

# VIRGINIA ACTS OF ASSEMBLY -- 2008 SESSION

## CHAPTER 829

*An Act to amend and reenact § 23-38.90 of the Code of Virginia, relating to operational authority for public institutions of higher education in information technology, procurement, and capital projects excluding leases of real property.*

[S 442]

Approved April 11, 2008

**Be it enacted by the General Assembly of Virginia:**

**1. That § 23-38.90 of the Code of Virginia is amended and reenacted as follows:**

§ 23-38.90. Memoranda of understanding.

A. 1. The Governor shall recommend to the General Assembly an operational area or areas in addition to decentralization programs in finance and capital outlay established as of June 30, 2005, under which public institutions of higher education may seek to enter into a memorandum of understanding with the Commonwealth. In submitting "The Budget Bill" for calendar year 2005 pursuant to subsection A of § 2.2-1509, the Governor shall include eligibility criteria for each operational area along with the functional authority that could be granted in each area. In each operational area, the functional authority granted through a memorandum of understanding shall not exceed the level of autonomy permitted under Subchapter 3 (§ 23-38.91 et seq.) of this chapter.

2. Effective July 1, 2006 2008, any public institution of higher education may enter into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, for additional operational authority in any operational area or areas adopted by the General Assembly in accordance with ~~subdivision A~~ law provided that the authority granted in the memorandum of understanding is consistent with that institution's ability to manage its operations in the particular area or areas and provided that the following general criteria are met:

1. The institution has received and maintained Council certification pursuant to § 23-9.6:1.01 for the most recent year that the Council has completed certification;

2. An absolute two-thirds or more of the institution's governing body shall have voted in the affirmative for a resolution expressing the sense of the body that the institution is qualified to be, and should be, governed by memoranda of understanding as provided in this chapter; and

3. The institution must adopt at least one new education-related measure for each area of operational authority for which a memorandum of understanding is requested. Each education-related measure and its respective target shall be developed in consultation with the Secretary of Finance, Secretary of Education, the appropriate Cabinet Secretary, and the Council. Each education-related measure and its respective target must be approved by the Council and shall become part of the certification required by § 23-9.6:1.01.

B. Within 15 days of receipt of a request from a public institution of higher education to enter into a memorandum of understanding pursuant to ~~subsection A~~ as provided herein, the Cabinet Secretary or Secretaries receiving that request shall notify the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance of the request. The Cabinet Secretary or Secretaries shall determine within 90 calendar days whether or not to enter into the requested memorandum of understanding, or some variation thereof. If the determination is to enter into a memorandum of understanding with the institution, the Cabinet Secretary or Secretaries shall forward a copy of the governing body's resolution and a copy of the memorandum of understanding to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance. Each initial memorandum of understanding shall remain in effect for a period of three years. Subsequent memoranda of understanding shall remain in effect for a period of five years. If the determination is not to enter into a memorandum of understanding with the institution, the Cabinet Secretary or Secretaries shall notify the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance of the reasons for denying the institution's request. If an institution's request is denied, nothing in this ~~subsection~~ section shall prohibit the institution from submitting a future request to enter into a memorandum of understanding pursuant to ~~subsection A~~ of this section.

2. § 1.0. Pursuant to § 23-38.90 any public institution of higher education in Virginia may be granted additional operational authority in a minimum of two, but not all three of the following functional areas: information technology, as provided in § 2.0 of this Act; procurement, as provided in § 3.0 of this Act; and capital projects excluding leases of real property, as provided in § 4.0 of this Act. For each functional area of additional operational authority selected by the public institution as permitted under this Act, such institution shall be required to enter into a separate and distinct memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, in order to exercise any such operational authority. As an example, if a public institution of higher

*education selects information technology and procurement, it shall be required to enter into one memorandum of understanding covering information technology and a separate and distinct memorandum of understanding covering procurement, as a condition of exercising any such additional operational authority in each functional area.*

*§ 2.0. The following provides the Policy for Information Technology:*

#### *I. PREAMBLE.*

*The Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia, provides, inter alia, that "any public institution of higher education may enter into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, for additional operational authority in any operational area or areas adopted by the General Assembly in accordance with law provided that the authority granted in the memorandum of understanding is consistent with that Institution's ability to manage its operations in the particular area or areas." See § 23-38.90 of the Code of Virginia.*

#### *II. DEFINITIONS.*

*As used in this Information Technology Policy, the following terms have the following meanings, unless the context requires otherwise:*

*"Board of Visitors" or "Board" means the governing body of any public institution of higher education in Virginia, including the State Board for Community Colleges.*

*"Enabling legislation" means those chapters, other than Chapter 4.10 (§ 23-38.88 et seq.), of Title 23 of the Code of Virginia, as amended, creating, continuing, or otherwise setting forth the powers, purposes, and missions of the individual public institutions of higher education of the Commonwealth.*

*"Information technology" or "IT" shall have the same meaning as set forth in § 2.2-2006 of the Code of Virginia, as it currently exists and from time to time may be amended.*

*"Major information technology project" or "major IT project" shall have the same meaning as set forth in § 2.2-2006 of the Code of Virginia, as it currently exists and from time to time may be amended.*

*"Policy" means this Information Technology Policy adopted by the Board of Visitors.*

*"President" shall mean the president, superintendent, or chancellor of a public institution of higher education.*

*"Public institution of higher education" or "Institution" means a two-year or four-year public institution of higher education, or the Virginia Community College System, entering into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor.*

*"Restructuring Act" means the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia.*

*"State Chief Information Officer" or "State CIO" means the Chief Information Officer of the Commonwealth of Virginia.*

#### *III. SCOPE OF POLICY.*

*A. This Policy is intended to cover and implement the authority that may be granted to a public institution of higher education pursuant to Subchapter 2 (§ 23-38.90) of the Restructuring Act. This Policy is not intended to affect any other powers and authorities granted to a public institution of higher education pursuant to the Appropriation Act and the Code of Virginia, including other provisions of the Restructuring Act or the Institution's enabling legislation.*

*To be eligible for such additional authority as provided in this section, an institution seeking information technology operational authority shall document in any request for a memorandum of understanding in this functional area, the following criteria:*

*1a. The Institution is a member of the Virginia Association of State Colleges and University Purchasing Professionals (VASCUPP) as of July 1, 2003, and the Institution has implemented at least one of the following major systems in the last decade: a financial system, a human resources system, or a student information system; or*

*1b. The Institution has successfully implemented at least one of the following major systems in the last five years: a financial system, a human resources system, or a student information system;*

*2. The Institution has the Chief Information Officer position reporting to the president or chancellor, or to a position of no more than one level below the president or chancellor;*

*3. The Institution shall develop and the Board shall adopt an information technology strategic plan and information technology policies, standards, and guidelines governing project management, infrastructure architecture, ongoing operations, and security and project auditing as provided in Part IV of this Policy; and*

*4. The Institution has at least one project manager on staff that has successfully attained certification as a Project Management Professional from the Project Management Institute and has completed the Commonwealth Overview training, or has passed the Core and Facilitation processes test.*

*B. This Policy shall govern the Institution's information technology strategic planning, expenditure reporting, budgeting, project management, infrastructure, architecture, ongoing operations, security, and audits conducted within, by, or on behalf of the public institution of higher education. The appropriate Cabinet Secretary or Secretaries, as designated by the Governor, shall receive input from the*

Information Technology Investment Board prior to granting approval of the memorandum of understanding. The Information Technology Investment Board shall have 21 calendar days to comment, upon receipt of the request from the Governor's designee. Upon the effective date of any memorandum of understanding entered into with the appropriate Cabinet Secretary or Cabinet Secretaries, as designated by the Governor, the Institution shall be exempt from those provisions of the Code of Virginia, including those provisions of Chapter 20.1 (§ 2.2-2005 et seq.) (Virginia Information Technologies Agency) and of Article 20 (§ 2.2-2457 et seq.) (Information Technology Investment Board) of Chapter 24 of Title 2.2 of the Code of Virginia, that otherwise would govern the Institution's information technology strategic planning, expenditure reporting, budgeting, project management, infrastructure, architecture, ongoing operations, security, and audits conducted within, by, or on behalf of the Institution; provided however, that the Institution still shall be subject to those provisions of Chapter 20.1 (§ 2.2-2005 et seq.) (Virginia Information Technologies Agency) and of Article 20 (§ 2.2-2457 et seq.) (Information Technology Investment Board) of Chapter 24 of Title 2.2 of the Code of Virginia that are applicable to public institutions of higher education of the Commonwealth and that do not govern information technology strategic planning, expenditure reporting, budgeting, project management, infrastructure, architecture, ongoing operations, security, and audits within, by, or on behalf of the Institution.

C. Specifically with regard to the procurement of information technology and telecommunications goods and services, including automated data processing hardware and software, the Institution shall be exempt from the oversight of the Virginia Information Technologies Agency, Chapter 20.1 (§ 2.2-2005 et seq.) of Title 2.2 of the Code of Virginia, and the Information Technology Investment Board, Article 20 (§ 2.2-2457 et seq.) of Chapter 24 of Title 2.2 of the Code of Virginia. The Institution may elect to have all such procurements be governed by either (i) the Virginia Public Procurement Act (§ 2.2-4300 et seq.) of the Code of Virginia or (ii) the Rules Governing Procurement of Goods, Services, Insurance, and Construction that are incorporated in § 3.0 of this Act and that pertain to the procurement of information technology and telecommunications goods and services, including automated data processing hardware and software.

#### IV. GENERAL PROVISIONS.

##### A. Board of Visitors Accountability and Delegation of Authority.

The Board of Visitors of a public institution of higher education shall at all times be fully and ultimately accountable for the proper fulfillment of the duties and responsibilities set forth in, and for the appropriate implementation of, this Policy. Consistent with this full and ultimate accountability, however, the Board may, pursuant to its legally permissible procedures, specifically delegate either herein or by separate Board resolution the duties and responsibilities set forth in this Policy to a person or persons within the Institution, who, while continuing to be fully accountable for such duties and responsibilities, may further delegate the implementation of those duties and responsibilities pursuant to the Institution's usual delegation policies and procedures.

##### B. Strategic Planning.

The President of the Institution, acting through the appropriate designee, shall be responsible for overall IT strategic planning at the Institution, which shall be linked to and in support of the Institution's overall strategic plan. At least 45 days prior to each fiscal year, the President, acting through the appropriate designee, shall make available the Institution's IT strategic plan covering the next fiscal year to the State CIO for his review and comment with regard to the consistency of the Institution's plan with the intent of the currently published overall five-year IT strategic plan for the Commonwealth developed by the State CIO pursuant to § 2.2-2007 of the Code of Virginia and into which the Institution's plan is to be incorporated.

##### C. Expenditure Reporting and Budgeting.

The President of the Institution, acting through the appropriate designee, shall approve and be responsible for overall IT budgeting and investments at the Institution. The Institution's IT budget and investments shall be linked to and in support of the Institution's IT strategic plan, and shall be consistent with general institution policies, the Board-approved annual operating budget, and other Board approvals for certain procurements. By October 1 of each year, the President, acting through the appropriate designee, shall make available to the State CIO and the Information Technology Investment Board a report on the previous fiscal year's IT expenditures. The Institution shall be specifically exempt from: (i) subdivision A 4 of § 2.2-2007 of the Code of Virginia (review by the State CIO of IT budget requests), as it currently exists and from time to time may be amended; (ii) §§ 2.2-2022, 2.2-2023, and 2.2-2024 of the Code of Virginia (Virginia Technology Infrastructure Fund), as they currently exist and from time to time may be amended; and (iii) any other substantially similar provision of the Code of Virginia governing IT expenditure reporting and budgeting, as it currently exists and from time to time may be amended.

##### D. Project Management.

The Board shall adopt the project management policies, standards, and guidelines developed by the Commonwealth or those based upon industry best practices for project management as defined by leading IT consulting firms, leading software development firms, or a nationally-recognized project

management association, appropriately tailored to the specific circumstances of the Institution. Copies of the Board's policies, standards, and guidelines shall be made available to the Information Technology Investment Board.

The President, acting through the appropriate designee, shall oversee the management of all of the Institution's IT projects. IT projects may include, but are not limited to, upgrades to network infrastructure, provision of technology to support research, database development, implementation of new applications, and development of IT services for students, faculty, staff, and patients. Day-to-day management of projects shall be the responsibility of appointed project directors and shall be in accord with the project management policies, standards, and guidelines adopted by the Board, as amended and revised from time to time.

On a quarterly basis, the President, acting through the appropriate designee, shall report to the Information Technology Investment Board on the budget, schedule, and overall status of the Institution's major IT projects. This requirement shall not apply to research projects, research initiatives, or instructional programs.

The President, acting through the appropriate designee, shall be responsible for decisions to substantially alter a project's scope, budget, or schedule after initial approval.

The Institution shall be specifically exempt from:

§ 2.2-2008 of Title 2.2 of the Code of Virginia (additional duties of the State CIO relating to project management) as it currently exists and from time to time may be amended;

§§ 2.2-2016 through 2.2-2021 of Title 2.2 of the Code of Virginia (Division of Project Management) as they currently exist and from time to time may be amended; and

Any other substantially similar provision of the Code of Virginia governing IT project management, as it currently exists or from time to time may be amended.

The State CIO and the Information Technology Investment Board shall continue to have the authority regarding project suspension and termination as provided in § 2.2-2015 and in subdivision 3 of § 2.2-2458, respectively and the State CIO and the Information Technology Investment Board shall continue to provide the Institution with reasonable notice of, and a reasonable opportunity to correct, any identified problems before a project is terminated.

Projects in excess of \$2 million shall be reviewed by the State CIO and the Information Technology Investment Board. The State CIO and the Information Technology Investment Board shall, within 30 days of receipt of a request for review and the relevant information describing a project from the Institution, provide a non-binding recommendation on that project to the Institution, the Governor, and the General Assembly.

*E. Infrastructure, Architecture, Ongoing Operations, and Security.*

The Board shall adopt the policies, standards, and guidelines related to IT infrastructure, architecture, ongoing operations, and security developed by the Commonwealth or those of nationally-recognized associations, appropriately tailored to the specific circumstances of the Institution. Copies of the policies shall be made available to the Information Technology Investment Board.

