

# Capital Projects Policies and Procedures Manual

## Finance

September 11, 2019



**UConn**  
UNIVERSITY OF CONNECTICUT

<b>Title</b>	<b>Capital Project Policies and Procedures</b>
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## **EXECUTIVE SUMMARY**

The University’s capital program is authorized through the UCONN 2000 Infrastructure Improvement Program or “UCONN 2000” established by the University of Connecticut 2000 Act (“the Act”). The capital program is designed to modernize, rehabilitate and expand the physical plant of the University. The Act authorizes projects to be financed over a thirty-two year period ending in FY27 from a variety of fund sources. The fund sources utilized to support the capital program include \$4.3 billion of University General Obligation bonds, State General Obligation bonds, Special Obligation bonds (collectively “bonds”), University operating funds, gifts/donations, grants (including federal) and other debt financing.

Once funds are authorized for capital projects, the policies and procedures for the capital program are applicable. The policies and procedures contained herein apply to all capital projects at the Storrs and Regional Campuses (Avery Point, Hartford, the Law School-Hartford, Stamford and Waterbury) regardless of fund source, and the bond funded capital projects at UConn Health.

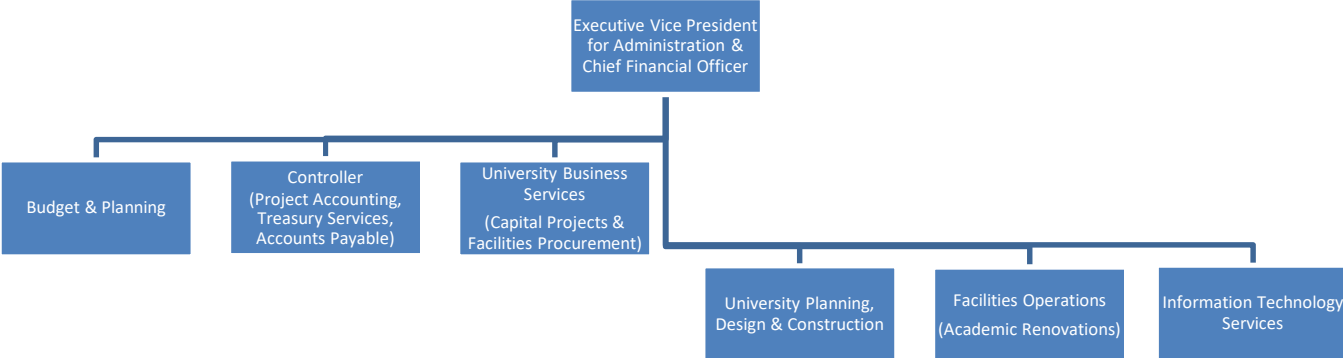
The purpose of this manual is to document the policies and procedures of the capital project delivery process with particular focus on the financial (budgetary/accounting) controls and approvals. These policies and procedures range from the high-level development of the annual capital budget to the day-to-day approvals required to issue purchase orders and pay invoices. Included are other related policies and procedures as well as further definition of the roles and responsibilities of budget and accounting professionals within the various workflows. The goal of this manual is to provide for an appropriate system of financial internal controls while achieving workflow efficiencies, timely and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) and federal and state regulations, and to mitigate risk while ensuring the safeguarding of University assets.

While this manual is a collection of established and evolving policies and procedures, it is not intended to be a step-by-step detailed procedures manual so as to allow ongoing flexibility while still maintaining adherence to applicable statutes and regulations as well as other related University policies.

The Executive Vice President for Administration & Chief Financial Officer has oversight of these policies and procedures. University Planning, Design & Construction (UPDC), Facilities Operations

(FO), Information Technology Services (ITS), UCH Campus Planning, Design and Construction (CPDC), Capital Projects and Facilities Procurement (CPFP-part of University Business Services), Accounts Payable, and the Office of Treasury Services have separate policies and procedures that may be read in conjunction with this manual.

