

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs

NUMBER: 03.A.01

AREA: General

SUBJECT: Expenditures and Use of all Funds Administered by the University Of Houston System

1. PURPOSE

The administration of the University of Houston System, being mindful of its responsibilities to manage funds from all sources which are entrusted to it for carrying out its programs and activities, deems it advisable to promulgate written guidelines and procedures for the prudent expenditure of those funds. Such guidelines and procedures will assist the System in meeting its obligations of public accountability and responsibility to the State of Texas and to other constituencies which have made those funds available.

2. APPLICABILITY AND DELEGATION

2.1. The guidelines and procedures are applicable to all funds administered by the System. The various component universities may issue additional operational guidelines to accommodate differences in organizational structures. The operational statements must be consistent with the general principles contained in this document but may also provide for further restrictions appropriate to university circumstances. Copies of these documents must be furnished to the Office of the Senior Executive Vice Chancellor/Vice President for Administration and Finance.

2.2. All System expenditures shall be consistent with applicable state and federal laws and regulations; with any restrictions, rules or regulations placed on the use of the funds by donors and granting or contracting agencies; and with prudent management practices. In addition, all expenditures must be reasonable and necessary for carrying out the programs and activities of the System, and shall be documented in a way which clearly substantiates such reasonableness and necessity.

2.3. The state's prompt pay law requires most vendor payments paid with ~~state-state-~~ appropriated funds that exceed \$5,000 to be sent by the 30th calendar day after the latest of the following:

- a. The day the component university received the goods;
- b. The day the vendor completed performing its services; or

- c. The day the component university received a correct ~~the~~ invoice for the goods and services.
- 2.4. If the component university does not mail or electronically transmit a payment to a vendor or the vendor's financial institution by the applicable due date, then the component university is liable to the vendor for interest in compliance with the following provision:
- a. Beginning on the day after the payment is due, interest accrues on the unpaid balance at the rate specified by the State Comptroller's Office. The interest ceases to accrue on the date the component university mails or electronically transmits the payment to the vendor or the vendor's financial institution.
 - b. When payment is made with state-appropriated funds, late interest accrued of \$0.01 or more must be paid. When payment is made with local funds, late interest accrued of \$5.01 or more must be paid.
 - c. Vouchers created with fund 5 cost centers (sponsored grants and contracts) will not pay interest, since fund 5 cost centers do not permit late payment interest.
- 2.5. Presidents are authorized to delegate to their Chief Financial Officers (CFO) the implementation of these guidelines. Within the system administration, this implementation shall be the responsibility of the ~~Executive-Senior~~ Vice Chancellor for Administration and Finance.
- 2.6. Transaction approval authority - The CFO of each component university shall define a procedure for establishing transaction approval authority on all funds. Copies of the established procedures must be furnished to the Office of the Senior ~~Executive~~ Vice Chancellor/Vice President for Administration and Finance or their Designee.

3. DEFINITIONS

Wherever used in this document, the terms listed below will be defined as follows:

- 3.1. University of Houston System Funds: All funds from whatever source available for expenditure by the System.
- 3.2. State-Appropriated Funds: All funds included in the biennial legislative appropriation bill passed by the Texas Legislature.
- 3.3. Non-State Appropriated Funds: All funds available to the System, except those in Section 3.2 above.

4. DOCUMENTATION STANDARDS

- 4.1. Requests for expenditures against all funds of the System shall be fully documented in accordance with these guidelines prior to authorization for payment. Specific documentation requirements for travel and component university business entertainment are contained in other administrative memoranda and, therefore, are not addressed in this section.
- 4.2. Before expenditures are incurred against any System funds, there must be evidence that purchasing guidelines have been adhered to, thereby ensuring that a valid commitment of the System funds has been made. Obligations incurred by any employee of the System contrary to these purchasing guidelines become personal obligations of the employee and not of the System.
- 4.3. Every expenditure request must be approved by the appropriate authority for the cost center against which that expenditure is requested. Requests for expenditures not meeting the documentation standards and other guidelines contained in this document must be rejected, and the reason for such rejection shall be clearly stated. Unless the problem is resolved by the requesting authority, the payment will not be approved.
- 4.4. Normally, payment for purchases of materials and services require the following supporting documents:
 - a. An original invoice from the vendor;
 - b. For components with centralized receiving, a receiving report approved by the individual actually receiving the material and/or the individual authorized to inspect material and certify receipt of materials (all components will indicate the goods received or services completed date in the Goods Receipt Date field on the voucher);
 - c. A copy of the purchase order or other document which authorized the commitment of funds and shipment of the materials, except for spot purchases which do not require a purchase order; and
 - d. Any other pertinent documents.
- 4.5. Petty cash purchases should be in compliance with [SAM 03.A.07 - Petty Cash Procedures](#).
- 4.6. Payments for previously approved contractual commitments shall be made against properly detailed invoices or progress payment requests, the terms to be consistent with the terms of the contract. All contracts shall be reviewed and executed in accordance with the [SAM 03.A.05 - Contract Administration](#).