The President, acting through the appropriate designee, shall be responsible for implementing such policies, standards, and guidelines adopted by the Board, as amended and revised from time to time. For purposes of implementing this Policy, the President shall appoint an existing employee of the Institution to serve as a liaison between the Institution and the State CIO.

*F. Audits.*

The Board shall adopt the policies, standards, and guidelines developed by the Commonwealth or those based upon industry best practices for project auditing as defined by leading IT experts, including consulting firms, or a nationally recognized project auditing association, appropriately tailored to the specific circumstances of the Institution, which provide for the Independent Validation and Verification (IV&V) of the Institution's major IT projects. Copies of the policies, standards, and guidelines, as amended and revised from time to time, shall be made available to the Information Technology Investment Board.

Audits of IT strategic planning, expenditure reporting, budgeting, project management, infrastructure, architecture, ongoing operations, and security, shall also be the responsibility of the Institution's Internal Audit Department and the Auditor of Public Accounts.

§ 3.0. The following provides the Policy for Procurement of Goods, Services, Insurance, and Construction and the Disposition of Surplus Materials:

*I. PREAMBLE.*

A. The Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia, provides, inter alia, that "any public institution of higher education may enter into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, for additional operational authority in any operational area or areas adopted by the General Assembly in accordance with law provided that the authority granted in the memorandum of understanding is consistent with the Institution's ability to manage its operations in the particular area or areas." See § 23-38.90 of the Code of Virginia.

B. This Policy is intended to cover the authority that may be granted to a public institution of higher

education pursuant to Subchapter 2 (§ 23-38.90) of the Restructuring Act. Any other powers and authorities granted to a public institution of higher education pursuant to any other sections of the Code of Virginia, including other provisions of the Restructuring Act, the Appropriation Act, and the Institution's enabling legislation are not affected by this policy.

## II. DEFINITIONS.

As used in this Policy, the following terms shall have the following meanings, unless the context requires otherwise:

"Board of Visitors" or "Board" means the governing body of any public institution of higher education in Virginia, including the State Board for Community Colleges.

"Effective date" means the effective date of the memorandum of understanding.

"Enabling legislation" means those chapters, other than Chapter 4.10 (§ 23-38.88 et seq.), of Title 23 of the Code of Virginia, as amended, creating, continuing, or otherwise setting forth the powers, purposes, and missions of the individual public institutions of higher education of the Commonwealth.

"Goods" means all material, equipment, supplies, and printing, including information technology and telecommunications goods such as automated data processing hardware and software.

"Memorandum of Understanding" means the agreement entered into by a public institution of higher education with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, for additional operational authority in an operational area.

"President" shall mean the president, superintendent, or chancellor of a public institution of higher education.

"Public institution of higher education" or "Institution" means a two-year or four-year public institution of higher education, or the Virginia Community College System, entering into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor.

"Restructuring Act" means the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia.

"Rules" means the "Rules Governing Procurement of Goods, Services, Insurance, and Construction" attached to this Policy as Attachment 1.

"Services" means any work performed by an independent contractor wherein the service rendered does not consist primarily of acquisition of equipment or materials, or the rental of equipment, materials and supplies, and shall include both professional services, which include the practice of accounting, actuarial services, architecture, land surveying, landscape architecture, law, dentistry, medicine, optometry, and pharmacy, and professional engineering, and nonprofessional services, which include any service not specifically identified as professional services.

"Surplus materials" means personal property including, but not limited to, materials, supplies, equipment and recyclable items, that are determined to be surplus by the Institution.

## III. BOARD OF VISITORS ACCOUNTABILITY AND DELEGATION OF AUTHORITY.

The Board of Visitors of a public institution of higher education shall at all times be fully and ultimately accountable for the proper fulfillment of the duties and responsibilities set forth in, and for the appropriate implementation of, this Policy. Consistent with this full and ultimate accountability, however, the Board may, pursuant to its legally permissible procedures, specifically delegate either herein or by separate Board resolution the duties and responsibilities set forth in this Policy to a person or persons within the Institution, who while continuing to be fully accountable for such duties and responsibilities, may further delegate the implementation of those duties and responsibilities pursuant to the Institution's usual delegation policies and procedures.

The delegation of authority to the Virginia Community College System under this section shall be to the State Board for Community Colleges, based on qualifications and performance of System Office staff. The State Board for Community Colleges shall be responsible for approving any subsequent delegation of authority to community college presidents as long as such community college meets the eligibility criteria set forth in this section and based on a set of performance criteria established by the State Board for Community Colleges and included in the memorandum of understanding for approval by the appropriate Cabinet Secretary or Secretaries, as designated by the Governor.

## IV. GENERAL PROVISIONS.

To be eligible for such additional authority provided in this section, an institution seeking procurement operational authority shall document in any request for a memorandum of understanding in this functional area, the following criteria:

1. The Institution has decentralized procurement authority delegated to the institution by the Department of General Services pursuant to Chapter 11 (§ 2.2-1100 et seq.) of Title 2.2 of the Code of Virginia. The Virginia Community College System Office must receive decentralized procurement authority delegated by the Department to be eligible for authority under this section. Once such authority is received, the System Office may grant procurement authority under this section to individual community colleges when such colleges have been granted decentralized procurement authority by the Department pursuant to Chapter 11 (§ 2.2-1100 et seq.) of Title 2.2;

2. The Institution is in full compliance with the requirements of the Virginia Public Procurement Act, Chapter 43 (§ 2.2-4300 et seq.) of Title 2.2;

3. *The Institution shall adopt the Rules Governing Procurement of Goods, Services, Insurance, and Construction to govern the procurement of goods, services, insurance, and construction by the Institution;*

4. *The Institution's Chief Procurement Officer and lead buyer must have and maintain the Virginia Contracting Officer (VCO) certification and other buyers must achieve the VCO certification within two years of Level II authority being approved or within two years of hiring unless exempted by the Department; and*

5. *The Institution's SWAM plan has been adopted by the Board and approved and certified by the Secretary of Administration that the Institution is in compliance.*

*A. Adoption of this Policy and Continued Applicability of Other Board of Visitors' Procurement Policies.*

*This Policy may be adopted by a Board of Visitors to enable a public institution of higher education to develop a procurement system, as well as a surplus materials disposition system for the Institution as a whole. Any Institution procurement system shall integrate or interface with the Commonwealth's electronic procurement system.*

*This Policy shall be effective on the effective date of an Institution's memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor. The implementing policies and procedures adopted by the President, acting through the appropriate designee, to implement this Policy, shall continue to be subject to any other policies adopted by the Board of Visitors affecting procurements at the Institution, including policies regarding the nature and amounts of procurements that may be undertaken without the approval of the Board of Visitors, or of the President, acting through the appropriate designee.*

*B. Scope and Purpose of Institution Procurement Policies.*

*This Policy shall apply to procurements of goods, services, insurance, and construction. It shall be the policy of the Institution that procurements conducted by the Institution result in the purchase of high quality goods and services at reasonable prices, and that the Institution be free, to the maximum extent permitted by law and this Policy, from constraining policies that hinder the ability of the Institution to do business in a competitive environment. This Policy, together with the Rules Governing Procurement of Goods, Services, Insurance, and Construction attached to this Policy as Attachment 1, shall apply to all procurements undertaken by the Institution, regardless of the source of funds.*

*C. Collaboration, Communication, and Cooperation with the Commonwealth.*

*The Institution shall be committed to developing, maintaining, and sustaining collaboration, communication, and cooperation with the Commonwealth regarding the matters addressed in this Policy, particularly with the Offices of the Secretaries of Administration and Technology, the Department of General Services, and the Virginia Information Technologies Agency. Identifying business objectives and goals common to both the Institution and the Commonwealth and the mechanisms by which such objectives and goals may be jointly pursued and achieved are among the desired outcomes of such collaboration, communication, and cooperation.*

*D. Commitment to Statewide Contracts, Electronic Procurement, and SWAM Participation and Use.*

*The Institution shall be committed to maximizing its internal operational efficiencies, economies of scale among institutions of higher education, and the leveraged buying power of the Commonwealth as a whole.*

*Consistent with this commitment, the Institution: (i) may purchase from and participate in all statewide contracts for goods and services, including information technology goods and services, except that the Institution shall purchase from and participate in contracts for communications services and telecommunications facilities entered into by the Virginia Information Technologies Agency pursuant to § 2.2-2011 of the Code of Virginia unless an exception is provided in the Appropriation Act or by other law, and provided that orders not placed through statewide contracts shall be processed directly or by integration or interface through the Commonwealth's electronic procurement system; (ii) shall use directly or by integration or interface the Commonwealth's electronic procurement system and comply with the Department of General Services' Business Plan for the Commonwealth's electronic procurement system; and (iii) shall adopt a small, woman-owned, and minority-owned (SWAM) business program that is consistent with the Commonwealth's SWAM program.*

*E. Implementation.*

*To effect its implementation under the Memorandum of Understanding, and if the Institution remains in continued substantial compliance with the terms and conditions of the Memorandum of Understanding, the Institution's procurement of goods, services, insurance, and construction and the disposition of surplus materials shall be exempt from the Virginia Public Procurement Act, Chapter 43 (§ 2.2-4300 et seq.) of Title 2.2, except § 2.2-4342 and §§ 2.2-4367 through 2.2-4377; the state agency requirements regarding disposition of surplus materials and distribution of proceeds from the sale or recycling of surplus materials in §§ 2.2-1124 and 2.2-1125; the requirement to purchase from the Department for the Blind and Vision Impaired (VIB) (§ 2.2-1117); and any other state statutes, rules, regulations, or requirements relating to the procurement of goods, services, insurance, and construction, including but not limited to Article 3 (§ 2.2-1109 et seq.) of Chapter 11 of Title 2.2, regarding the*

*duties, responsibilities, and authority of the Division of Purchases and Supply of the Virginia Department of General Services, and Article 4 (§ 2.2-1129 et seq.) of Chapter 11 of Title 2.2, regarding the review and the oversight by the Division of Engineering and Buildings of the Virginia Department of General Services of contracts for the construction of the Institution's capital projects and construction-related professional services (§ 2.2-1132).*

#### **V. INSTITUTION PROCUREMENT POLICIES.**

##### **A. General Competitive Principles.**

*In connection with the Institution procurements and the processes leading to award of contracts for goods, services, insurance, and construction, the Institution shall:*

- 1. Seek competition to the maximum practical degree, taking into account the size of the anticipated procurement, the term of the resulting contract and the likely extent of competition;*
- 2. Conduct all procurements in an open, fair, and impartial manner and avoiding any impropriety or the appearance of any impropriety;*
- 3. Make procurement rules clear in advance of any competition;*
- 4. Provide access to the Institution's business to all qualified vendors, firms, and contractors, with no potential bidder or offeror excluded arbitrarily or capriciously, while allowing the flexibility to engage in cooperative procurements and to meet special needs of the Institution;*
- 5. Ensure that specifications for purchases are fairly drawn so as not to favor unduly a particular vendor; and*
- 6. Provide for the free exchange of information between the Institution, vendors, firms, or contractors concerning the goods or services sought and offered while preserving the confidentiality of proprietary information.*

##### **B. Access to Records.**

*Procurement records shall be available to citizens or to interested persons, firms, or corporations in accordance with the provisions of the Virginia Freedom of Information Act, Chapter 37 (§ 2.2-3700 et seq.) of Title 2.2 of the Code of Virginia, except those records exempt from disclosure pursuant to § 2.2-3705.1 (7), § 2.2-3705.1 (12), or § 2.2-3705.4 (4), or other applicable exemptions of the Virginia Freedom of Information Act, and § 2.2-4342 of the Virginia Public Procurement Act.*

##### **C. Cooperative Procurements and Alliances.**

*In circumstances where the Institution determines and documents that statewide contracts for goods and services, including information technology and telecommunications goods and services, do not provide goods and services to the Institution that meet its business goals and objectives, the Institution is authorized to participate in cooperative procurements with other public or private organizations or entities, including other educational institutions, public-private partnerships, public bodies, charitable organizations, health care provider alliances and purchasing organizations, so long as the resulting contracts are procured competitively pursuant to subsections A through J of § 5 of the Rules and the purposes of this Policy will be furthered. In the event the Institution engages in a cooperative contract with a private organization or public-private partnership and the contract was not competitively procured pursuant to subsections A through J of § 5 of the Rules, use of the contract by other state agencies, institutions and public bodies shall be prohibited. Notwithstanding all of the above, use of cooperative contracts shall conform to the business requirements of the Commonwealth's electronic procurement system, including the requirement for payment of applicable fees. By October 1 of each year, the President, acting through the appropriate designee, shall make available to the Secretaries of Administration and Technology, the Joint Legislative Audit and Review Commission, and the Auditor of Public Accounts a list of all cooperative contracts and alliances entered into or used during the prior fiscal year.*

##### **D. Training; Ethics in Contracting.**

*The President, acting through the appropriate designee, shall take all necessary and reasonable steps to ensure that (i) all Institution officials responsible for and engaged in procurements authorized by the Memorandum of Understanding and this Policy are knowledgeable regarding the requirements of the Memorandum of Understanding, this Policy, and the Ethics in Public Contracting provisions of the Virginia Public Procurement Act, Article 6 (§ 2.2-4367 et seq.) of Chapter 43 of Title 2.2 of the Code of Virginia, (ii) only officials authorized by this Policy and any procedures adopted by the President, acting through the appropriate designee, to implement this Policy are responsible for and engaged in such procurements, and (iii) compliance with the Memorandum of Understanding and this Policy is achieved.*

*The Institution shall maintain an ongoing program to provide professional development opportunities to its buying staff and to provide methods training to internal staff who are engaged in placing decentralized small purchase transactions.*

##### **E. Ethics and University Procurements.**

*In implementing the authority conferred by this Policy, the personnel administering any procurement shall adhere to the following provisions of the Code of Virginia: the Ethics in Public Contracting provisions of the Virginia Public Procurement Act, Article 6 (§ 2.2-4367 et seq.) of Chapter 43 of Title 2.2 of the Code of Virginia, the State and Local Government Conflict of Interests Act, Chapter 31*



(§ 2.2-3100 *et seq.*) of Title 2.2, and the Virginia Governmental Frauds Act, Article 1.1 (§ 18.2-498.1 *et seq.*) of Chapter 12 of Title 18.2 of the Code of Virginia.