The organization chart below illustrates the reporting structure of various departments that have a primary role in the capital project delivery process:



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## **Abbreviations Defined**

AS-NTP: Additional Services-Notice to Proceed

BGE: Buildings, Grounds & Environment

BOT: Board of Trustees

CAR: Contract Approval Request

CCD: Construction Change Directive

CIP: Capital Improvement Plan

CO: Change Order

CPFP: Capital Projects & Facilities Procurement

CPDC: Campus Planning, Design & Construction

DM: Deferred Maintenance/Code Compliance/ADA Compliance/Infrastructure Improvements & Renovation Lump Sum and Utility, Administrative and Support Facilities

EVPACFO: Executive Vice President for Administration & Chief Financial Officer

E-SARCC: Executive Space Allocation, Renovation and Construction Coordination

FFE: Furniture, Fixtures & Equipment

FO: Facilities Operations (includes Academic Renovations)

ITS: Information Technology Services

MOU: Memorandum of Understanding

OBP: Office of Budget & Planning

OTS: Office of Treasury Services

PA: Project Accounting

PCO: Proposed Change Order

PO: Purchase Order

POA: Purchase Order Amendment

PR: Purchase Requisition

PRC: Project Review Committee

SMC: Space Management Committee

UBS: University Business Services

UCH: UConn Health

UPDC: University Planning, Design & Construction

## PROJECT INITIATION

### Authorization of the Capital Budget

A ten-year Capital Improvement Plan (CIP) developed and maintained by UPDC is based on the projected academic direction of the University and major infrastructure improvements as identified in the University Master Plan. The CIP is an ever-evolving list of projects that is prioritized and sequenced against the available and projected capital budget funding at the direction of the BOT, the President, the Provost and the EVPACFO. The annual capital budget is primarily comprised of the annual CIP cash flow needs. In addition, the capital budget may include allocations for maintenance type projects as well as specific project requests from various University stakeholders.

In order to manage all capital fund sources in a strategic and transparent manner, the annual capital budget is established by the Office of Budget and Planning (OBP) and is presented for approval to the Board of Trustees (BOT). The capital budget details the proposed projects or program allocations, amounts and funding source, and the supplemental indenture, which authorizes the bond issuance. Note that only bond funded capital projects at UConn Health are included in this annual capital budget. UCH projects financed through other fund sources are separately approved.

Also presented is the UCONN 2000 Phase III Bond Phasing Plan by Statutory Named Line and indenture amendments for prior year(s) if needed. Once the capital budget and related indentures are approved by the BOT, a letter requesting allotment of the annual bond authorization for projects approved in the capital budget is sent to the Governor. The Governor may approve or disapprove the request; if not acted upon in 30 days, the request is deemed approved. After approval by the Governor, the University may begin to expend the bond funds. The University works directly with the State Treasurer's Office on the timing and issuance of the bonds based on cash flow needs.

The University may finance capital projects through a variety of funding sources. In addition to General Obligation bonds, the Act also authorizes the University to issue Special Obligation bonds. These bonds are paid from certain pledged revenues of the University. Prior to issuance, a supplemental indenture authorizing the Special Obligation Revenue bonds is presented to the BOT. Once approved by the BOT, a letter is sent to the Governor. The Governor may approve or disapprove the request; if not acted upon in 30 days, the request is deemed approved. The capital budget may also include University operating funds, gifts/donations, grants (including federal) and other debt financing.

Special requests may be made to the BOT and the State of Connecticut Legislature (Finance, Revenue & Bonding Subcommittee) to amend the UCONN 2000 Act project list, General Obligation bonding plan, or duration of the program as needed.

### Capital Project Guidelines

A capital project should be established for projects such as new buildings, building additions, infrastructure/utility repairs and upgrades, building system upgrades or improvements, major equipment purchases, major renovations and/or major repairs or replacements that generally utilize architectural and engineering design services, and/or require code compliance or environmental

consultation. In the case of major equipment purchases, installation services may be required and the renovation of space may be required in order to install the equipment. Capital projects increase the capacity, life or operating efficiency of the asset. The Office of the Controller sets the University's capitalization threshold for recording fixed assets and such threshold may change depending on various factors. As of the date of this Manual, the capitalization threshold is \$100,000. The capitalization policy and current threshold may be found at [accountingoffice.uconn.edu](http://accountingoffice.uconn.edu). If a project meets the capital project guidelines but does not meet the capitalization threshold, it may still be tracked as a capital project for other purposes. All projects utilizing UCONN 2000 funding (or other funding authorized under UCONN 2000, such as State Bonds or Special Obligation Bonds), including code projects, must be tracked as a capital project whether or not they meet the capitalization requirements.

