

Capital Projects Policies and Procedures Manual

Finance

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UConn
UNIVERSITY OF CONNECTICUT

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BACKGROUND

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 UCONN 2000 State General Obligation bonds, plus other 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.

PURPOSE

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 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 Finance & Chief Financial Officer has oversight of these policies and procedures. University Planning, Design & Construction (UPDC), Facilities Operations and Building Services (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 must 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:

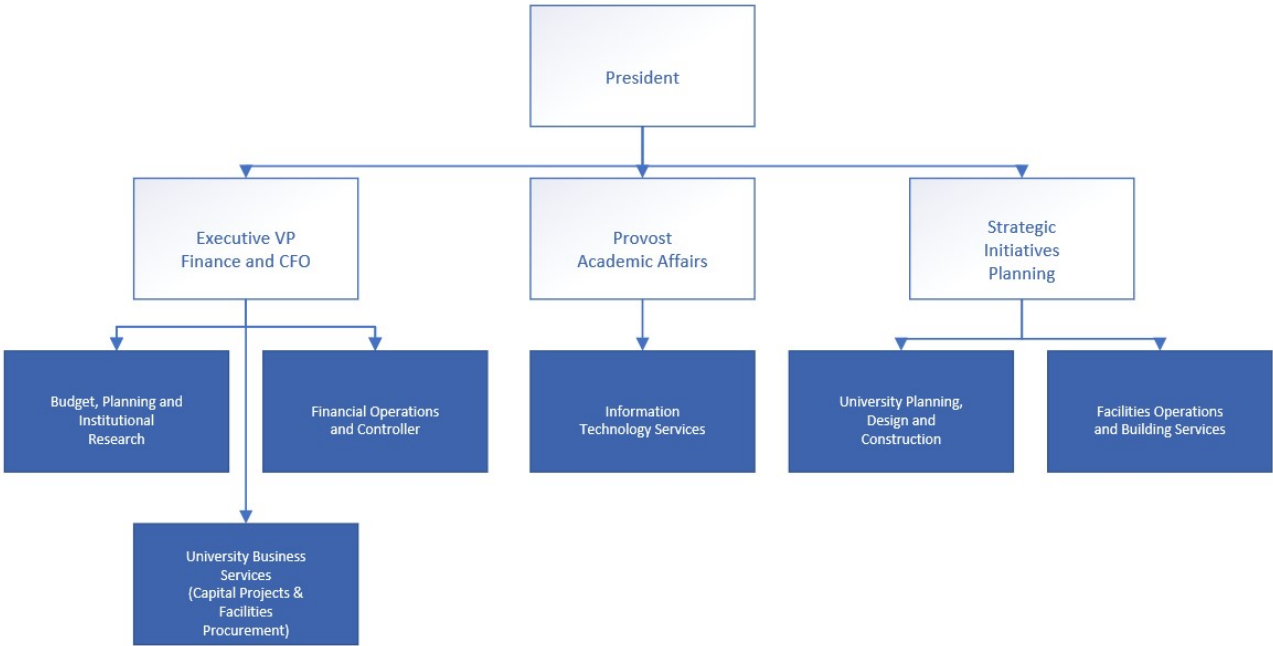


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Abbreviations Defined

AMAS: Audit and Management Advisory Services
AS-NTP: Additional Services-Notice to Proceed
BGE: Buildings, Grounds & Environment
BOT: Board of Trustees
BPIR: Budget, Planning and Institutional Research
CAR: Contract Approval Request
CCD: Construction Change Directive
CIP: Capital Improvement Plan
CMOC: Construction Management Oversight Committee
CO: Change Order
CPFP: Capital Projects & Facilities Procurement
CPDC: Campus Planning, Design & Construction at UConn Health
DM: Deferred Maintenance/Code Compliance/ADA Compliance/Infrastructure Improvements & Renovation Lump Sum and Utility, Administrative and Support Facilities
EVPCFO: Executive Vice President for Finance & Chief Financial Officer
FFE: Furniture, Fixtures & Equipment
FO: Facilities Operations and Building Services (includes Academic Renovations)
ITS: Information Technology Services
MOU: Memorandum of Understanding
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 EVPFCFO. 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.