#### **VI. INSTITUTION SURPLUS MATERIALS POLICY AND PROCEDURES.**

The policy and procedures for disposal of surplus materials shall provide for the sale, environmentally-appropriate disposal, or recycling of surplus materials by the Institution and the retention of the resulting proceeds by the Institution.

#### **VII. ADOPTION AND EFFECTIVE DATES OF RULES AND IMPLEMENTING POLICIES AND PROCEDURES.**

A. The President, acting through the appropriate designee, shall adopt one or more comprehensive sets of specific procurement policies and procedures for the Institution, which, in addition to the Rules, implement applicable provisions of law and this Policy. Institution procurements shall be carried out in accordance with this Policy, the Rules, and any implementing policies and procedures adopted by the Institution. The implementing policies and procedures (i) shall include the delegation of procurement authority by the Board to appropriate Institution officials who shall oversee the Institution procurements of goods, services, insurance, and construction, including a grant of authority to such officials to engage in further delegation of authority as the President deems appropriate, and (ii) shall remain consistent with the competitive principles set forth in Part V above.

B. Any implementing policies and procedures adopted pursuant to Part VII A above and the Rules shall become effective on the effective date of the Institution's memorandum of understanding with the Commonwealth, and, as of their effective date, shall be applicable to all procurements undertaken by the Institution on behalf of the Institution for goods, services, insurance, and construction. This Policy, the Rules, and any implementing policies and procedures adopted by an Institution shall not affect existing contracts already in effect prior to the effective date of any memorandum of understanding.

C. The Rules and the Institution's implementing policies and procedures for all Institution procurements of goods, services, insurance, and construction, and the disposition of surplus property shall be substantially consistent with the Commonwealth of Virginia Purchasing Manual for Institutions of Higher Education and Their Vendors in their form as of the effective date of this Policy and as amended or changed in the future, and with the Institution's procedures specific to the Acquisition of Goods and Services. The Rules and the Institution's implementing policies and procedures shall implement a system of competitive negotiation, and competitive sealed bidding when appropriate, for goods, services, including professional services as defined in the Rules, insurance, and construction.

#### **VIII. REQUIREMENTS FOR RULES AND IMPLEMENTING POLICIES AND PROCEDURES.**

##### **A. Protests, Appeals, Debarment.**

The Rules and the Institution's implementing policies and procedures for procurements other than capital outlay shall include a process or processes for an administrative appeal by vendors, firms, or contractors. Protests and appeals may challenge determinations of vendor, firm, or contractor non-responsibility or ineligibility, or the award of contracts, provided that such protests and appeals are filed within the times specified by the Rules. Remedies available shall be limited to reversal of the action challenged or, where a contract already being performed is declared void, compensation for the cost of performance up to the time of such declaration. The Rules and the Institution's implementing policies and procedures also may establish the basis and process for debarment of any vendor, firm, or contractor.

##### **B. Prompt Payment of Contractors and Subcontractors.**

The Rules and the Institution's implementing policies and procedures shall include provisions related to prompt payment of outstanding invoices, which shall include payment of interest on properly-presented invoices outstanding more than seven days beyond the payment date, at a rate no higher than the lowest prime rate charged by any commercial bank as published in the Wall Street Journal. The payment date shall be the later of 30 days from the date of the receipt of goods or invoice, or the date established by the contract. All contracts also shall require prompt payment of subcontractors by the general contractor, upon receipt of payment by the Institution.

##### **C. Types of Procurements.**

The Rules and the Institution's implementing policies and procedures shall implement a system of competitive negotiation for professional services, as defined in the Rules, and shall implement purchasing procedures developed to maximize competition given the size and duration of the contract, and the needs of the Institution. Such policies and procedures may include special provisions for procurements such as emergency procurements, sole source procurements, brand name procurements, small purchases, procurements in which only one qualified vendor responds, and others.

##### **D. Approval and Public Notice of Procurements.**

The Rules and the Institution's implementing policies and procedures shall provide for approval of solicitation documents by an authorized individual and for reasonable public notice of procurements, given the size and nature of the need and the applicability of any Virginia Freedom of Information Act exemption.

##### **E. Administration of Contracts.**

The Rules and the Institution's implementing policies and procedures shall contain provisions related



to the administration of contracts, including contract claims, modifications, extensions, and assignments.

*F. Non-Discrimination.*

The Rules and the Institution's implementing policies and procedures shall provide for a nondiscriminatory procurement process that prohibits discrimination because of race, religion, color, sex, or national origin of the bidder or offeror in the solicitation and award of contracts; and shall include appropriate provisions to effectuate fair and reasonable consideration of women-owned, minority-owned, and small businesses and to promote and encourage a diversity of suppliers.

**ATTACHMENT I**

*Rules Governing Procurement of Goods, Services, Insurance, and Construction  
by a Public Institution of Higher Education of the Commonwealth of Virginia  
Governed by Subchapter 2 of the*

*Restructured Higher Education Financial and Administrative Operations Act,  
Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia*

In accordance with the provisions of the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia, and in particular § 23-38.90 of the Restructuring Act, the governing body of a public institution of higher education of the Commonwealth of Virginia that has entered into a memorandum of understanding with the Commonwealth pursuant to Subchapter 2 of the Restructuring Act must adopt the following Rules Governing Procurement of Goods, Services, Insurance, and Construction to govern the procurement of goods, services, insurance, and construction by the Institution:

*§ 1. Purpose.*

The purpose of these Rules is to enunciate the public policies pertaining to procurement of goods, services, insurance, and construction by the Institution from nongovernmental sources, to include governmental procurement that may or may not result in monetary consideration for either party. These Rules shall apply whether the consideration is monetary or nonmonetary and regardless of whether the Institution, the contractor, or some third party is providing the consideration.

*§ 2. Scope of Procurement Authority.*

Subject to these Rules, and the Institution's continued substantial compliance with the terms and conditions of its memorandum of understanding with the Commonwealth pursuant to § 23-38.90 and the requirements of Chapter 4.10 of the Restructuring Act, the Institution shall have and shall be authorized to have and exercise all of the authority relating to procurement of goods, services, insurance, and construction, including but not limited to capital outlay-related procurement and information technology-related procurement, that Institutions are authorized to exercise pursuant to Subchapter 2 of the Restructuring Act.

*§ 3. Competition is the Priority.*

To the end that the Institution shall obtain high quality goods and services at reasonable cost, that all procurement procedures be conducted in an open, fair and impartial manner with avoidance of any impropriety or appearance of impropriety, that all qualified vendors have access to the Institution's business and that no offeror be arbitrarily or capriciously excluded, it is the intent of the governing body of the Institution that competition be sought to the maximum feasible degree, that procurement procedures involve openness and administrative efficiency, that individual public bodies enjoy broad flexibility in fashioning details of such competition, that the rules governing contract awards be made clear in advance of the competition, that specifications reflect the procurement needs of the purchasing body rather than being drawn to favor a particular vendor, and that the purchaser and vendor freely exchange information concerning what is sought to be procured and what is offered. The Institution may consider best value concepts when procuring goods and nonprofessional services, but not construction or professional services. Professional services will be procured using a qualification-based selection process. The criteria, factors, and basis for consideration of best value and the process for the consideration of best value shall be as stated in the procurement solicitation.

*§ 4. Definitions.*

As used in these Rules:

"Affiliate" means an individual or business that controls, is controlled by, or is under common control with another individual or business. A person controls an entity if the person owns, directly or indirectly, more than 10 percent of the voting securities of the entity. For the purposes of this definition "voting security" means a security that (i) confers upon the holder the right to vote for the election of members of the board of directors or similar governing body of the business or (ii) is convertible into, or entitles the holder to receive, upon its exercise, a security that confers such a right to vote. A general partnership interest shall be deemed to be a voting security.

"Best value," as predetermined in the solicitation, means the overall combination of quality, price, and various elements of required services that in total are optimal relative to the Institution's needs.

"Business" means any type of corporation, partnership, limited liability company, association, or sole proprietorship operated for profit.

"Competitive negotiation" is a method of contractor selection that includes the following elements:

1. Issuance of a written Request for Proposal indicating in general terms that which is sought to be

procured, specifying the factors that will be used in evaluating the proposal and containing or incorporating by reference the other applicable contractual terms and conditions, including any unique capabilities or qualifications that will be required of the contractor.

2. Public notice of the Request for Proposal at least 10 days prior to the date set for receipt of proposals by publication in a newspaper or newspapers of general circulation in the area in which the contract is to be performed so as to provide reasonable notice to the maximum number of offerors that can be reasonably anticipated to submit proposals in response to the particular request. Public notice also shall be published on the Department of General Services' central electronic procurement website and may be published on other appropriate websites. In addition, proposals may be solicited directly from potential contractors.

3. a. Procurement of professional services. The procurement of professional services for capital projects shall be conducted using a qualification-based selection process. The Institution shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. The offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as well as alternative concepts. The Request for Proposal shall not, however, request that offerors furnish estimates of man-hours or cost for services. At the discussion stage, the Institution may discuss nonbinding estimates of total project costs, including, but not limited to, life-cycle costing, and where appropriate, nonbinding estimates of price for services. Proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of discussion, outlined in this subdivision, on the basis of evaluation factors published in the Request for Proposal and all information developed in the selection process to this point, the Institution shall select in the order of preference two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the Institution can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on until such a contract can be negotiated at a fair and reasonable price. Should the Institution determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

A contract for architectural or professional engineering services relating to construction projects may be negotiated by the Institution, for multiple projects provided (i) the projects require similar experience and expertise, and (ii) the nature of the projects is clearly identified in the Request for Proposal. Under such contract, (a) the fair and reasonable prices, as negotiated, shall be used in determining the cost of each project performed, (b) the sum of all projects performed in one contract term shall be as set in the Request for Proposal; and (c) the project fee of any single project shall not exceed the term limit as set in the Request for Proposal. Any unused amounts from any contract term may be carried forward. Competitive negotiations for such contracts may result in awards to more than one offeror provided the Request for Proposal stated the potential for a multi-vendor award.

b. Procurement of other than professional services. Selection shall be made of two or more offerors deemed to be fully qualified and best suited among those submitting proposals, on the basis of the factors involved in the Request for Proposal, including price if so stated in the Request for Proposal. Negotiations shall then be conducted with each of the offerors so selected. Price shall be considered, but need not be the sole determining factor. After negotiations have been conducted with each offeror so selected, the Institution shall select the offeror which, in its opinion, has made the best proposal, and shall award the contract to that offeror. When the terms and conditions of multiple awards are so provided in the Request for Proposal, awards may be made to more than one offeror. Should the Institution determine in writing and in its sole discretion that only one offeror has made the best proposal, a contract may be negotiated and awarded to that offeror.

"Competitive sealed bidding" is a method of contractor selection, other than for professional services, which includes the following elements:

1. Issuance of a written Invitation to Bid containing or incorporating by reference the specifications and contractual terms and conditions applicable to the procurement. Unless the Institution has provided for prequalification of bidders, the Invitation to Bid shall include a statement of any requisite qualifications of potential contractors. When it is impractical to prepare initially a purchase description to support an award based on prices, an Invitation to Bid may be issued requesting the submission of unpriced offers to be followed by an Invitation to Bid limited to those bidders whose offers have been qualified under the criteria set forth in the first solicitation.

2. Public notice of the Invitation to Bid at least 10 days prior to the date set for receipt of bids by publication on the Department of General Services' central electronic procurement website. Public notice also may be published in a newspaper of general circulation or on other appropriate websites, or both. In addition, bids may be solicited directly from potential contractors. Any additional solicitations

shall include businesses selected from a list made available by the Department of Minority Business Enterprise.

3. Public opening and announcement of all bids received.

4. Evaluation of bids based upon the requirements set forth in the invitation, which may include special qualifications of potential contractors, life-cycle costing, value analysis, and any other criteria such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose, which are helpful in determining acceptability.

5. Award to the lowest responsive and responsible bidder. When the terms and conditions of multiple awards are so provided in the Invitation to Bid, awards may be made to more than one bidder.

"Construction" means building, altering, repairing, improving, or demolishing any structure, building or highway, and any draining, dredging, excavation, grading, or similar work upon real property.

"Construction management contract" means a contract in which a party is retained by the owner to coordinate and administer contracts for construction services for the benefit of the owner, and may also include, if provided in the contract, the furnishing of construction services to the owner.

"Design-build contract" means a contract between the Institution and another party in which the party contracting with the Institution agrees to both design and build the structure, roadway or other item specified in the contract.

"Goods" means all material, equipment, supplies, and printing, including information technology and telecommunications goods such as automated data processing hardware and software.

"Informality" means a minor defect or variation of a bid or proposal from the exact requirements of the Invitation to Bid, or the Request for Proposal, which does not affect the price, quality, quantity, or delivery schedule for the goods, services, or construction being procured.

"Institution" means, a public institution of higher education of the Commonwealth that has entered into a memorandum of understanding for procurement with the Commonwealth to be governed by the provisions of Subchapter 2 of the Restructuring Act.

"Nonprofessional services" means any services not specifically identified as professional services in the definition of professional services and includes small construction projects valued not over \$1 million; provided that subdivision 3a of the definition of "competitive negotiation" in this section shall still apply to professional services for such small construction projects.

"Potential bidder or offeror" for the purposes of §§ 50 and 54 of these Rules means a person who, at the time the Institution negotiates and awards or proposes to award a contract, is engaged in the sale or lease of goods, or the sale of services, insurance or construction, of the type to be procured under the contract, and who at such time is eligible and qualified in all respects to perform that contract, and who would have been eligible and qualified to submit a bid or proposal had the contract been procured through competitive sealed bidding or competitive negotiation.

"Professional services" means work performed by an independent contractor within the scope of the practice of accounting, actuarial services, architecture, land surveying, landscape architecture, law, dentistry, medicine, optometry, pharmacy, or professional engineering.

"Public body" means any legislative, executive or judicial body, agency, office, department, authority, post, commission, committee, institution, board, or political subdivision created by law to exercise some sovereign power or to perform some governmental duty, and empowered by law to undertake the activities described in these Rules.

"Public contract" means an agreement between the Institution and a nongovernmental source that is enforceable in a court of law.