A capital project should not be for day-to-day maintenance and ordinary repairs directed toward keeping assets in acceptable condition including preventive maintenance; replacement of parts, systems or components; and other activities needed merely to preserve the asset but not extend the useful life of the asset. Equipment purchases not requiring installation services or the renovation of space for the installation would not be a capital project, but may be capitalized via the financial system if capitalization guidelines for equipment are met.

There may be situations requiring further analysis and clarification on whether a capital project should be established. In those instances, Project Accounting will work with UPDC/FO/ITS/CPDC to make the determination.

### **Signature Authority**

The BOT grants the UConn President signing authority for all University contracts. The President is authorized to delegate such signing authority as he/she determines appropriate. Records of delegated signature authority are maintained by the Office of General Counsel and may be found on their website here: [generalcounsel.uconn.edu](http://generalcounsel.uconn.edu).

### **Project Initiation/Budget Approval**

It is important to recognize that project type and complexity may determine the department who executes a project and how that project is managed from start to finish. Therefore, customized processes are utilized to accommodate the various projects as well as the management of a variety of fund sources. The University has made certain that appropriate internal controls remain in place to ensure proper stewardship of all funds and the integrity of the capital program.

For UCH, the SMC and CPDC oversee the project approval process. As detailed below, any capital project equal to or greater than \$500,000, no matter the fund source, must be approved by the BOT. In addition, other project approvals may take place in accordance with UCH policies and procedures.

For the Storrs & Regional Campuses, capital projects may be initiated through a Project Request form found on the UPDC website. A Project Triage Committee reviews the request(s) and assigns the project(s) to UPDC/FO/ITS. A MOU may be developed by UPDC/FO/ITS to document the scope, schedule, budget and funding source. The Project Review Committee (PRC-see below) is responsible

for approving projects less than \$500,000. The Executive Space Allocation, Renovation and Construction Committee (E-SARCC) and the BOT approve projects greater than or equal to \$500,000. All projects that meet the capitalization threshold set by the Office of the Controller **must** have an approved MOU prior to the commencement of the project regardless of fund source. Furthermore, if a project is funded with bonds, it must have an MOU prior to the commencement of the project, **regardless of whether it meets the capitalization threshold**. (See Capital Project Guidelines). Any changes in the project budget requiring additional funding require a revised MOU.

The PRC, a cross-functional group of stakeholders, reviews MOUs regularly to ensure that project requests are in line with the University Master Plan and the work will enhance the University's goals and objectives. PRC has the authority to decline MOUs and to approve MOUs up to \$500,000. Once PRC approves an MOU up to \$500,000, no further approvals are necessary and the project may be set up in the appropriate project tracking system and financial system. Any project initiated by the President and for the direct benefit of the President must also be approved by the BOT BGE Committee regardless of the amount. Projects less than \$500,000 for UCH, must be approved via the capital project approval process at UCH.

All capital projects greater than or equal to \$500,000 require a senior management level group, the E-SARCC, to review and approve project MOUs prior to submission to the BOT. E-SARCC also reviews MOUs that have been approved by PRC up to \$500,000 for informational purposes. Once a project is approved by E-SARCC, it is required to receive BOT approval at various phases. See the **"Three-Phase Budget Process"** below.

During any phase of the project, the possibility exists that a project may require additional funding. When the total expenditures are anticipated to exceed the BOT approved budgeted level by 5% or greater, a revised budget must be presented to the BOT for approval prior to exceeding the budget by 5%. The BOT policy permits the EVPACFO to approve budget changes up to 5% provided that funding is available. The BOT is subsequently notified through a revised project budget.

Project funding must be identified prior to the start of a project. Exceptions must be approved by the EVPACFO or his/her designee. Project budgets should include all known fund sources and project-related costs including Furniture, Fixtures and Equipment (FFE). If additional FFE will be procured outside of the capital project budget, in accordance with standard UConn procurement policies and procedures, the project MOU/BOT resolution will include a note stating such exception. For UCH capital projects, FFE (including Information Technology equipment) may be procured directly by UCH and subsequently reimbursed by bond funds. This process will be completed in accordance with standard University procurement policies and procedures.

### **Three-Phase Budget Process**

Project budgets greater than or equal to \$500,000 are presented to the BOT during the planning, design and final phases. The presentation of budgets to the BOT is the joint responsibility of the EVPACFO and Provost & Executive Vice President for Academic Affairs. As noted below at each phase, project budgets should carry sufficient funds to cover risks from unforeseeable conditions (contingency).