To manage all capital fund sources in a strategic and transparent manner, the annual capital budget is established by the Office of Budget, Planning and Institutional Research (BPIR) 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 UCONN 2000 GO bond funded capital projects and equipment at UConn Health are included in this annual capital budget. UCH projects and equipment 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, the University will 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 will 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 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 will 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 must 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 significant projects that 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 to install the equipment. Capital projects increase the capacity, life, or operating efficiency of the asset. The Office of Financial Operations and Controller sets the University's capitalization threshold for recording fixed assets and such threshold can change depending on various factors. The capitalization policy and current threshold can be found at 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 they meet the capitalization requirements.

A capital project should not be created 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 can be found on their website uconncontracts.uconn.edu.

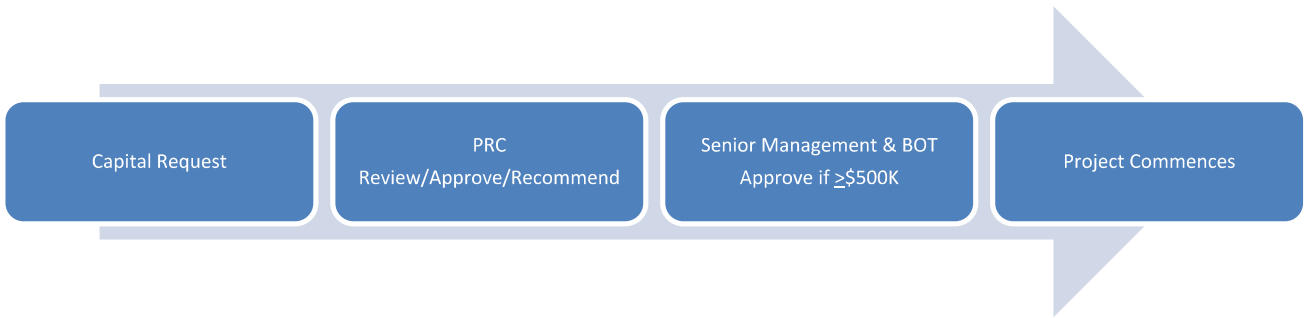
Project Initiation/Budget Approval

It is important to recognize that project type and complexity can 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 take place in accordance with UCH policies and procedures.

For the Storrs & Regional Campuses, capital projects can be initiated by departments through a Project Request form. Project requests are reviewed and assigned to UPDC or FO. A MOU will be developed by UPDC/FO 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. A senior management group and the BOT approve projects greater than or equal to \$500,000. All projects that meet the capitalization threshold set by the Office of Financial Operations and 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 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 will 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 (or BGE designee) 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, to review and approve project MOUs prior to submission to the BOT. This group also reviews MOUs that have been approved by PRC up to \$500,000 for informational purposes. Once a project is approved, 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 EVPFCFO to approve budget changes of up to 5% if 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 EVPFCFO or his/her designee. Project budgets must include all known fund sources and project-related costs including Furniture, Fixtures and Equipment (FFE). If additional FFE is 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) can 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 EVPFCFO and Provost & Executive Vice President for Academic Affairs. As noted below at each phase, project budgets must 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 is 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 will 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 will 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, BPIR is responsible for assigning the appropriate funding. Use of the exigent procurement process shall be limited and must be pre-approved by the EVPFCFO. See CFP 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 assigning a project number, setting up project details and for submitting MOUs for approval in the project tracking system workflow. BPIR 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. BPIR 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 initiatives such as large system implementations and/or other major ITS infrastructure upgrades with budgets greater than or equal to \$500,000 require BOT approval. BPIR 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. ITS or PA is responsible for setting up new accounts in the financial system and funding the accounts, depending on the funding source. ITS is the designated Fiscal Officer on initiatives funded with Equipment, Library Collections & Telecommunications bonds, and PA is the Fiscal Officer on initiatives deemed to be capital projects (see Capital Project Guidelines). 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. BPIR 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 time period. Applicants are either accepted or rejected depending on the calculation of financial statement ratios and review of other qualitative factors in comparison to industry standards. If a project is valued at \$10 million or greater, audited financial statements 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 18 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, the requirements for annual statements vary depending on thresholds and nature of the project, and range from no requirement to reviewed, compiled, or audited statements that are no older than 18 months from the application date.