"Responsible bidder" or "offeror" means a person who has the capability, in all respects, to perform fully the contract requirements and the moral and business integrity and reliability that will assure good faith performance, and who has been prequalified, if required.

"Responsive bidder" means a person who has submitted a bid that conforms in all material respects to the Invitation to Bid.

"Restructuring Act" means the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia.

"Reverse auctioning" means a procurement method wherein bidders are invited to bid on specified goods or nonprofessional services through real-time electronic bidding, with the award being made to the lowest responsive and responsible bidder. During the bidding process, bidders' prices are revealed and bidders shall have the opportunity to modify their bid prices for the duration of the time period established for bid opening.

"Rules" means these Rules Governing Procurement of Goods, Services, Insurance, and Construction adopted by the governing body of the Institution.

"Services" means any work performed by an independent contractor wherein the service rendered does not consist primarily of acquisition of equipment or materials, or the rental of equipment, materials and supplies.

"Sheltered workshop" means a work-oriented rehabilitative facility with a controlled working environment and individual goals that utilizes work experience and related services for assisting the handicapped person to progress toward normal living and a productive vocational status.

*§ 5. Methods of procurement.*

*A. All public contracts with nongovernmental contractors for the purchase or lease of goods, or for the purchase of services, insurance, or construction, shall be awarded after competitive sealed bidding, or competitive negotiation as provided in this section, unless otherwise authorized by law.*

*B. Professional services shall be procured by competitive negotiation. Qualification-based selection shall be used for design services.*

*C. Goods, services, or insurance may be procured by competitive negotiation.*

*D. Construction may be procured only by competitive sealed bidding, except that competitive negotiation may be used in the following instances upon a determination made in advance by the Institution and set forth in writing that competitive sealed bidding is either not practicable or not fiscally advantageous to the public, which writing shall document the basis for this determination:*

- 1. By the Institution on a fixed price design-build basis or construction management basis under § 7;*
- 2. By the Institution for the construction, alteration, repair, renovation, or demolition of buildings; or*
- 3. By the Institution for the construction of highways and any draining, dredging, excavation, grading, or similar work upon real property.*

*E. Upon a determination in writing that there is only one source practicably available for that which is to be procured, a contract may be negotiated and awarded to that source without competitive sealed bidding or competitive negotiation. The writing shall document the basis for this determination. The Institution shall issue a written notice stating that only one source was determined to be practicably available, and identifying that which is being procured, the contractor selected, and the date on which the contract was or will be awarded. This notice shall be posted in a designated public area, which may be the Department of General Services' website for the Commonwealth's central electronic procurement system, or published in a newspaper of general circulation on the day the Institution awards or announces its decision to award the contract, whichever occurs first. Public notice shall also be published on the Department of General Services' website for the Commonwealth's central electronic procurement system and may be published on other appropriate websites.*

*F. In case of emergency, a contract may be awarded without competitive sealed bidding or competitive negotiation; however, such procurement shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor shall be included in the contract file. The Institution shall issue a written notice stating that the contract is being awarded on an emergency basis, and identifying that which is being procured, the contractor selected, and the date on which the contract was or will be awarded. This notice shall be posted in a designated public area, which may be the Department of General Services' website for the Commonwealth's central electronic procurement system, or published in a newspaper of general circulation on the day the Institution awards or announces its decision to award the contract, whichever occurs first, or as soon thereafter as is practicable. Public notice may also be published on the Department of General Services' website for the Commonwealth's central electronic procurement system and other appropriate websites.*

*G. The Institution may establish purchase procedures, if adopted in writing, not requiring competitive sealed bids or competitive negotiation for single or term contracts for goods and services other than professional services if the aggregate or the sum of all phases is not expected to exceed \$50,000; however, such small purchase procedures shall provide for competition wherever practicable.*

*H. The Institution may establish purchase procedures, if adopted in writing, not requiring competitive negotiation for single or term contracts for professional services if the aggregate or the sum of all phases is not expected to exceed \$50,000; however such small purchase procedures shall provide for competition wherever practicable.*

*I. Upon a determination made in advance by the Institution and set forth in writing that the purchase of goods, products, or commodities from a public auction sale is in the best interests of the public, such items may be purchased at the auction, including online public auctions. The writing shall document the basis for this determination.*

*J. The purchase of goods or nonprofessional services, but not construction or professional services, may be made by reverse auctioning.*

*§ 6. Cooperative procurement.*

*A. In circumstances where the Institution determines and documents that statewide contracts for goods and services, including information technology and telecommunications goods and services, do not provide goods and services to the Institution that meet its business goals and objectives, the Institution is authorized to participate in, sponsor, conduct, or administer a cooperative procurement arrangement on behalf of or in conjunction with public bodies, public or private health or educational institutions, other public or private organizations or entities, including public-private partnerships, charitable organizations, health care provider alliances or purchasing organizations or entities, or with public agencies or institutions or group purchasing organizations of the several states, territories of the United States, or the District of Columbia, for the purpose of combining requirements to effect cost savings or reduce administrative expense in any acquisition of goods and services, other than professional services. The Institution may purchase from any authority, department, agency, institution,*

city, county, town, or other political subdivision of the Commonwealth's contract even if it did not participate in the request for proposal or invitation to bid, if the request for proposal or invitation to bid specified that the procurement was being conducted on behalf of other public bodies. In such instances, deviation from the procurement procedures set forth in these Rules and the administrative policies and procedures established to implement these Rules shall be permitted. Notwithstanding all of the above, use of cooperative contracts shall conform to the business requirements of the Commonwealth's electronic procurement system, including the requirement for payment of applicable fees. Nothing herein shall prohibit the payment by direct or indirect means of any administrative fee that will allow for participation in any such arrangement.

B. In circumstances where statewide contracts for goods and services, including information technology and telecommunications goods and services, do not provide goods and services to meet the Institution's business goals and objectives, and as authorized by the United States Congress and consistent with applicable federal regulations, and provided the terms of the contract permit such purchases:

1. The Institution may purchase goods and nonprofessional services, from a U.S. General Services Administration contract or a contract awarded by any other agency of the U.S. government; and

2. The Institution may purchase telecommunications and information technology goods and nonprofessional services from a U.S. General Services Administration contract or a contract awarded by any other agency of the U.S. government.

§ 7. Design-build or construction management contracts authorized.

A. Notwithstanding any other provisions of law, the Institution may enter into contracts on a fixed price design-build basis or construction management basis in accordance with the provisions of this section.

B. Procurement of construction by the design-build or construction management method shall be a two-step competitive negotiation process. In the first step, offerors shall be requested to submit their qualifications. Based upon the information submitted and any other relevant information which the Commonwealth may obtain, no more than five offerors deemed most suitable for the project shall be selected by the Commonwealth and requested to submit proposals.

§ 8. Modification of the contract.

A. A contract awarded by the Institution may include provisions for modification of the contract during performance, but no fixed-price contract may be increased by more than 25 percent of the amount of the contract or \$50,000, whichever is greater, without the advance written approval of the Institution's president or his designee. In no event may the amount of any contract, without adequate consideration, be increased for any purpose, including, but not limited to, relief of an offeror from the consequences of an error in its bid or offer.

B. The Institution may extend the term of an existing contract for services to allow completion of any work undertaken but not completed during the original term of the contract.

C. Nothing in this section shall prevent the Institution from placing greater restrictions on contract modifications.

§ 9. Discrimination prohibited; participation of small, women- and minority-owned business.

A. In the solicitation or awarding of contracts, the Institution shall not discriminate against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment. Whenever solicitations are made, the Institution shall include businesses selected from a list made available by the Department of Minority Business Enterprise.

B. The Institution shall establish programs consistent with this section to facilitate the participation of small businesses and businesses owned by women and minorities in procurement transactions. The programs established shall be in writing and shall include cooperation with the Department of Minority Business Enterprise, the United States Small Business Administration, and other public or private agencies. The Institution shall submit annual progress reports on minority business procurement to the Department of Minority Business Enterprise.

C. Whenever there exists (i) a rational basis for small business enhancement or (ii) a persuasive analysis that documents a statistically significant disparity between the availability and utilization of women- and minority-owned businesses, the Governor is by law authorized and encouraged to require the Institution to implement appropriate enhancement or remedial measures consistent with prevailing law.

D. In the solicitation or awarding of contracts, the Institution shall not discriminate against a bidder or offeror because the bidder or offeror employs ex-offenders unless it has made a written determination that employing ex-offenders on the specific contract is not in its best interest.

§ 10. Employment discrimination by contractor prohibited; required contract provisions.

The Institution shall include in every contract of more than \$10,000 the following provisions:

1. During the performance of this contract, the contractor agrees as follows:

a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or other basis prohibited by state law relating

to discrimination in employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.

c. Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of this section.

2. The contractor will include the provisions of the foregoing paragraphs a, b, and c in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

**§ 11. Drug-free workplace to be maintained by contractor; required contract provisions.**

The Institution shall include in every contract over \$10,000 the following provisions: During the performance of this contract, the contractor agrees to (i) provide a drug-free workplace for the contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the contractor that the contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

For the purposes of this section, "drug-free workplace" means a site for the performance of work done in connection with a specific contract awarded to a contractor in accordance with these Rules, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession, or use of any controlled substance or marijuana during the performance of the contract.

**§ 12. Use of brand names.**

Unless otherwise provided in the Invitation to Bid, the name of a certain brand, make, or manufacturer shall not restrict bidders to the specific brand, make, or manufacturer named and shall be deemed to convey the general style, type, character, and quality of the article desired. Any article that the Institution in its sole discretion determines to be the equal of that specified, considering quality, workmanship, economy of operation, and suitability for the purpose intended, shall be accepted.

**§ 13. Comments concerning specifications.**

The Institution shall establish procedures whereby comments concerning specifications or other provisions in Invitations to Bid or Requests for Proposal can be received and considered prior to the time set for receipt of bids or proposals or award of the contract.

**§ 14. Prequalification generally; prequalification for construction.**

A. Prospective contractors may be prequalified for particular types of supplies, services, insurance, or construction, and consideration of bids or proposals limited to prequalified contractors. Any prequalification procedure shall be established in writing and sufficiently in advance of its implementation to allow potential contractors a fair opportunity to complete the process.

B. Any prequalification of prospective contractors for construction by the Institution shall be pursuant to a prequalification process for construction projects adopted by the Institution. The process shall be consistent with the provisions of this section.

The application form used in such process shall set forth the criteria upon which the qualifications of prospective contractors will be evaluated. The application form shall request of prospective contractors only such information as is appropriate for an objective evaluation of all prospective contractors pursuant to such criteria. The form shall allow the prospective contractor seeking prequalification to request, by checking the appropriate box, that all information voluntarily submitted by the contractor pursuant to this subsection shall be considered a trade secret or proprietary information subject to the provisions of subsection D of § 34 of these Rules.

In all instances in which the Institution requires prequalification of potential contractors for construction projects, advance notice shall be given of the deadline for the submission of prequalification applications. The deadline for submission shall be sufficiently in advance of the date set for the submission of bids for such construction so as to allow the procedures set forth in this subsection to be accomplished.

At least 30 days prior to the date established for submission of bids or proposals under the procurement of the contract for which the prequalification applies, the Institution shall advise in writing each contractor who submitted an application whether that contractor has been prequalified. In the event that a contractor is denied prequalification, the written notification to the contractor shall state the reasons for the denial of prequalification and the factual basis of such reasons.

A decision by the Institution denying prequalification under the provisions of this subsection shall be final and conclusive unless the contractor appeals the decision as provided in § 54 of these Rules.

C. The Institution may deny prequalification to any contractor only if the Institution finds one of the following:

1. The contractor does not have sufficient financial ability to perform the contract that would result from such procurement. If a bond is required to ensure performance of a contract, evidence that the contractor can acquire a surety bond from a corporation included on the United States Treasury list of acceptable surety corporations in the amount and type required by the Institution shall be sufficient to establish the financial ability of the contractor to perform the contract resulting from such procurement;

2. The contractor does not have appropriate experience to perform the construction project in question;

3. The contractor or any officer, director or owner thereof has had judgments entered against him within the past 10 years for the breach of contracts for governmental or nongovernmental construction, including, but not limited to, design-build or construction management;

4. The contractor has been in substantial noncompliance with the terms and conditions of prior construction contracts with the Institution without good cause. If the Institution has not contracted with a contractor in any prior construction contracts, the Institution may deny prequalification if the contractor has been in substantial noncompliance with the terms and conditions of comparable construction contracts with another public body without good cause.

The Institution may not utilize this provision to deny prequalification unless the facts underlying such substantial noncompliance were documented in writing in the prior construction project file and such information relating thereto given to the contractor at that time, with the opportunity to respond;

5. The contractor or any officer, director, owner, project manager, procurement manager, or chief financial official thereof has been convicted within the past 10 years of a crime related to governmental or nongovernmental construction or contracting, including, but not limited to, a violation of (i) Article 6 (§ 2.2-4367 et seq.) of Chapter 43 of Title 2.2 of the Code of Virginia, (ii) the Virginia Governmental Frauds Act (§ 18.2-498.1 et seq.) of the Code of Virginia, (iii) Chapter 4.2 (§ 59.1-68.6 et seq.) of Title 59.1 of the Code of Virginia, or (iv) any substantially similar law of the United States or another state;

6. The contractor or any officer, director, or owner thereof is currently debarred pursuant to an established debarment procedure from bidding or contracting by any public body, agency of another state or agency of the federal government; and

7. The contractor failed to provide to the Institution in a timely manner any information requested by the Institution relevant to subdivisions 1 through 6 of this subsection.

#### *§ 15. Negotiation with lowest responsible bidder.*

Unless canceled or rejected, a responsive bid from the lowest responsible bidder shall be accepted as submitted, except that if the bid from the lowest responsible bidder exceeds available funds, the Institution may negotiate with the apparent low bidder to obtain a contract price within available funds. However, the negotiation may be undertaken only under conditions and procedures described in writing and approved by the Institution prior to issuance of the Invitation to Bid and summarized therein.

#### *§ 16. Cancellation, rejection of bids; waiver of informalities.*

A. An Invitation to Bid, a Request for Proposal, any other solicitation, or any and all bids or proposals, may be canceled or rejected. The reasons for cancellation or rejection shall be made part of the contract file. The Institution shall not cancel or reject an Invitation to Bid, a Request for Proposal, any other solicitation, bid, or proposal pursuant to this section solely to avoid awarding a contract to a particular responsive and responsible bidder or offeror.