- **Planning Budget:** This budget signals the commencement of the planning or design process for each new building or major renovation project. The contingency at this juncture must be at least 10% of the total project cost to reflect the preliminary nature of the budget.
- **Design Budget:** Once the project design has progressed and a cost estimate available, University administration submits a more definitive budget reflecting the architect's or engineer's estimate of cost based on the design. The contingency balance at this juncture must be at least 8% of total project cost to reflect the potential for deviations as bids are received for the project's components.
- **Final Budget:** Once reliable estimates of construction costs are known (prior to or post construction bidding), the final budget will be presented to the BOT. At this juncture, the contingency must be at least 5% of total project cost to cover change orders that may arise during construction.
- **Revised Budget:** Even though every effort is made to construct/renovate facilities within the budgets presented to the BOT, there may be occasions when actual costs are projected to exceed initial estimates. Revised Planning, Design and Final budgets may be needed for this purpose.

At times where a project needs to be expedited or is limited in scope, a waiver of the three- phase budget approval process may be requested.

Situations may also arise where the University must utilize an exigent procurement process to address an emergency. While projects that fall under this policy are not subject to the Project Initiation/Budget Approval process noted above, OBP is responsible for assigning the appropriate funding. Use of the exigent procurement process shall be limited and must be pre-approved by the EVPACFO. See CFPF S8: Exigent Procurement Policy.

### Setting up Capital Projects

After a capital project has appropriate approvals to proceed, it is set up in the financial system and project tracking systems. Currently, the University utilizes several systems to account for and track capital project activities: the financial system, the procurement and payment system, and the project tracking system(s). Integrations run between the systems to ensure timely and accurate information.

Projects managed by UPDC are set up in the UPDC project tracking system at the project intake phase and, once approved by PRC, are assigned a project number. UPDC is responsible for setting up project details in the project tracking system and for submitting MOUs for approval in the project tracking system workflow. OBP is responsible for assigning fund source(s) based on the capital budget plan. PA is responsible for setting up new accounts in the financial system, assigning the accounts to projects in the project tracking system, and transferring all fund sources into the project accounts. PA is the designated Fiscal Officer on UPDC project accounts in the financial system as well as the procurement and payment system, as this role allows for required accounting oversight and enables additional financial approvals to occur through the workflow routing of documents in these systems.

FO managed projects, with budgets greater than or equal to the capitalization threshold, are set up once an MOU is approved by PRC. OBP is responsible for assigning fund source(s) based on the capital budget plan. FO is responsible for setting up project details in the FO project tracking system. PA is responsible for setting up new accounts in the financial system and funding the accounts. FO is the designated Fiscal Officer on projects less than the capitalization threshold, and PA is the Fiscal Officer on projects greater than or equal to the capitalization threshold. Note that all FO managed projects funded with bonds must follow the capital project process and be tracked in the UPDC project tracking system regardless of the budget amount. This is to allow for comprehensive project tracking and financial reporting for all bond funded capital projects.

ITS managed projects, with budgets greater than or equal to the capitalization threshold, are set up once an MOU is approved by PRC. OBP is responsible for assigning fund source(s) based on the capital budget plan. ITS is responsible for setting up project details in the ITS project tracking system. PA is responsible for setting up new accounts in the financial system and funding the accounts. ITS is the designated Fiscal Officer on projects less than the capitalization threshold, and PA is the Fiscal Officer on projects greater than or equal to the capitalization threshold. Note that all ITS managed projects funded with bonds, except for Equipment, Library Collections & Telecommunications bonds, must follow the capital project process and be tracked in the UPDC project tracking system.

For UCH bond funded projects financially managed in Storrs, the UPDC project tracking system is utilized. Projects are set up once approved via the capital project approval process at UCH plus any required BOT approvals. OBP is responsible for assigning fund sources based on the capital budget plan. PA sets up project accounts in the financial system, transfers funds, and is the designated Fiscal Officer on UCH project accounts. Once again, this role allows for proper financial approvals to occur in workflow. UCH DM bond funded projects are budgeted at UCH in their financial system and are reimbursed by Storrs after expenditures are incurred. See procedure "Reimbursing UCH for Bond Expenditures."

