6) The provisions of subsection (g) apply to all capital construction projects funded in whole or in part by state appropriations.

(7) An agreement for a capital construction project, funded totally from non-appropriated sources, may be entered into with a contractor that satisfies any qualifications required by the NSHE institution.
Before any contract for a capital construction project exceeding $100,000, or as otherwise specified in Nevada Revised Statutes 339.025, is awarded to any contractor, he shall furnish to the contracting body the following bonds which become binding upon the award of the contract to the contractor:

a. A performance bond in an amount to be fixed by the contracting body, but not less than 50 percent of the contract amount, conditioned upon the faithful performance of the contract in accordance with the plans, specifications and conditions of the contract. The bond must be solely for the protection of the NSHE, which awarded the contract.

b. A payment bond in an amount to be fixed by the NSHE, but not less than 50 percent of the contract amount. The bond must be solely for the protection of claimants supplying labor or materials to the contractor to whom the contract was awarded, or to any subcontractors, in the prosecution of the work provided for in such contract.

One or more surety companies authorized to do business in the State of Nevada must execute each of the bonds required pursuant to this section. If the contracting body is the State of Nevada or any officers, employee, board, bureau, commission, department, agency or institution thereof, the bonds must be payable to the contracting body.

Each of the bonds must be filed in the office of the NSHE institution that awarded the contract for which the bonds were given.

Nothing in this section prohibits a contracting body from requiring bonds.

Contracts for Design-Build; Lease-Purchase; Installment-Purchase; or similar approaches to procure facilities must also follow appropriate public solicitation procedures, which at a minimum provide vendors with an appropriate opportunity to respond to institutional needs. Projects of these types shall be subject to an appropriate Purchasing Department and consistent with applicable NRS Chapter 338 provisions pertaining to design professionals. Based on the results of legislation adopted during the 2007 Session pursuant to the recommendations of the Senate Bill Advisory Group to Conduct an Interim Study on Lease-Purchase and Installment Purchase Agreements by Public Entities (Chapter 508, Statutes of Nevada 2007), NSHE institutions will adopt specific procedural language for projects of this type on or before December 31, 2007.

A Purchase Order (PO) alone cannot be used for any construction contracts. Construction contracts exceeding $100,000 must be properly approved and key clauses as stated in the System’s contract policy must be included in the construction contracts. If a PO is used for construction activity under $100,000, it must be supplemented by appropriate information (required clauses and information) and properly approved.

Except as otherwise provided, change orders will be approved in the same manner as the original contract.
a. For capital construction contracts greater than $5,000,000, the respective NSHE institutions shall provide notification to the Business, Finance and Facilities Committee at least seven (7) calendar days prior to authorizing any change in the scope of the design or construction of a project if the change increases or decreases the total square footage by 10 percent or more or increases the cost of the project by 10 percent or more.

b. Changes to a capital construction contract must document compliance with contract terms and include, if applicable, detailed labor, material, equipment, or overhead and profit markup fees and include documentation that the change was reviewed for compliance of the contract terms by a qualified institutional staff member. Individual NSHE institutions may authorize change orders, except for changes that require prior approval pursuant to paragraph 14.a, before or during construction as follows:

   i. In any amount, where the change represents a reduction in the total awarded contract price.

   ii. Except as otherwise provided in subparagraph (iii.), not to exceed in the aggregate 15 percent of the total awarded contract price, where the change represents an increase in that price.

   iii. In any amount, where the total awarded contract price is less than $100,000.

   iv. In any amount, where additional money was authorized or appropriated by the Legislature and issuing a change order is in the best interests of the State or the respective NSHE institution.

c. The respective institutions shall notify the Business, Finance and Facilities Committee at least seven (7) calendar days prior to canceling a project authorized by the Business, Finance and Facilities Committee or delaying the commencement or completion of such a project beyond the period for which money for the project was authorized.

d. Reporting. A report shall be submitted by the institution in question at the next regularly scheduled Board of Regents meeting. In acting upon a proposed change in the scope of the design or construction of a project pursuant to paragraph 14.a or a proposed cancellation or delay of a project pursuant to paragraph 14.c, the Business, Finance and Facilities Committee shall consider, among other things:

   i. The amount and reason provided by the institution for the proposed change in the scope of the design or construction or the cancellation or delay of the project;

   ii. The current need for the project; and

   iii. The intent of the institution in originally approving the project.
Each institution will collect, maintain, and report upon request, reliable capital construction project information.