B. The Institution may waive informalities in bids.

#### *§ 17. Exclusion of insurance bids prohibited.*

Notwithstanding any other provision of law, no insurer licensed to transact the business of insurance in the Commonwealth or approved to issue surplus lines insurance in the Commonwealth shall be excluded from presenting an insurance bid proposal to the Institution in response to a request for proposal or an invitation to bid. Nothing in this section shall preclude the Institution from debarring a prospective insurer pursuant to § 18.

#### *§ 18. Debarment.*

Prospective contractors may be debarred from contracting for particular types of supplies, services, insurance, or construction, for specified periods of time. Any debarment procedure shall be established in writing by the Institution. Any debarment procedure may provide for debarment on the basis of a contractor's unsatisfactory performance for the Institution.

#### *§ 19. Purchase programs for recycled goods; Institution responsibilities.*

A. The Institution may implement a purchase program for recycled goods and may coordinate its efforts so as to achieve the goals and objectives set forth in §§ 10.1-1425.6, 10.1-1425.7, and 10.1-1425.8 of the Code of Virginia and §§ 20 and 22 of these Rules.

B. The Department of Environmental Quality, with advice from the Virginia Recycling Markets Development Council, shall advise the Institution concerning the designation of recycled goods.

#### *§ 20. Preference for Virginia products with recycled content and for Virginia firms.*

A. In the case of a tie bid, preference shall be given to goods produced in Virginia, goods or services or construction provided by Virginia persons, firms, or corporations; otherwise the tie shall be



*decided by lot.*

*B. Whenever any bidder is a resident of any other state and such state under its laws allows a resident contractor of that state a preference, a like preference may be allowed by the Institution to the lowest responsive and responsible bidder who is a resident of Virginia.*

*C. Notwithstanding the provisions of subsections A and B, in the case of a tie bid in instances where goods are being offered, and existing price preferences have already been taken into account, preference shall be given to the bidder whose goods contain the greatest amount of recycled content.*

*§ 21. Preference for Virginia coal used in the Institution.*

*In determining the award of any contract for coal to be purchased for use in the Institution with state funds, the Institution shall procure using competitive sealed bidding and shall award to the lowest responsive and responsible bidder offering coal mined in Virginia so long as its bid price is not more than four percent greater than the bid price of the low responsive and responsible bidder offering coal mined elsewhere.*

*§ 22. Preference for recycled paper and paper products used by the Institution.*

*A. In determining the award of any contract for paper and paper products to be purchased for use by the Institution, it shall competitively procure recycled paper and paper products of a quality suitable for the purpose intended, so long as the price is not more than 10 percent greater than the price of the low responsive and responsible bidder or offeror offering a product that does not qualify under subsection B.*

*B. For purposes of this section, recycled paper and paper products means any paper or paper products meeting the EPA Recommended Content Standards as defined in 40 C.F.R. Part 247.*

*§ 23. Withdrawal of bid due to error.*

*A. A bidder for a public construction contract, other than a contract for construction or maintenance of public highways, may withdraw his bid from consideration if the price bid was substantially lower than the other bids due solely to a mistake in the bid, provided the bid was submitted in good faith, and the mistake was a clerical mistake as opposed to a judgment mistake, and was actually due to an unintentional arithmetic error or an unintentional omission of a quantity of work, labor or material made directly in the compilation of a bid, which unintentional arithmetic error or unintentional omission can be clearly shown by objective evidence drawn from inspection of original work papers, documents and materials used in the preparation of the bid sought to be withdrawn.*

*If a bid contains both clerical and judgment mistakes, a bidder may withdraw his bid from consideration if the price bid would have been substantially lower than the other bids due solely to the clerical mistake, that was an unintentional arithmetic error or an unintentional omission of a quantity of work, labor, or material made directly in the compilation of a bid that shall be clearly shown by objective evidence drawn from inspection of original work papers, documents, and materials used in the preparation of the bid sought to be withdrawn.*

*One of the following procedures for withdrawal of a bid shall be selected by the Institution and stated in the advertisement for bids: (i) the bidder shall give notice in writing of his claim of right to withdraw his bid within two business days after the conclusion of the bid opening procedure and shall submit original work papers with such notice; or (ii) the bidder shall submit to the Institution or designated official his original work papers, documents, and materials used in the preparation of the bid within one day after the date fixed for submission of bids. The work papers shall be delivered by the bidder in person or by registered mail at or prior to the time fixed for the opening of bids. In either instance, the work papers, documents, and materials may be considered as trade secrets or proprietary information subject to the conditions of subsection F of § 34 of these Rules. The bids shall be opened one day following the time fixed by the Institution for the submission of bids. Thereafter, the bidder shall have two hours after the opening of bids within which to claim in writing any mistake as defined herein and withdraw his bid. The contract shall not be awarded by the Institution until the two-hour period has elapsed. The mistake shall be proved only from the original work papers, documents, and materials delivered as required herein.*

*B. The Institution may establish procedures for the withdrawal of bids for other than construction contracts.*

*C. No bid shall be withdrawn under this section when the result would be the awarding of the contract on another bid of the same bidder or of another bidder in which the ownership of the withdrawing bidder is more than five percent.*

*D. If a bid is withdrawn in accordance with this section, the lowest remaining bid shall be deemed to be the low bid.*

*E. No bidder who is permitted to withdraw a bid shall, for compensation, supply any material or labor to or perform any subcontract or other work agreement for the person or firm to whom the contract is awarded or otherwise benefit, directly or indirectly, from the performance of the project for which the withdrawn bid was submitted.*

*F. If the Institution denies the withdrawal of a bid under the provisions of this section, it shall notify the bidder in writing stating the reasons for its decision and award the contract to such bidder at the bid price, provided such bidder is a responsible and responsive bidder.*

*§ 24. Contract Pricing Arrangements.*

*A. Public contracts may be awarded on a fixed price or cost reimbursement basis, or on any other basis that is not prohibited by these Rules.*

*B. Except in case of emergency affecting the public health, safety, or welfare, no public contract shall be awarded on the basis of cost plus a percentage of cost.*

*C. A policy or contract of insurance or prepaid coverage having a premium computed on the basis of claims paid or incurred, plus the insurance carrier's administrative costs and retention stated in whole or part as a percentage of such claims, shall not be prohibited by this section.*

*§ 25. Workers' compensation requirements for construction contractors and subcontractors.*

*A. No contractor shall perform any work on a construction project of the Institution unless he (i) has obtained, and continues to maintain for the duration of the work, workers' compensation coverage required pursuant to the provisions of Chapter 8 (§ 65.2-800 et seq.) of Title 65.2 of the Code of Virginia and (ii) provides prior to the award of contract, on a form furnished by the Institution, evidence of such coverage.*

*B. The Department of General Services shall provide the form to the Institution. Failure of the Institution to provide the form prior to the award of contract shall waive the requirements of clause (ii) of subsection A.*

*C. No subcontractor shall perform any work on a construction project of the Institution unless he has obtained, and continues to maintain for the duration of such work, workers' compensation coverage required pursuant to the provisions of Chapter 8 (§ 65.2-800 et seq.) of Title 65.2 of the Code of Virginia.*

*§ 26. Retainage on construction contracts.*

*A. In any contract issued by the Institution for construction that provides for progress payments in installments based upon an estimated percentage of completion, the contractor shall be paid at least 95 percent of the earned sum when payment is due, with no more than five percent being retained to ensure faithful performance of the contract. All amounts withheld may be included in the final payment.*

*B. Any subcontract for a public project that provides for similar progress payments shall be subject to the provisions of this section.*

*§ 27. Public construction contract provisions barring damages for unreasonable delays declared void.*

*A. Any provision contained in any public construction contract of the Institution that purports to waive, release, or extinguish the rights of a contractor to recover costs or damages for unreasonable delay in performing such contract, either on his behalf or on behalf of his subcontractor if and to the extent the delay is caused by acts or omissions of the Institution, its agents or employees and due to causes within their control shall be void and unenforceable as against public policy.*

*B. Subsection A shall not be construed to render void any provision of a public construction contract awarded by the Institution that:*

- 1. Allows the recovery of that portion of delay costs caused by the acts or omissions of the contractor, or its subcontractors, agents or employees;*
- 2. Requires notice of any delay by the party claiming the delay;*
- 3. Provides for liquidated damages for delay; or*
- 4. Provides for arbitration or any other procedure designed to settle contract disputes.*

*C. A contractor making a claim against the Institution for costs or damages due to the alleged delaying of the contractor in the performance of its work under any public construction contract of the Institution shall be liable to the Institution and shall pay it for a percentage of all costs incurred by the Institution in investigating, analyzing, negotiating, litigating, and arbitrating the claim, which percentage shall be equal to the percentage of the contractor's total delay claim that is determined through litigation or arbitration to be false or to have no basis in law or in fact.*

*D. If the Institution denies a contractor's claim for costs or damages due to the alleged delaying of the contractor in the performance of work under any public construction contract for the Institution, it shall be liable to and shall pay such contractor a percentage of all costs incurred by the contractor to investigate, analyze, negotiate, litigate, and arbitrate the claim. The percentage paid by the Institution shall be equal to the percentage of the contractor's total delay claim for which the Institution's denial is determined through litigation or arbitration to have been made in bad faith.*

*§ 28. Bid bonds.*

*A. Except in cases of emergency, all bids or proposals for construction contracts in excess of \$1 million shall be accompanied by a bid bond from a surety company selected by the bidder that is authorized to do business in Virginia, as a guarantee that if the contract is awarded to the bidder, he will enter into the contract for the work mentioned in the bid. The amount of the bid bond shall not exceed five percent of the amount bid.*

*B. No forfeiture under a bid bond shall exceed the lesser of (i) the difference between the bid for which the bond was written and the next low bid, or (ii) the face amount of the bid bond.*

*C. Nothing in this section shall preclude the Institution from requiring bid bonds to accompany bids or proposals for construction contracts anticipated to be less than \$1 million.*

*§ 29. Performance and payment bonds.*

*A. Upon the award by the Institution of any (i) public construction contract exceeding \$1 million awarded to any prime contractor or (ii) public construction contract exceeding \$1 million awarded to any prime contractor requiring the performance of labor or the furnishing of materials for buildings, structures or other improvements to real property owned by the Institution, the contractor shall furnish to the Institution the following bonds:*

*1. Except for transportation-related projects, a performance bond in the sum of the contract amount conditioned upon the faithful performance of the contract in strict conformity with the plans, specifications and conditions of the contract. For transportation-related projects, such bond shall be in a form and amount satisfactory to the Institution.*

*2. A payment bond in the sum of the contract amount. The bond shall be for the protection of claimants who have and fulfill contracts to supply labor or materials to the prime contractor to whom the contract was awarded, or to any subcontractors, in furtherance of the work provided for in the contract, and shall be conditioned upon the prompt payment for all materials furnished or labor supplied or performed in the furtherance of the work.*

*"Labor or materials" shall include public utility services and reasonable rentals of equipment, but only for periods when the equipment rented is actually used at the site.*

*B. Each of the bonds shall be executed by one or more surety companies selected by the contractor that are authorized to do business in Virginia.*

*C. The bonds shall be payable to the Commonwealth of Virginia naming also the Institution.*

*D. Each of the bonds shall be filed with the Institution, or a designated office or official thereof.*

*E. Nothing in this section shall preclude the Institution from requiring payment or performance bonds for construction contracts below \$1 million.*

*F. Nothing in this section shall preclude the contractor from requiring each subcontractor to furnish a payment bond with surety thereon in the sum of the full amount of the contract with such subcontractor conditioned upon the payment to all persons who have and fulfill contracts that are directly with the subcontractor for performing labor and furnishing materials in the prosecution of the work provided for in the subcontract.*

*§ 30. Alternative forms of security.*

*A. In lieu of a bid, payment, or performance bond, a bidder may furnish a certified check or cash escrow in the face amount required for the bond.*

*B. If approved by the Institution's General Counsel or his equivalent, a bidder may furnish to the Institution a personal bond, property bond, or bank or savings institution's letter of credit on certain designated funds in the face amount required for the bid, payment or performance bond. Approval shall be granted only upon a determination that the alternative form of security proffered affords protection to the Institution equivalent to a corporate surety's bond.*

*§ 31. Bonds on other than construction contracts.*

*The Institution may require bid, payment, or performance bonds for contracts for goods or services if provided in the Invitation to Bid or Request for Proposal.*

*§ 32. Action on performance bond.*

*No action against the surety on a performance bond shall be brought by the Institution unless brought within one year after (i) completion of the contract, including the expiration of all warranties and guarantees, or (ii) discovery of the defect or breach of warranty that gave rise to the action.*

*§ 33. Actions on payment bonds; waiver of right to sue.*

*A. Subject to the provisions of subsection B, any claimant who has performed labor or furnished material in accordance with the contract documents in furtherance of the work provided in any contract for which a payment bond has been given, and who has not been paid in full before the expiration of 90 days after the day on which the claimant performed the last of the labor or furnished the last of the materials for which he claims payment, may bring an action on the payment bond to recover any amount due him for the labor or material. The obligee named in the bond need not be named a party to the action.*

*B. Any claimant who has a direct contractual relationship with any subcontractor but who has no contractual relationship, express or implied, with the contractor, may bring an action on the contractor's payment bond only if he has given written notice to the contractor within 180 days from the day on which the claimant performed the last of the labor or furnished the last of the materials for which he claims payment, stating with substantial accuracy the amount claimed and the name of the person for whom the work was performed or to whom the material was furnished. Notice to the contractor shall be served by registered or certified mail, postage prepaid, in an envelope addressed to such contractor at any place where his office is regularly maintained for the transaction of business. Claims for sums withheld as retainages with respect to labor performed or materials furnished, shall not be subject to the time limitations stated in this subsection.*

*C. Any action on a payment bond shall be brought within one year after the day on which the person bringing such action last performed labor or last furnished or supplied materials.*

*D. Any waiver of the right to sue on the payment bond required by this section shall be void unless*

*it is in writing, signed by the person whose right is waived, and executed after such person has performed labor or furnished material in accordance with the contract documents.*