## **DESIGN AND CONSTRUCTION**

### **Financial Prequalification**

Prequalification allows the University to evaluate and select contractors who will be invited to offer proposals on a project. The role of PA in the overall prequalification process is limited to assessing the financial capability of an applicant to complete a specific project within a given period of time. Applicants are either accepted (may be pending submission of additional financial information) or rejected depending on the calculation of financial statement ratios and review of other qualitative factors in comparison to standards for the industry. If a project is valued at \$10 million or greater, an audited financial statement including an independent auditors report, balance sheet, income statement, cash flow statement and the notes to the financial statements are required. These statements need to be dated within 15 months from the date of the application. In addition, applicants for prequalification must supply interim financial statements not older than 6 months from the date of application. For projects less than \$10 million or involving a single trade contractor, an audit is preferred but reviewed or compiled statements are accepted.

## Contract Approval

The contract approval process ensures that all phases of engaging an architect, a construction contractor or a construction manager have been in accordance with all University policies and procedures, State statutes, and Federal regulations when applicable.

For UPDC and UCH, when a vendor has been selected, CPFP creates the Contract Approval Request (CAR) workflow in the project tracking system. The workflow request is approved by CPFP, UPDC/CPDC, PA, and UBS. The EVPACFO approves the CAR at the time the actual contract is signed. PA's role is to verify that funding has been approved, is in place, and that the request falls within the current approved budget.

For FO, the CAR form is created by CPFP and is approved by CPFP, FO, PA, Procurement, and EVPACFO. For non-bond funded FO projects less than the capitalization threshold amount, PA approval is not required.

## Purchase Order (Requisition) Approval

For UPDC, UCH, FO and ITS managed bond funded projects, all PO requests (Purchase Requisitions-PR) with appropriate supporting documentation must be approved by UPDC/FO/CPDC/ITS, CPFP and PA. PRs are initiated through the project tracking system workflow and integrate into the procurement and payment system for additional workflow approvals prior to a PO being issued. For FO and ITS projects, PR requests are initiated in a separate electronic workflow system and PA enters the PR into the project tracking system, which integrates into the procurement and payment system for additional workflow approvals prior to a PO being issued. The final PO approval authority resides with UBS.

For UCH capital projects, FFE (including Information Technology equipment) may be procured directly by UCH utilizing their internal policies and procedures. Refer to the section **"Reimbursing UCH for Bond Expenditures"** for details related to the reimbursement of these costs.

For non-bond funded FO/ITS projects, PRs are initiated by FO/ITS directly into the procurement and payment system workflow and must be approved by FO/ITS, CPFP and PA. PA's approval is only required if the total project budget is greater than the capitalization threshold amount. Final PO approval authority resides with UBS.

PA's responsibility in approving the PR is to ensure that enough funding is in place in the project accounts to encumber the request and to compare the request to the project budget as a whole.

## Authorizing Use of Internal Vendors

Work done on a capital project by internal vendors must have prior approval (by routing an estimate of the cost of the work). Examples of internal vendors for a project are Facilities Operations, Academic Renovations, ITS, and Public Safety. If the charges from the internal vendor are going to exceed the approved estimate, then an additional request with appropriate documentation must be routed for approval to authorize the increased amount.

For UPDC, such requests are initiated via an Internal Cost Request in the project tracking system workflow for approval. Requests must be approved by UPDC, PA and CFPF. For bond funded FO/ITS managed projects and UCH projects, such requests are generally initiated in an outside system and routed for approval, then input into the project tracking system for tracking purposes by PA. Requests must be approved by FO/ITS/CPDC, PA and CFPF.

## **CHANGE MANAGEMENT**

Construction Change Directives, Additional Services-Notice to Proceed and Proposed Change Orders do not require PA approval. These mechanisms are precursors to executed change orders/purchase order amendments approved by PA. Thus, in order to document all approvals that may result in a contract amendment, it is appropriate to include them.

### **Construction Change Directive (CCD)**

There are conditions or situations during the construction of a project involving scope, schedule, safety or an emergency where work urgently needs to proceed prior to when a full Proposed Change Order (PCO) submission can be attained. This change request is documented by a Construction Change Directive (CCD), authorizes work based on an order-of-magnitude estimate or a not-to-exceed amount, and directs the contractor to proceed with the change scope of work. A CCD is written and authorized in anticipation of being included in a fully documented, authorized and executed follow-on Change Order (CO). A CCD requires the following information: a description of the scope of work, a not-to-exceed estimated cost, an indication of the pricing methodology, and authorization by UPDC/FO/CPDC.