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 EVPFCFO 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, UBS, and EVPFCFO. For non-bond funded FO projects less than the capitalization threshold amount, PA approval is not required.

Purchase Order (Requisition) Approval

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 that the request is coded correctly for accounting purposes.

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 integrated into the procurement and payment system for additional workflow approvals prior to a PO being issued. For FO and ITS projects PA obtains backup and approvals, then 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) can 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.

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 FO (including Academic Renovations), ITS, and University 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 CPFP. 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 CPFP.

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, 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/CPDC.

Additional Services – Notice to Proceed (AS-NTP)

Similar to the CCD policy, there may be a business need to have additional work performed by an architect, engineer, or other professional service firm where time is of the essence to maintain the project schedule. If a change in the scope of services provided by a professional service firm is required and an immediate directive to begin working is needed to maintain a critical schedule, the University will 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 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/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 CPFP approves PCOs at a specified threshold.

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, CPFP 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 sufficient funding is in place in the project accounts to encumber the change, review the backup for accuracy, and to compare the request against the remaining project budget. PA also provides the accounting codes and prioritizes the use of fund sources within the project budget. POAs from the project tracking system are then integrated into the procurement and payment system where further approvals take place by CPFP and UBS.

For bond funded FO managed projects, POA requests are initiated outside of the project tracking system and are approved by FO, CPFP and PA. Once approved, they are entered into the project tracking system by PA and are integrated in the procurement and payment system where further approvals take place by FO/CPFP and UBS. 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, CPFP 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, CPFP, 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. Limited invoices applicable to the project but not associated with a project related PO, will be paid through a disbursement voucher. Like the vendor invoice payment request, these non-PO payments require approval.

PA ensures invoices are applied to the correct project PO, checks for accuracy, and routes the invoice for further approvals. 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 Office of General Counsel.

Paying an Internal Vendor

Internal vendors can be utilized on capital projects, and such project work needs to be pre-approved. (See **Authorizing the Use of Internal Vendors.**) Work performed and managed by Academic Renovations within FO is an exception to the pre-approval requirement, as the full scope of 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 can allocate the salaries and fringe benefits 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 can 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 BPIR. The departmental allocations of bond funds for this purpose are coordinated by BPIR. 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 BPIR monitor budgets and expenses in these accounts.

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 in any amount, the Associate Controller and Director of Accounting's approval is also required unless the entry is for an error correction.

Reimbursing UCH for Bond Expenditures

Expenditures can 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
- Other reimbursable expenditures on capital 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 the project 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 will notify BPIR or PA that remaining funds, net of encumbrances and specific estimated allocated contingencies, may be removed from the project. The remaining funds can 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 and BPIR. 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 can be found here: 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 Connecticut General Statute Section 10a-109z, 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 an audit shall review invoices, expenditures, cost allocations and other appropriate documentation 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 annually to satisfy the statutory requirement. In addition to the requirements under the Act for University General Obligation Bond funded projects, UConn can 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 established by the BOT, is responsible for reviews of construction performance of the UCONN 2000 capital construction program and provides periodic reporting to the BGE and to the University President.

Enforcement

Violations of these policies can 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.

Other Related Policies and Procedures

Other related University policies and procedures must 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.

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 if they do not substantially change the intent of this manual.