(16) Capital Project Management Procedures

a. The respective institutional department responsible for construction at the institution (i.e., Facilities or Planning and Construction) shall document attendance of all project scoping planning meetings in the project files. Meeting participants shall include representation from the entities that will be the users of the project.

b. The institution managing the construction project shall report the completion of all work performed under the contract to the Labor Commissioner before the final payment of money due to the contractor by the institution. The institution shall document the reporting to the Labor Commissioner in the project files.

c. The institution which awarded the contract shall verify project close-out documentation is obtained before the final payment of money due the contractor is paid by the institution. Documentation includes but may not be limited to certificates of substantial completion and as-built drawings. Institutions shall ensure all required close-out documents are identified in construction agreements and project management staff are trained in close-out procedures. In the event project close-out documentation is timely requested, but not timely received by the institution due to circumstances beyond the control of the institution and the contractor, the institution may release final payment with approval by the institution’s business officer.

d. All institutions are required to develop policies and procedures to monitor project balances and to ensure unused project funds are reverted timely. Project accounts should be closed and unused funds should be returned to source within six months of project completion. When projects are funded from multiple sources, in the absence of a documented funding source priority, funds are allocated to expenditures from restricted sources followed by unrestricted sources, without regard for the timing of project funding deposits.
Section 8. Operating Cost-Savings Measure

...
NSHE CAPITAL CONSTRUCTION PROJECT CHECKLIST  

**PROJECT NAME:** ____________________________  

Individual Responsible for Project: ____________________________

Please check completed items and mark as "NA" (not applicable) to any items that do not apply:

<table>
<thead>
<tr>
<th>Specifications completed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public works approval/plan check.</td>
</tr>
<tr>
<td>Project estimated to exceed $100,000; prepare paperwork for Business Centers processing and tracking.</td>
</tr>
<tr>
<td>Project less than $100,000 – System institution responsibility.</td>
</tr>
<tr>
<td>Advertise or competitive bids/quote?</td>
</tr>
<tr>
<td>Contract with BOR as contracting party – System institutions are responsible to meet requirements of NSHE Procedures and Guidelines Manual, Chapter 5.</td>
</tr>
<tr>
<td>_____ Provisions for costs such as Plan Review</td>
</tr>
<tr>
<td>_____ Printing/reproduction</td>
</tr>
<tr>
<td>_____ Other</td>
</tr>
<tr>
<td>_____ Effective Date of Contract</td>
</tr>
</tbody>
</table>

**Insurance:**

| _____ General Liability |
| _____ Workers’ Comp documents |
| _____ Vehicle Liability |

| Bid/Performance bonds. |
| Notice to Proceed. |
| Public works inspections. |
| Percent Completion/payments. |

| Change Orders (See Note 1 below): |
| _____ Specifications |
| _____ Budget modifications |
| _____ Approvals |

Cumulative amount of change order equal to or greater than 10% (please check and initial):

$ _____ Change Order #1
$ _____ Change Order #2
$ _____ Change Order #3
$ _____ Change Order #4
$ _____ Change Order #5

| Substantial Completion/ Punch List. |
| Commissioning with warranties, turn over, operating and maintenance manuals, certificate of occupancy. |
| Subs paid and Final payment to contractor. |
| Complete project documentation/budget tracking/change orders to Facilities files. |

[Note 1: Send to the Chancellor’s Office for approval if 1) the original contract was not signed by the Chancellor (i.e. was for less than $1 million) and the cumulative amount of change order(s) causes the aggregate contract amount to exceed the $1 million threshold (triggering Chancellor approval); or 2) the cumulative amount of change order(s) exceeds ten percent (10%) of the original contract for construction.]