### **Additional Services – Notice to Proceed (AS-NTP)**

Similar to the CCD policy, there may be a business need to have as additional work performed by an architect, engineer or other professional service firm where time is of the essence to maintain the project schedule. In the event that a change in professional scope of services is required and an immediate directive to begin working is needed to maintain a critical schedule, the University may issue an AS-NTP. The project manager will work with the vendor to define the desired additional services for a defined not-to-exceed amount. In all cases, a not-to exceed amount shall be established to limit the financial exposure to the University in lieu of, and in advance of, the subsequent, formal contract amendment. For UPDC, an AS-NTP request is initiated via the project tracking system workflow in order to set aside the funds against the project budget until a follow-on amendment is processed. All AS-NTP requests must be approved by UPDC/FO/CPDC.

### **Proposed Change Orders (PCO)**

Changes (increases or decreases) in a project that affect scope, schedule and/or budget need to be documented during a project. When changes occur, they may affect the contract, the financial accounting and the work being performed. When a change is warranted, the contractor will issue a Proposed Change Order (PCO) with the total price of the change.

For UPDC, the project manager shall review the scope of the proposed change and the backup provided in the PCO submission, verify entitlement to additional cost, confirm the proposed cost is

reasonable, and once verified, submit the PCO for approval through the project tracking system workflow. PCOs require internal approval by UPDC and CFPF.

### **Purchase Order Amendments (POA)**

For UPDC managed projects, on an approximate monthly basis, approved construction PCOs and/or CCDs (if any) shall be compiled in a formal Change Order (CO), which adjusts the contract value and purchase order amount for the project. COs are initiated in the project tracking system through the Purchase Order Amendment (POA) workflow and are approved by UPDC, CFPF and PA. Non-construction project POAs are also amended utilizing this workflow. Examples include architect/engineering, environmental, move management and legal services, among others.

PA's primary responsibility in approving POAs is to ensure that enough funding is in place in the project accounts to encumber the change and to compare the request against the remaining project budget as it relates to the project contingency and the budget as a whole. PA also provides the accounting codes and prioritizes the use of fund sources within the project budget. If there are insufficient funds in the project, the initiator will be unable to enter further requests in the project tracking system until the project funding shortfall is resolved. POAs from the project tracking system are then integrated into the procurement and payment system where further approvals take place by CFPF and UBS.

For bond funded FO managed projects, POA requests are initiated outside of the project tracking system and are approved by FO, CFPF and PA. Once approved, they are entered into the project tracking system by PA. For non-bond funded FO managed projects not tracked in the project tracking system, FO initiates a POA directly in the procurement and payment system. The POA is approved by FO, CFPF and PA (if the project exceeds the capitalization threshold amount). PA's role is to ensure that there is enough funding in the accounts in the financial system to encumber the change. If the project is less than the capitalization threshold amount, PA approval is not required.

For UCH bond funded projects, POAs are processed and approved by UCH via paper form, sent to Storrs, and PA approves and enters the POA into the project tracking system, which then integrates into the procurement and payment system. POAs in the procurement and payment system are then approved by UCH, CFPF, and UBS.

## **APPROVAL FOR PAYMENT**

### **Paying an External Vendor**

Prior to payment, vendor invoices are routed for appropriate approvals. The vendor's original invoices are received by Accounts Payable, who initiates the invoice entry in the procurement and payment system. Due to the Fiscal Officer designation in the financial system, which integrates into the procurement and payment system, the invoice automatically routes to PA for review and approval. A valid PO must be in place for the vendor within the project prior to PA approval. Certain invoices applicable to the project but not associated with a project related PO (i.e. bid advertising and printing), may be paid through either a disbursement voucher or a credit card transaction. Like the vendor invoice payment request, these non-PO payments require approval. PA's role is to ensure the

appropriate project PO and, therefore, project account is being charged and to route the invoice for further approvals. PA also ensures that a valid commitment has been fully approved for all non-PO expenses other than bid advertising and document reproduction expenses. Approval by UPDC/FO/ITS/CPDC of the invoices is required prior to payment. For all legal invoices, approval is required by a representative from the General Counsel's Office.

### **Paying an Internal Vendor**

Internal vendors may be utilized on capital projects, and such project work needs to be pre-approved. (See **Authorizing the Use of Internal Vendors.**) Work performed by Academic Renovations is an exception to the pre-approval requirement, as their work is typically approved by all required parties during the MOU process and therefore does not require a duplicative authorization. However, in rare cases where Academic Renovations work is a subset of a larger capital project, authorization is required.