5. RESTRICTIONS ON EXPENDITURES AND TRANSACTIONS

- 5.1. The State of Texas General Appropriations Act forbids the System from using state appropriated funds for various types of expenditures. A list of expenditure restrictions with ~~state-state~~-appropriated funds may be found in the following locations:

General Appropriations Act (specifies state funds appropriated each biennium and restrictions on those funds): <http://www.lbb.state.tx.us/>

Texas Comptroller's eXpendit (summarizes non-travel expenditure rules):

<https://fm.xcpa.state.tx.us/fm/pubs/purchase/index.php>

Texas Comptroller's Textravel (summarizes travel expenditure rules):

<https://fm.xcpa.state.tx.us/fm/travel/textravel/index.php>

- 5.2. Funds from the Higher Education Assistance Fund (HEAF) may only be used for the purpose of:
- a. Acquiring land with or without permanent improvements,
 - b. Constructing and equipping buildings and other permanent improvements,
 - c. Major repair or rehabilitation of buildings or other permanent improvements,
 - d. Acquisition of capital equipment, library books and library equipment, or
 - e. Payment of debt service for bonds issued under Article VII, Section 17 of the Texas Constitution to finance any of the above with the exception of "d.", or to refund bonds or notes issued under Article VII, Section 17 of the Texas Constitution or prior law. HEAF funds may not be used to finance student housing, intercollegiate athletics, auxiliary enterprises or advanced payment for any purpose.
 - f. [Payment of debt service for construction, major repair or rehabilitation, or other permanent improvements where the direct costs are eligible for use of HEAF funds.](#)

See the Texas Constitution, Article 7, Section 17, for HEAF restrictions:

<http://www.statutes.legis.state.tx.us/>

- [5.3. Each College/Division/School within all campuses must develop internal guidelines on required approvals for high dollar transactions of any type within their operating unit.](#)

- a. The approvals must be at the highest administrative level of that College/Division/School (i.e., Dean, Assistant/Associate Vice President, Assistant/Associate Provost, etc).
- b. The threshold and format of approval is to be defined by the College/Division/School based on materiality for the size and scope of their budget.
- c. The College/Division/School will maintain documentation of the approvals for the current fiscal year plus three prior years.

5.4. Each component University's Division of Finance will develop processes to annually review transactions subject to the review requirement, and review on a sample basis, transactions over an institutional threshold and request documentation of approvals from Colleges/Divisions/Schools.

6. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Associate Vice Chancellor for Finance

Review: Every three years on or before August 31

7. APPROVAL

Approved: Carl P. Carlucci
~~Executive-Senior~~ Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: April 9, 2015

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	09/04/1990	Initial version
2	06/15/1992	Removed “without exception” from Section 2.1. Removed restricted and designated accounts from Section 2.4. Added reference to SAM 03.A.03 to Section 4.1. Added to definition of supporting documents in Section 4.4.b. Added Section 4.5 on petty cash purchases. Added reference to SAM 03.A.05 to Section 4.6. Added all applicable references to the State of Texas Appropriations Act to Section 5.1; added purchase of aircraft, food or beverages for employees and visitors, mobile telephones, honorariums, definition of audit fees, and operations of athletic department and auxiliary enterprise to Section 5.1. Revised Sections 5.2 and 5.3 to emphasize HEAF fund guidelines. Added HEAF to Section 8, Indexing Terms
3	10/21/1998	Added Section 2.3 on State’s prompt pay law. Added Section 2.4 on applicable due dates and liability to the vendor. Updated applicable references to the State of Texas Appropriations Act to Section 5.1. Added guidelines for HEAF funding to Section 5.2
4	12/10/2003	Applied revised SAM template to meet current documentation standards. Removed “University of Houston” from “System” in text. Added Section 2.4 b on state-appropriate fund guidelines on paying late interest. Inserted “transaction approvers” for “signatories” in text. Redefined Section 5.1.e on honorariums. Added information on payment of debt services for bonds to Section 5.2.e. Changed responsible party from VC for Administration and Finance to AVC for Finance. Changed review period from odd numbered years by August 31 st to every three years by August 31 st . Added Vice Chancellor for Administration and Finance to approval process
5	12/13/2010	Applied revised SAM template to meet current documentation standards. Changed Section 2 from Applicable and Delegation to Policy. Changed the title to Executive Vice Chancellor for Administration and Finance throughout text. Removed requirement for an up-to-date list of authorized transaction approvers from Section 4.3. Removed Section 4.4b and 4.4.c for supporting documentation. Removed requirement for contract original to be on file in appropriate department from Section 4.6. Revised Section 5.1, supplying new reference of expenditure restrictions. Removed Section 5.3

Revision Number	Approval Date	Description of Changes
6	04/09/2015	Added new Revision Log. Removed Section 8, Indexing Terms. No additional changes were required per the Subject Matter Expert (SME)
<u>7</u>	<u>TBD</u>	<u>Corrected hyperlinks and titles as indicated. Changed title of document to “Expenditures and Use of all Funds Administered by the University of Houston System.” Revised Section 2.3.c for “correct” invoice for goods and services. Changed title of Section 5 to “Restrictions on Expenditures and Transactions.” Added Section 5.2.f on payment of debt service for construction, major repair or rehabilitation with direct costs of HEAF funds as eligible. Added Section 5.3 on all campuses developing internal guidelines for approvals for high dollar transactions. Added Section 5.4 on each component Division of Finance developing processes for annual review of transactions and request approvals from college/division/school</u>