**§ 34. Public inspection of certain records.**

*A. Except as provided in this section, all proceedings, records, contracts and other public records relating to procurement transactions shall be open to the inspection of any citizen, or any interested person, firm or corporation, in accordance with the Virginia Freedom of Information Act (§ 2.2-3700 et seq.).*

*B. Cost estimates relating to a proposed procurement transaction prepared by or for the Institution shall not be open to public inspection.*

*C. Any competitive sealed bidding bidder, upon request, shall be afforded the opportunity to inspect bid records within a reasonable time after the opening of all bids but prior to award, except in the event that the Institution decides not to accept any of the bids and to reopen the contract. Otherwise, bid records shall be open to public inspection only after award of the contract.*

*D. Any competitive negotiation offeror, upon request, shall be afforded the opportunity to inspect proposal records within a reasonable time after the evaluation and negotiations of proposals are completed but prior to award, except in the event that the Institution decides not to accept any of the proposals and to reopen the contract. Otherwise, proposal records shall be open to public inspection only after award of the contract.*

*E. Any inspection of procurement transaction records under this section shall be subject to reasonable restrictions to ensure the security and integrity of the records.*

*F. Trade secrets or proprietary information submitted by a bidder, offeror, or contractor in connection with a procurement transaction or prequalification application submitted pursuant to subsection B of § 14 shall not be subject to the Virginia Freedom of Information Act (§ 2.2-3700 et seq.); however, the bidder, offeror or contractor shall (i) invoke the protections of this section prior to or upon submission of the data or other materials, (ii) identify the data or other materials to be protected, and (iii) state the reasons why protection is necessary.*

**§ 35. Exemption for certain transactions.**

*A. The provisions of these Rules shall not apply to:*

*1. The selection of services related to the management and investment of the Institution's endowment funds, endowment income, or gifts pursuant to § 23-76.1. However, selection of these services shall be governed by the Uniform Management of Institutional Funds Act (§ 55-268.1 et seq.) as required by § 23-76.1.*

*2. The purchase of items for resale at retail bookstores and similar retail outlets operated by the Institution. However, such purchase procedures shall provide for competition where practicable.*

*3. Procurement of any construction or planning and design services for construction by the Institution when (i) the planning, design, or construction is \$50,000 or less or (ii) the Institution is obligated to conform to procurement procedures that are established by federal statutes or regulations, whether or not those federal procedures are in conformance with the provisions of these Rules.*

*4. The purchase of goods and services by the Institution when such purchases are made under a remedial plan established by the Governor pursuant to subsection C of § 9 of these Rules.*

*B. Where a procurement transaction involves the expenditure of federal assistance or contract funds, the receipt of which is conditioned upon compliance with mandatory requirements in federal laws or regulations not in conformance with the provisions of these Rules, the Institution may comply with such federal requirements, notwithstanding the provisions of these Rules, only upon the written determination of the Institution's President or his designee that acceptance of the grant or contract funds under the applicable conditions is in the public interest. Such determination shall state the specific provision of these Rules in conflict with the conditions of the grant or contract.*

**§ 36. Permitted contracts with certain religious organizations; purpose; limitations.**

*A. The Opportunity Reconciliation Act of 1996, P.L. 104-193, authorizes public bodies to enter into contracts with faith-based organizations for the purposes described in this section on the same basis as any other nongovernmental source without impairing the religious character of such organization, and without diminishing the religious freedom of the beneficiaries of assistance provided under this section.*

*B. For the purposes of this section, "faith-based organization" means a religious organization that is or applies to be a contractor to provide goods or services for programs funded by the block grant provided pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193.*

*C. The Institution, in procuring goods or services, or in making disbursements pursuant to this section, shall not (i) discriminate against a faith-based organization on the basis of the organization's religious character or (ii) impose conditions that (a) restrict the religious character of the faith-based organization, except as provided in subsection F, or (b) impair, diminish, or discourage the exercise of religious freedom by the recipients of such goods, services, or disbursements.*

*D. The Institution shall ensure that all invitations to bid, requests for proposals, contracts, and purchase orders prominently display a nondiscrimination statement indicating that it does not discriminate against faith-based organizations.*

E. A faith-based organization contracting with the Institution (i) shall not discriminate against any recipient of goods, services, or disbursements made pursuant to a contract authorized by this section on the basis of the recipient's religion, religious belief, refusal to participate in a religious practice, or on the basis of race, age, color, gender, or national origin and (ii) shall be subject to the same rules as other organizations that contract with public bodies to account for the use of the funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the Institution. Nothing in clause (ii) shall be construed to supersede or otherwise override any other applicable state law.

F. Consistent with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193, funds provided for expenditure pursuant to contracts with public bodies shall not be spent for sectarian worship, instruction, or proselytizing; however, this prohibition shall not apply to expenditures pursuant to contracts, if any, for the services of chaplains.

G. Nothing in this section shall be construed as barring or prohibiting a faith-based organization from any opportunity to make a bid or proposal or contract on the grounds that the faith-based organization has exercised the right, as expressed in 42 U.S.C. (§ 2000e-1 et seq.), to employ persons of a particular religion.

H. If an individual, who applies for or receives goods, services, or disbursements provided pursuant to a contract between the Institution and a faith-based organization, objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the Institution shall offer the individual, within a reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider.

The Institution shall provide to each individual who applies for or receives goods, services, or disbursements provided pursuant to a contract between the Institution and a faith-based organization a notice in bold face type that states: "Neither the Institution's selection of a charitable or faith-based provider of services nor the expenditure of funds under this contract is an endorsement of the provider's charitable or religious character, practices, or expression. No provider of services may discriminate against you on the basis of religion, a religious belief, or your refusal to actively participate in a religious practice. If you object to a particular provider because of its religious character, you may request assignment to a different provider. If you believe that your rights have been violated, please discuss the complaint with your provider or notify the appropriate person as indicated in this form."

#### § 37. Exemptions from competition for certain transactions.

The Institution may enter into contracts without competition, as that term is described in subsections A through J of § 5 (Methods of procurement) of these Rules, for:

1. The purchase of goods or services that are produced or performed by or related to:
  - a. Persons, or in schools or workshops, under the supervision of the Virginia Department for the Blind and Vision Impaired;
  - b. Nonprofit sheltered workshops or other nonprofit organizations that offer transitional or supported employment services serving the handicapped;
  - c. Private educational institutions; or
  - d. Other public educational institutions.
2. Speakers and performing artists;
3. Memberships and Association dues;
4. Sponsored research grant sub-awards and contract sub-awards, not to include the purchase of goods or services by the Institution;
5. Group travel in foreign countries;
6. Conference facilities and services;
7. Participation in intercollegiate athletic tournaments and events including team travel and lodging, registration and tournament fees;
8. Royalties; or
9. The purchase of legal services, provided that the Office of the Attorney General has been consulted, or expert witnesses or other services associated with litigation or regulatory proceedings.

#### § 38. Exemptions from competitive sealed bidding and competitive negotiation for certain transactions; limitations.

The Institution may enter into contracts for insurance or electric utility service without competitive sealed bidding or competitive negotiation if purchased through an association of which the Institution is a member if the association was formed and is maintained for the purpose of promoting the interest and welfare of and developing close relationships with similar public bodies, provided such association has procured the insurance or electric utility services by use of competitive principles and provided that the Institution has made a determination in advance after reasonable notice to the public and set forth in writing that competitive sealed bidding and competitive negotiation are not fiscally advantageous to the public. The writing shall document the basis for this determination.

#### § 39. Definitions.

As used in §§ 39 through 46, unless the context requires a different meaning:

"Contractor" means the entity that has a direct contract with the Institution.

*"Debtor" means any individual, business, or group having a delinquent debt or account with any state agency that obligation has not been satisfied or set aside by court order or discharged in bankruptcy.*

*"Payment date" means either (i) the date on which payment is due under the terms of a contract for provision of goods or services; or (ii) if such date has not been established by contract, (a) 30 days after receipt of a proper invoice by the Institution or its agent or (b) 30 days after receipt of the goods or services by the Institution.*

*"Subcontractor" means any entity that has a contract to supply labor or materials to the contractor to whom the contract was awarded or to any subcontractor in the performance of the work provided for in such contract.*

*§ 40. Exemptions.*

*The provisions of §§ 39 through 46 shall not apply to the late payment provisions contained in any public utility tariffs prescribed by the State Corporation Commission.*

*§ 41. Retainage to remain valid.*

*Notwithstanding the provisions of §§ 39 through 46, the provisions of § 26 relating to retainage shall remain valid.*

*§ 42. Prompt payment of bills by the Institution.*

*A. The Institution shall promptly pay for the completely delivered goods or services by the required payment date.*

*Payment shall be deemed to have been made when offset proceedings have been instituted, as authorized under the Virginia Debt Collection Act (§ 2.2-4800 et seq.) of the Code of Virginia.*

*B. Separate payment dates may be specified for contracts under which goods or services are provided in a series of partial deliveries or executions to the extent that such contract provides for separate payment for such partial delivery or execution.*

*§ 43. Defect or impropriety in the invoice or goods and/or services received.*

*In instances where there is a defect or impropriety in an invoice or in the goods or services received, the Institution shall notify the supplier of the defect or impropriety, if the defect or impropriety would prevent payment by the payment date. The notice shall be sent within 15 days after receipt of the invoice or the goods or services.*

*§ 44. Date of postmark deemed to be date payment is made.*

*In those cases where payment is made by mail, the date of postmark shall be deemed to be the date payment is made for purposes of these Rules.*

*§ 45. Payment clauses to be included in contracts.*

*Any contract awarded by the Institution shall include:*

*1. A payment clause that obligates the contractor to take one of the two following actions within seven days after receipt of amounts paid to the contractor by the Institution for work performed by the subcontractor under that contract:*

*a. Pay the subcontractor for the proportionate share of the total payment received from the Institution attributable to the work performed by the subcontractor under that contract; or*

*b. Notify the Institution and subcontractor, in writing, of his intention to withhold all or a part of the subcontractor's payment with the reason for nonpayment.*

*2. A payment clause that requires (i) individual contractors to provide their social security numbers and (ii) proprietorships, partnerships, and corporations to provide their federal employer identification numbers.*

*3. An interest clause that obligates the contractor to pay interest to the subcontractor on all amounts owed by the contractor that remain unpaid after seven days following receipt by the contractor of payment from the Institution for work performed by the subcontractor under that contract, except for amounts withheld as allowed in subdivision 1.*

*4. An interest rate clause stating, "Unless otherwise provided under the terms of this contract, interest shall accrue at the rate of one percent per month."*

*Any such contract awarded shall further require the contractor to include in each of its subcontracts a provision requiring each subcontractor to include or otherwise be subject to the same payment and interest requirements with respect to each lower-tier subcontractor.*

*A contractor's obligation to pay an interest charge to a subcontractor pursuant to the payment clause in this section shall not be construed to be an obligation of the Institution. A contract modification shall not be made for the purpose of providing reimbursement for the interest charge. A cost reimbursement claim shall not include any amount for reimbursement for the interest charge.*

*§ 46. Interest penalty; exceptions.*

*A. Interest shall accrue, at the rate determined pursuant to subsection B, on all amounts owed by the Institution to a vendor that remain unpaid after seven days following the payment date. However, nothing in this section shall affect any contract providing for a different rate of interest, or for the payment of interest in a different manner.*

*B. The rate of interest charged the Institution pursuant to subsection A shall be the base rate on corporate loans (prime rate) at large United States money center commercial banks as reported daily in*

the publication entitled *The Wall Street Journal*. Whenever a split prime rate is published, the lower of the two rates shall be used. However, in no event shall the rate of interest charged exceed the rate of interest established pursuant to § 58.1-1812 of the Code of Virginia.

C. Notwithstanding subsection A, no interest penalty shall be charged when payment is delayed because of disagreement between the Institution and a vendor regarding the quantity, quality or time of delivery of goods or services or the accuracy of any invoice received for the goods or services. The exception from the interest penalty provided by this subsection shall apply only to that portion of a delayed payment that is actually the subject of the disagreement and shall apply only for the duration of the disagreement.

D. This section shall not apply to § 26 pertaining to retainage on construction contracts, during the period of time prior to the date the final payment is due. Nothing contained herein shall prevent a contractor from receiving interest on such funds under an approved escrow agreement.

E. Notwithstanding subsection A, no interest penalty shall be paid to any debtor on any payment, or portion thereof, withheld pursuant to the Comptroller's Debt Setoff Program, as authorized by the Virginia Debt Collection Act (§ 2.2-4800 et seq.) of the Code of Virginia, commencing with the date the payment is withheld. If, as a result of an error, a payment or portion thereof is withheld, and it is determined that at the time of setoff no debt was owed to the Commonwealth, then interest shall accrue at the rate determined pursuant to subsection B on amounts withheld that remain unpaid after seven days following the payment date.

#### § 47. Ineligibility.

A. Any bidder, offeror, or contractor refused permission to participate, or disqualified from participation, in public contracts to be issued by the Institution shall be notified in writing. Prior to the issuance of a written determination of disqualification or ineligibility, the Institution shall (i) notify the bidder in writing of the results of the evaluation, (ii) disclose the factual support for the determination, and (iii) allow the bidder an opportunity to inspect any documents that relate to the determination, if so requested by the bidder within five business days after receipt of the notice.

Within 10 business days after receipt of the notice, the bidder may submit rebuttal information challenging the evaluation. The Institution shall issue its written determination of disqualification or ineligibility based on all information in the possession of the Institution, including any rebuttal information, within five business days of the date the Institution received such rebuttal information.

If the evaluation reveals that the bidder, offeror, or contractor should be allowed permission to participate in the public contract, the Institution shall cancel the proposed disqualification action. If the evaluation reveals that the bidder should be refused permission to participate, or disqualified from participation, in the public contract, the Institution shall so notify the bidder, offeror, or contractor. The notice shall state the basis for the determination, which shall be final unless the bidder appeals the decision within 10 days after receipt of the notice by invoking administrative procedures meeting the standards of § 55 of these Rules, if available, or in the alternative by instituting legal action as provided in § 54.

B. If, upon appeal, it is determined that the action taken was arbitrary or capricious, or not in accordance with the Constitution of Virginia, applicable state law or regulations, the sole relief shall be restoration of eligibility.