Internal vendors invoice for work performed against capital projects via an Internal Billing document in the financial system's electronic workflow. The internal vendor must produce an invoice with detailed back-up documentation (material & labor including rates & hours worked) and such invoice and back-up documentation must be attached electronically to the Internal Billing. These invoices are initiated by the internal vendor/department and route to PA for approval due to the Fiscal Officer designation on the project account.

PA verifies that the internal project work was previously approved, that the project number and account coding is correct, and that there is sufficient budget within the project for the billing. PA then routes the Internal Billing to UPDC/FO/ITS/CPDC for approval.

## **ACCOUNTING POLICIES**

### **UConn Management Fees Allocation**

The University allocates the salaries and fringes for designated employees representing indirect costs associated with the delivery of capital projects. The method allocates to each project an amount of UConn administrative fees equal to a fixed percentage of the total costs for that project. This allocation is reviewed on a periodic basis due to changes that may occur in employees and the associated salaries and fringe benefits.

### **Equipment, Library Collections & Telecommunications**

The Equipment, Library Collections & Telecommunications bond funded authorization is approved annually as part of the capital budget prepared by OPB. The departmental allocations of bond funds for this purpose are coordinated by OPB. Generally, individual accounts are set up for each department. Purchases are initiated by individual departments and UBS is responsible for adherence to University procurement policies and procedures. PA and OBP monitor budgets and expenses in these accounts. Any initiatives utilizing these funds should be reviewed by OPB and PA to determine whether such initiatives meet the definition of a capital project. If this fund source is utilized to fund a capital project either in part or its entirety, then all capital projects policies and procedures contained

herein apply. This includes but is not limited to project budget approvals (PRC, E-SARCC, BOT), contract and purchase order approvals, and payment approvals.

### **Recoding Expenditures**

Movement of expenditures to and from capital projects may be necessary due to changes in fund sources, corrections of errors or other circumstances. When the movement of expenditures is needed, an accounting entry is prepared and routed through workflow in the financial system for approval. Sufficient supporting documentation must be attached. The accounting entry is approved by PA and, if a certain threshold is met, the Associate Controller and Director of Accounting. For the movement of bond funded expenditures between different capital projects, the AVP of Financial Operations & Controller's approval is also required unless the entry is for an error correction.

### **Reimbursing UCH for Bond Expenditures**

Expenditures may be incurred at UCH and reimbursed by Storrs for the following:

- Deferred Maintenance/Code Compliance/ADA Compliance/Infrastructure & Improvements Renovation Lump Sum and Utility, Administrative and Support Facilities
- Equipment, Library Collections and Telecommunications Expenditures
- Reimbursable FFE expenditures on projects

The procurement and subsequent payment of these expenditures is completed in accordance with UCH standard policies and procedures and are tracked by the Finance Division at UCH. UCH periodically submits reimbursement requests to PA in Storrs who reviews the requests for proper authorization, accuracy and appropriateness. PA prepares a disbursement voucher, which is routed to Manager of PA, UCH personnel, and Accounts Payable for approvals.

To ensure the consistency of financial information between both entities, project reconciliations are performed, including reconciling the detailed listings of the UCH expenditures for DM and Equipment to the University's records of reimbursement. UCH balances are also reconciled to the bond cash flow report and the Due to Affiliate liability analysis when University financial statements are prepared.

In addition to UCH expenditures to be reimbursed by the University utilizing bond proceeds, expenditures are incurred against certain UCH capital projects utilizing UCH fund sources. Similar to reimbursable expenditures, these transactions are completed in accordance with UCH policies and procedures. To ensure proper reconciliation, UCH Finance will provide periodic reporting and appropriate back-up documentation to PA in Storrs to track these expenditures against the UCH portion of the approved project budget.

### **Project Financial Closeout**

Financial closeout of a project is performed by PA after being notified by UPDC/FO/ITS/CPDC that construction is complete and final payments have been made. The timing of financial closeout varies due to final change order negotiation, delayed invoicing or warranty issues. For FO managed projects (non-bond funded) that are under the capitalization threshold, FO will be responsible for financial closeout.

After the project is reconciled and all encumbrances and cost allocations are closed out, the unspent funding may be returned to the source account(s) from which they originated or may be reallocated. If reallocating bond funds to a new named line, an indenture change approved by the BOT is required.