#### § 48. Appeal of denial of withdrawal of bid.

A. A decision denying withdrawal of bid under the provisions of § 23 of these Rules shall be final and conclusive unless the bidder appeals the decision within 10 days after receipt of the decision by invoking administrative procedures meeting the standards of § 55, if available, or in the alternative by instituting legal action as provided in § 54.

B. If no bid bond was posted, a bidder refused withdrawal of a bid under the provisions of § 23, prior to appealing, shall deliver to the Institution a certified check or cash bond in the amount of the difference between the bid sought to be withdrawn and the next low bid. Such security shall be released only upon a final determination that the bidder was entitled to withdraw the bid.

C. If, upon appeal, it is determined that the decision refusing withdrawal of the bid was not (i) an honest exercise of discretion, but rather was arbitrary or capricious or (ii) in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms or conditions of the Invitation to Bid, the sole relief shall be withdrawal of the bid.

#### § 49. Determination of nonresponsibility.

A. Following public opening and announcement of bids received on an Invitation to Bid, the Institution shall evaluate the bids in accordance with element 4 of the definition of "Competitive sealed bidding" in § 4 of these Rules. At the same time, the Institution shall determine whether the apparent low bidder is responsible. If the Institution so determines, then it may proceed with an award in accordance with element 5 of the definition of "Competitive sealed bidding" in § 4. If the Institution determines that the apparent low bidder is not responsible, it shall proceed as follows:

1. Prior to the issuance of a written determination of nonresponsibility, the Institution shall (i) notify the apparent low bidder in writing of the results of the evaluation, (ii) disclose the factual support for the determination, and (iii) allow the apparent low bidder an opportunity to inspect any documents that



relate to the determination, if so requested by the bidder within five business days after receipt of the notice.

2. Within 10 business days after receipt of the notice, the bidder may submit rebuttal information challenging the evaluation. The Institution shall issue its written determination of responsibility based on all information in the possession of the Institution, including any rebuttal information, within five business days of the date the Institution received the rebuttal information. At the same time, the Institution shall notify, with return receipt requested, the bidder in writing of its determination.

3. Such notice shall state the basis for the determination, which shall be final unless the bidder appeals the decision within 10 days after receipt of the notice by invoking administrative procedures meeting the standards of § 55 of these Rules, if available, or in the alternative by instituting legal action as provided in § 54.

The provisions of this subsection shall not apply to procurements involving the prequalification of bidders and the rights of any potential bidders under such prequalification to appeal a decision that such bidders are not responsible.

B. If, upon appeal pursuant to § 54 or 55 of these Rules, it is determined that the decision of the Institution was not (i) an honest exercise of discretion, but rather was arbitrary or capricious or (ii) in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms or conditions of the Invitation to Bid, and the award of the contract in question has not been made, the sole relief shall be a finding that the bidder is a responsible bidder for the contract in question or directed award as provided in subsection A of § 54, or both.

If it is determined that the decision of the Institution was not an honest exercise of discretion, but rather was arbitrary or capricious or not in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms or conditions of the Invitation to Bid, and an award of the contract has been made, the relief shall be as set forth in subsection B of § 54 of these Rules.

C. A bidder contesting a determination that he is not a responsible bidder for a particular contract shall proceed under this section, and may not protest the award or proposed award under the provisions of § 50 of these Rules.

D. Nothing contained in this section shall be construed to require the Institution, when procuring by competitive negotiation, to furnish a statement of the reasons why a particular proposal was not deemed to be the most advantageous.

#### *§ 50. Protest of award or decision to award.*

A. Any bidder or offeror, who desires to protest the award or decision to award a contract shall submit the protest in writing to the Institution, or an official designated by the Institution, no later than 10 days after the award or the announcement of the decision to award, whichever occurs first. Public notice of the award or the announcement of the decision to award shall be given by the Institution in the manner prescribed in the terms or conditions of the Invitation to Bid or Request for Proposal. Any potential bidder or offeror on a contract negotiated on a sole source or emergency basis who desires to protest the award or decision to award such contract shall submit the protest in the same manner no later than 10 days after posting or publication of the notice of such contract as provided in § 5 of these Rules. However, if the protest of any actual or potential bidder or offeror depends in whole or in part upon information contained in public records pertaining to the procurement transaction that are subject to inspection under § 34 of these Rules, then the time within which the protest shall be submitted shall expire 10 days after those records are available for inspection by such bidder or offeror under § 34, or at such later time as provided in this section. No protest shall lie for a claim that the selected bidder or offeror is not a responsible bidder or offeror. The written protest shall include the basis for the protest and the relief sought. The Institution or designated official shall issue a decision in writing within 10 days stating the reasons for the action taken. This decision shall be final unless the bidder or offeror appeals within 10 days of receipt of the written decision by invoking administrative procedures meeting the standards of § 55 of these Rules, if available, or in the alternative by instituting legal action as provided in § 54. Nothing in this subsection shall be construed to permit a bidder to challenge the validity of the terms or conditions of the Invitation to Bid or Request for Proposal. The use of Alternative Dispute Resolution (ADR) shall constitute an administrative appeal procedure meeting the standards of § 55 of these Rules.

B. If prior to an award it is determined that the decision to award is arbitrary or capricious, then the sole relief shall be a finding to that effect. The Institution shall cancel the proposed award or revise it to comply with the law. If, after an award, it is determined that an award of a contract was arbitrary or capricious, then the sole relief shall be as hereinafter provided. Where the award has been made but performance has not begun, the performance of the contract may be enjoined. Where the award has been made and performance has begun, the Institution may declare the contract void upon a finding that this action is in the best interest of the public. Where a contract is declared void, the performing contractor shall be compensated for the cost of performance up to the time of such declaration. In no event shall the performing contractor be entitled to lost profits.

C. Where the Institution, an official designated by it, or an appeals board determines, after a hearing held following reasonable notice to all bidders, that there is probable cause to believe that a

decision to award was based on fraud or corruption or on an act in violation of these Rules, the Institution, designated official or appeals board may enjoin the award of the contract to a particular bidder.

*§ 51. Effect of appeal upon contract.*

Pending final determination of a protest or appeal, the validity of a contract awarded and accepted in good faith in accordance with these Rules shall not be affected by the fact that a protest or appeal has been filed.

*§ 52. Stay of award during protest.*

An award need not be delayed for the period allowed a bidder or offeror to protest, but in the event of a timely protest as provided in § 50 of these Rules, or the filing of a timely legal action as provided in § 54, no further action to award the contract shall be taken unless there is a written determination that proceeding without delay is necessary to protect the public interest or unless the bid or offer would expire.

*§ 53. Contractual disputes.*

A. Contractual claims, whether for money or other relief, shall be submitted in writing no later than 60 days after final payment. However, written notice of the contractor's intention to file a claim shall be given at the time of the occurrence or beginning of the work upon which the claim is based. Nothing herein shall preclude a contract from requiring submission of an invoice for final payment within a certain time after completion and acceptance of the work or acceptance of the goods. Pendency of claims shall not delay payment of amounts agreed due in the final payment.

B. The Institution shall include in its contracts a procedure for consideration of contractual claims. Such procedure, which may be contained in the contract or may be specifically incorporated into the contract by reference and made available to the contractor, shall establish a time limit for a final decision in writing by the Institution. If the Institution has established administrative procedures meeting the standards of § 55 of these Rules, such procedures shall be contained in the contract or specifically incorporated in the contract by reference and made available to the contractor. The Institution may require the submission of contractual claims pursuant to any contract to Alternative Dispute Resolution (ADR) as an administrative procedure.

C. A contractor may not invoke administrative procedures meeting the standards of § 55 of these Rules, if available, or institute legal action as provided in § 54, prior to receipt of the Institution's decision on the claim, unless the Institution fails to render such decision within the time specified in the contract.

D. The decision of the Institution shall be final and conclusive unless the contractor appeals within six months of the date of the final decision on the claim by the Institution by invoking administrative procedures meeting the standards of § 55 of these Rules, if available, or in the alternative by instituting legal action as provided in § 54.

*§ 54. Legal actions.*

A. A bidder or offeror, actual or prospective, who is refused permission or disqualified from participation in bidding or competitive negotiation, or who is determined not to be a responsible bidder or offeror for a particular contract, may bring an action in the appropriate circuit court challenging that decision, which shall be reversed only if the petitioner establishes that the decision was not (i) an honest exercise of discretion, but rather was arbitrary or capricious; (ii) in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms or conditions of the Invitation to Bid; or (iii) in the case of denial of prequalification, based upon the criteria for denial of prequalification set forth in subsection B of § 14 of these Rules. In the event the apparent low bidder, having been previously determined by the Institution to be not responsible in accordance with § 4, is found by the court to be a responsible bidder, the court may direct the Institution to award the contract to such bidder in accordance with the requirements of this section and the Invitation to Bid.

B. A bidder denied withdrawal of a bid under § 23 of these Rules may bring an action in the appropriate circuit court challenging that decision, which shall be reversed only if the bidder establishes that the decision of the Institution was not (i) an honest exercise of discretion, but rather was arbitrary or capricious or (ii) in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms or conditions of the Invitation to Bid.

C. A bidder, offeror or contractor, or a potential bidder or offeror on a contract negotiated on a sole source or emergency basis in the manner provided in § 5 of these Rules, whose protest of an award or decision to award under § 50 of these Rules is denied, may bring an action in the appropriate circuit court challenging a proposed award or the award of a contract, which shall be reversed only if the petitioner establishes that the proposed award or the award is not (i) an honest exercise of discretion, but rather is arbitrary or capricious or (ii) in accordance with the Constitution of Virginia, applicable state law or regulation, or the terms and conditions of the Invitation to Bid or Request for Proposal.

D. If injunctive relief is granted, the court, upon request of the Institution, shall require the posting of reasonable security to protect the Institution.

E. A contractor may bring an action involving a contract dispute with the Institution in the appropriate circuit court. Notwithstanding any other provision of law, the Comptroller shall not be

named as a defendant in any action brought pursuant to these Rules or § 33.1-387 of the Code of Virginia, except for disputes involving contracts of the Office of the Comptroller or the Department of Accounts.

F. A bidder, offeror, or contractor need not utilize administrative procedures meeting the standards of § 55 of these Rules, if available, but if those procedures are invoked by the bidder, offeror, or contractor, the procedures shall be exhausted prior to instituting legal action concerning the same procurement transaction unless the Institution agrees otherwise.

G. Nothing herein shall be construed to prevent the Institution from instituting legal action against a contractor.

#### *§ 55. Administrative appeals procedure.*

A. The Institution may establish an administrative procedure for hearing (i) protests of a decision to award or an award, (ii) appeals from refusals to allow withdrawal of bids, (iii) appeals from disqualifications and determinations of nonresponsibility, and (iv) appeals from decisions on disputes arising during the performance of a contract, or (v) any of these. Such administrative procedure may include the use of Alternative Dispute Resolution (ADR) or shall provide for a hearing before a disinterested person or panel, the opportunity to present pertinent information and the issuance of a written decision containing findings of fact. The disinterested person or panel shall not be an employee of the governmental entity against whom the claim has been filed. The findings of fact shall be final and conclusive and shall not be set aside unless the same are (a) fraudulent, arbitrary or capricious; (b) so grossly erroneous as to imply bad faith; or (c) in the case of denial of prequalification, the findings were not based upon the criteria for denial of prequalification set forth in subsection B of § 14 of these Rules. No determination on an issue of law shall be final if appropriate legal action is instituted in a timely manner. The Institution may seek advice and input from the Alternative Dispute Resolution Council in establishing an Alternative Dispute Resolution (ADR) procedure.

B. Any party to the administrative procedure, including the Institution, shall be entitled to institute judicial review if such action is brought within 30 days of receipt of the written decision.

#### *§ 56. Alternative dispute resolution.*

The Institution may enter into agreements to submit disputes arising from contracts entered into pursuant to these Rules to arbitration and utilize mediation and other alternative dispute resolution procedures. However, such procedures shall be nonbinding and subject to § 2.2-514 of the Code of Virginia, as applicable.

#### *§ 57. Ethics in public contracting.*

The Institution and its governing body, officers and employees shall be governed by the Ethics in Public Contracting provisions of the Virginia Public Procurement Act, Article 6 (§ 2.2-4367 et seq.) of Chapter 43 of Title 2.2 of the Code of Virginia.

#### *§ 4.0. The following provides the Policy for Capital Projects Excluding Leases of Real Property:*

##### *I. PREAMBLE.*

The Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia, provides, inter alia, that "any public institution of higher education may enter into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, for additional operational authority in any operational area or areas adopted by the General Assembly in accordance with law provided that the authority granted in the memorandum of understanding is consistent with that Institution's ability to manage its operations in the particular area or areas." See § 23-38.90 of the Code of Virginia.

##### *II. GENERAL.*

To be eligible for such additional authority provided in this section, an institution seeking capital outlay operational authority shall document in any request for a memorandum of understanding in this functional area, the following criteria:

1. The Institution must have a signed memorandum of understanding, currently in effect, with the Secretary of Administration regarding participation in the nongeneral fund decentralization program as set forth in the current Appropriation Act, as provided in subsection C of § 2.2-1132;

2. The Board shall adopt the policies that govern capital outlay procedures as provided in this section; and

3. The President of the Institution, acting through the appropriate person, shall be responsible for overall capital project planning. Such person or his designee or designees shall have obtained a Virginia Construction Contracting Officer designation from the Bureau of Capital Outlay Management of the Department of General Services and at least one designee shall be an architect or engineer licensed to practice in the Commonwealth, unless exempted by the Department.

The Board of Visitors of a public institution of higher education shall at all times be fully and ultimately accountable for the proper fulfillment of the duties and responsibilities set forth in, and for the appropriate implementation of, this Policy. Consistent with this full and ultimate accountability, however, the Board may, pursuant to its legally permissible procedures, specifically delegate either herein or by separate Board resolution the duties and responsibilities set forth in this Policy to a person or persons within the Institution, who, while continuing to be fully accountable for such duties and

responsibilities, may further delegate the implementation of those duties and responsibilities pursuant to the Institution's usual delegation policies and procedures.

The President of the Institution, acting through the appropriate designee, shall be responsible for overall capital project planning.