If a project is substantially complete but not ready for financial closeout due to trailing items, UPDC/FO/ITS/CPDC may notify OBP or PA that remaining funds, net of encumbrances and specific estimated allocated contingencies, be removed from the project. The remaining funds may then be re-assigned to another project.

## **MISCELLANEOUS**

### **Project Reporting**

Many reports are prepared having to do with the capital program for internal and external purposes. Some reporting is done in conjunction with UPDC/FO/ITS/CPFP/CPDC. In addition, numerous ad-hoc reports are utilized for internal monitoring and control purposes.

### **Treasury Services**

The Office of Treasury Services (OTS) manages the issuance of bond debt, and invests the proceeds and disbursements of bonds related to the capital program pursuant to the indentures, other financing documents, State law, the U.S. Internal Revenue Service, the Securities and Exchange Commission and other regulatory requirements. OTS is the Indenture Authorized Officer on all bond fund disbursements and directs the required indenture filings with the Office of the State Treasurer and the Trustee Bank. In addition, OTS sells the investments and deposits the proceeds to the dedicated accounts. OTS policies and procedures may be found here: [ots.uconn.edu](https://ots.uconn.edu).

### **Project Audits**

The Office of Audit and Management Advisory Services (AMAS) has the responsibility of facilitating internal and external audits related to the capital program. AMAS periodically conducts internal audits related to capital projects. PA's role is to provide policies and procedures, meet with the auditors as required, and to provide ad hoc reports as needed.

Pursuant to Sec. 13 Section 10a-109z of the Act, the University's BOT is required to select and appoint independent auditors to annually conduct an audit of any project funded by bonds as defined in statute. Such audit shall review invoices, expenditures, cost allocations and other appropriate documentation in order to reconcile project costs and verify conformance with project budgets, cost allocation agreements and applicable contracts. In accordance with this legislation, an independent accounting firm is engaged to do an audit of construction expenditures for projects substantially completed during the previous fiscal year. The projects are bond funded named projects of any amount and bond funded DM projects with a total project budget greater than or equal to \$500,000. An "Agreed Upon Procedures" audit under AICPA attestation standards of the current fiscal year's bond funded expenditures (named, DM and equipment) is also performed by the same independent accounting firm. In addition to the audit requirements under the Act for University General



Obligation Bond funded projects, UConn may elect to perform audits of projects funded with other fund sources. PA's role in audits is to provide coordination with stakeholders, policies and procedures and system training, prepare ad hoc reports as required, and to meet with and assist the auditors as needed.

The State of Connecticut Auditors of Public Accounts have an office at the University and perform many audit functions. PA provides them with various types of information related to capital projects.

### **Construction Management Oversight Committee/Office of Construction Assurance/BGE**

In 2006, UCONN 2000 provisions were amended under Public Act 06-134 to include the creation of the Construction Management Oversight Committee (CMOC) under Section 10a-109bb. CMOC reviews and approves the University policies and procedures under which the UCONN 2000 capital program operates. In September 2015, the Building, Grounds and Environment Committee (BGE) of the BOT assumed the roles and responsibilities of CMOC.

The Office of Construction Assurance, an independent University office reporting directly to the BOT also monitors the UCONN 2000 capital construction program and provides periodic reporting to the BGE committee of the BOT.

### **Enforcement**

Violations of these policies may result in appropriate disciplinary measures in accordance with State and Federal laws and regulations, University Laws and By-Laws, General Rules of Conduct applicable to all University employees, applicable collective bargaining agreements, and the University of Connecticut Student Code.

The University will continue to refine this manual going forward to achieve further efficiencies and maintain compliance with all federal and state regulations. Modifications such as names of processes, departments/units, forms, titles of positions as authorized signors/approvers, and names of systems and/or documents within systems will be implemented as long as they do not substantially change the intent of this manual.

### **Other Related Policies and Procedures**

Other related University policies and procedures may be read in conjunction with this manual and can be found on the websites of the respective departments that have roles and responsibilities in the capital project delivery process. Examples include but are not limited to: University Planning, Design and Construction; UCH Campus Planning, Design and Construction; Facilities Operations; Information Technology Services; Capital Projects and Facilities Procurement; Accounts Payable; Inventory Control/Capitalization; Treasury Services; and General Counsel.