This Policy shall set forth the post-authorization system of reviews, approvals, policies and procedures governing capital projects at a public institution of higher education and carried out by a variety of central State agencies, and also the traditional preauthorization approval process for projects funded entirely with non-general funds and without any proceeds from State Tax Supported Debt. This Policy shall govern the planning and budget development for the Institution's capital projects, capital project authorization, and the implementation of capital projects, whether funded by a general fund appropriation, proceeds from State Tax Supported Debt, or funding from other sources, and shall govern 1) the process for developing one or more capital project programs for the Institution, 2) authorization of new capital projects, 3) procurement of Capital Professional Services and construction services, 4) design reviews and code approvals for capital projects, 5) environmental impact requirements, 6) building demolitions, 7) building and land acquisitions, 8) building and land dispositions, 9) project management systems, and 10) reporting requirements. This Policy is not intended to affect any other powers and authorities granted to a public institution of higher education pursuant to the Appropriation Act and the Code of Virginia, including other provisions of the Restructuring Act or the Institution's enabling legislation.

This Policy shall be effective on the effective date of an Institution's memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor. The implementing policies and procedures adopted by the President, acting through the appropriate designee, to implement this Policy, shall continue to be subject to any other policies adopted by the Board of Visitors affecting capital projects of the Institution.

### III. DEFINITIONS.

As used in this Policy for Capital Projects Excluding Leases of Real Property, the following terms shall have the following meanings, unless the context requires otherwise:

"Board of Visitors" or "Board" means the governing body of any public institution of higher education in Virginia, including the State Board for Community Colleges.

"Capital Professional Services" means professional engineering, architecture, land surveying and landscape architecture services related to capital projects.

"Capital project" means the acquisition of any interest in land, including improvements on the acquired land at the time of acquisition, new construction, and improvements or renovations. The term shall not include any capital lease.

"Enabling legislation" means those chapters, other than Chapter 4.10 (§ 23-38.88 et seq.), of Title 23 of the Code of Virginia, as amended, creating, continuing, or otherwise setting forth the powers, purposes, and missions of the individual public institutions of higher education of the Commonwealth.

"Major Capital Project" means the acquisition of any interest in land, including improvements on the acquired land at the time of acquisition, new construction of 5,000 square feet or greater or costing \$1 million or more, and improvements or renovations of \$1 million or more. The term shall not include any capital lease.

"President" shall mean the president, superintendent, or chancellor of a public institution of higher education.

"Public institution of higher education" or "Institution" means a two-year or four-year public institution of higher education, or the Virginia Community College System, entering into a memorandum of understanding with the appropriate Cabinet Secretary or Secretaries, as designated by the Governor.

"Restructuring Act" means the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 (§ 23-38.88 et seq.) of Title 23 of the Code of Virginia.

"Rules" means the "Rules Governing Procurement of Goods, Services, Insurance, and Construction" attached to this Policy as Attachment 1.

"State Tax Supported Debt" means bonds, notes, or other obligations issued under Article X, Section 9(a), 9(b), 9(c), or 9(d), if the debt service payments are made or ultimately are to be made from general government funds, as defined in the December 20, 2004, Report to the Governor and General Assembly of the Debt Capacity Advisory Committee or as that definition is amended from time to time.

#### § 1. Capital program.

The Institution shall adopt a system for developing one or more capital project programs that defines or define the capital needs of the Institution for a given period of time consistent with its published Master Plan. This process may or may not mirror the Commonwealth's requirements for capital plans. The Board of Visitors shall approve the program for Major Capital Projects. Major Capital Projects that are to be funded entirely or in part by a general fund appropriation or proceeds from State Tax Supported Debt shall follow the Commonwealth's requirements for capital plans. The Board may approve amendments to the program for Major Capital Projects annually or more often if circumstances warrant. Each capital project program shall meet the Institution's mission and institutional objectives, and shall be appropriately authorized by the Institution, be of a size and scope to provide for the

defined program needs, be designed in accordance with all applicable building codes and handicapped accessibility standards as well as the Institution's design guidelines and standards, and be costed to reflect current costs and escalated to the mid-point of anticipated construction.

*§ 2. Authorization of capital projects.*

A. The Board of Visitors shall authorize the initiation of each Major Capital Project by approving its size, scope, budget, and funding. The Institution shall adopt procedures for approving the size, scope, budget, and funding of all other capital projects. Major Capital Projects that are to be funded entirely or in part by a general fund appropriation or proceeds from State Tax Supported Debt, shall require both Board of Visitors approval and those preappropriation approvals of the State's governmental agencies then applicable, and shall follow the State's process for capital budget requests.

B. The implementation of capital projects shall be carried out so that the capital project as completed is the capital project approved by the Board for Major Capital Projects and according to the procedures adopted by the Institution for all other capital projects. The Institution shall ensure strict adherence to this requirement. Accordingly, the budget, size, and scope of a capital project shall not be materially changed beyond the plans and justifications that were the basis for the capital project's approval, either before or during construction, unless approved in advance as described above. Minor changes shall be permissible if they are determined by the Institution to be justified. Major Capital Projects may be submitted for Board of Visitors authorization at any time but must include a statement of urgency if not part of the approved Major Capital Project program.

*§ 3. Procurement of Capital Professional Services and Construction Services.*

A. Specifically with regard to the procurement of Capital Professional Services, Capital Projects, and Major Capital Projects, an Institution may elect to have all such procurements be governed by either (i) the Virginia Public Procurement Act (§ 2.2-4300 et seq.) of the Code of Virginia or (ii) the Rules Governing Procurement of Goods, Services, Insurance, and Construction that are incorporated in § 3.0 of this Act and that pertain to the procurement of Capital Professional Services, Capital Projects, and Major Capital Projects.

B. If an Institution elects to be governed by the Rules that are incorporated in § 3.0 of this Act, procurements by the Institution shall result in the purchase of high quality services and construction at reasonable prices and shall be consistent with such Rules. Specifically, the Institution shall:

1. Seek competition to the maximum practical degree, taking into account the size of the anticipated procurement, the term of the resulting contract and the likely extent of competition;
2. Conduct all procurements in a fair and impartial manner and avoiding any impropriety or the appearance of any impropriety prohibited by State law or institutional policy;
3. Make procurement rules clear in advance of any competition;
4. Provide access to the Institution's business to all qualified vendors, firms, and contractors, with no potential bidder or offeror excluded arbitrarily or capriciously, while allowing the flexibility to engage in cooperative procurements and to meet special needs of the Institution;
5. Include in contracts of more than \$10,000 the contractor's agreement not to discriminate against employees or applicants because of race, religion, color, sex, national origin, age, disability, or other basis prohibited by State law except where there is a bona fide occupational qualification reasonably necessary to the contractor's normal operations; and
6. Provide for a non-discriminatory procurement process, and include appropriate and lawful provisions to effectuate fair and reasonable consideration of women-owned, minority-owned and small businesses and to promote and encourage a diversity of suppliers.

C. The Institution shall develop implementing procedures for the procurement of Capital Professional Services and construction services at the Institution. The procedures shall implement this Policy and provide for:

1. A system of competitive negotiation for Capital Professional Services, including a procedure for expedited procurement of Capital Professional Services under \$50,000, pursuant to (i) subdivisions 1, 2, and 3 a of the defined term "competitive negotiation" in Rule 4 of the Rules, and (ii) § 4-5.06 of the 2006-08 Appropriation Act;
2. A prequalification procedure for contractors or products;
3. A procedure for special construction contracting methods, including but not limited to design-build and construction management contracts; and
4. A prompt payment procedure.

D. The Institution also may enter into cooperative arrangements with other private or public health or educational institutions, healthcare provider alliances, purchasing organizations, or state agencies where, in the judgment of the Institution, the purposes of this Policy will be furthered.

*§ 4. Design reviews and code approvals.*

A. The Board of Visitors shall review the design of all Major Capital Projects and shall provide final Major Capital Project authorization based on the size, scope, and cost estimate provided with the design. Unless stipulated by the Board of Visitors at the design review, no further design reviews shall be required. For all capital projects other than Major Capital Projects, the Institution shall adopt procedures for design review and project authorization based on the size, scope, and cost estimate

provided with the design. All capital projects shall be designed and constructed in accordance with applicable Virginia Uniform Statewide Building Code (VUSBC) standards and the applicable accessibility code.

B. For purposes of building code compliance, the Institution shall continue to use the services of the Department of General Services, Division of Engineering and Buildings.

§ 5. Environmental impact reports.

The Institution shall assess the environmental, historic preservation, and conservation impacts of all capital projects and minimize and otherwise mitigate all adverse impacts to the extent practicable. The Institution shall develop a procedure for the preparation and approval of environmental impact reports for capital projects, in accordance with State environmental, historic preservation, and conservation requirements generally applicable to capital projects otherwise meeting the definition of Major Capital Projects but with a cost of \$300,000 or more.

§ 6. Building demolitions.

The Institution shall consider the environmental and historical aspects of any proposed demolitions. The Board of Visitors shall be responsible for approving demolition requests. The Institution shall develop a procedure for the preparation and review of demolition requests, including any necessary reviews by the Department of Historic Resources and the Art and Architectural Review Board in accordance with State historic preservation requirements generally applicable to capital projects in the Commonwealth. Provided, however, that general laws applicable to State owned property shall apply to any property that was acquired or constructed with funding from a general fund appropriation or proceeds from State Tax Supported Debt.

§ 7. Building or land acquisitions.

Capital projects involving building or land acquisition shall be subjected to thorough inquiry and due diligence prior to closing on the acquisition of such real property. The Institution shall ensure that the project management system implemented pursuant to § 9 of this Policy provides for a review and analysis of all pertinent matters relating to the acquisition of buildings and land as any prudent purchaser would perform to the end that any building or land acquired by the Institution shall be suitable for its intended purpose, that the acquisition can be made without substantial risk of liability to the Institution or the Commonwealth and that the cost of the real property to be acquired, together with any contemplated development thereof, shall be such that compliance with the provisions of § 2 of this Policy is achieved. The Institution also shall ensure that, where applicable to do so, the following specific policies pertaining to the acquisition of buildings or land for capital projects are carried out.

1. The Institution shall reasonably cooperate with each locality affected by the acquisition. Such cooperation shall include but not be limited to furnishing any information that the locality may reasonably request and reviewing any requests by the locality with regard to any such acquisition. The Institution shall consider the zoning and comprehensive plan designation by the locality of the building or land and surrounding parcels, as well as any designation by State or federal agencies of historically or archeologically significant areas on the land. Nothing herein shall be construed as requiring the Institution to comply with local zoning laws and ordinances.

2. The Institution shall ensure that, in the case of capital projects involving the acquisition of buildings or land, the project management systems implemented under § 9 of this Policy provide for a review of the following matters prior to acquisition of the building or land: that any land can be developed for its intended purpose without extraordinary cost; that an environmental engineer has been engaged by the Institution to provide an assessment of any environmental conditions on the land; that there is adequate vehicular ingress and egress to serve the contemplated use of the building or land; that utilities and other services to the land are adequate or can reasonably be provided or have been provided in the case of building acquisitions; that the condition and grade of the soils have been examined to determine if any conditions exist that would require extraordinary site work or foundation systems; and that the purchase cost is reasonable in relationship to the value of the property.

3. A survey shall be prepared for any real property acquired, and an examination of title to the real property shall be conducted by a licensed attorney or, in the alternative, a commitment for title insurance shall be procured from a title insurance company authorized to do business in the Commonwealth. Based upon the survey and title examination or report, the Institution shall conclude, prior to acquisition of the real property, that title thereto will be conveyed to the Institution in fee simple, free and clear of all liens, encumbrances, covenants, restrictions, easements, or other matters that may have a significant adverse effect upon the Institution's ability to own, occupy, convey, or develop the real property.

4. An appraisal conforming to the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation shall be conducted of the real property to be acquired to determine its fair market value and the consistency of the fair market value with the price agreed upon by the Institution. For properties with an estimated value of \$1 million or more, the appraisal conducted shall be reviewed by a qualified appraiser in accordance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation.

§ 8. Building or land dispositions.

*The Board of Visitors shall approve the disposition of any building or land. Disposition of land or buildings, the acquisition or construction of which was funded entirely or in part by a general fund appropriation or proceeds from State Tax Supported Debt, shall require both Board of Visitors approval and other approvals in accordance with general law applicable to State-owned property and with the Institution's enabling legislation.*

*§ 9. Project management systems.*

*The Institution shall implement one or more systems for the management of capital projects for the Institution. The systems may include the delegation of project management authority to appropriate Institution officials, including a grant of authority to such officials to engage in further delegation of authority as the Institution deems appropriate. The project management systems for capital projects shall be designed to ensure that such projects comply with the provisions of this Policy and other Board of Visitors' policies applicable to closely related subjects such as selection of architects or policies applicable to the Institution's buildings and grounds. The project management systems may include one or more reporting systems applicable to capital projects whereby Institution officials responsible for the management of such projects provide appropriate and timely reports to the Institution on the status of such projects during construction.*

*§ 10. Reporting requirements.*

*In addition to complying with any internal reporting systems contained in the Institution's project management systems, as described in § 9 of this Policy, the Institution shall comply with State reporting requirements for those Major Capital Projects funded entirely or in part by a general fund appropriation or proceeds from State Tax Supported Debt. Additionally, if any capital project constructs improvements on land, or renovates property, that originally was acquired or constructed in whole or in part with a general fund appropriation for that purpose or proceeds from State Tax Supported Debt, and such improvements or renovations are undertaken entirely with funds not appropriated by the General Assembly and, if the cost of such improvements or renovations is reasonably expected to exceed \$2 million dollars, the decision to undertake such improvements or renovations shall be communicated as required by § 23-38.109 C 3 of the Restructuring Act. As a matter of routine, the Institution shall report to the Department of General Services on the status of such capital projects at the initiation of the project, prior to the commencement of construction, and at the time of acceptance of any such capital project.*

*§ 5.0. Any public institution of higher education in the Commonwealth shall be authorized to exercise operational authority pursuant to § 2.0, 3.0, or 4.0 of this Act, so long as the memorandum of understanding entered into with the appropriate Cabinet Secretary or Secretaries as required under § 1.0 is substantially identical to the provisions set forth in § 2.0, 3.0, or 4.0 of this Act, as the case may be. However, as provided in § 1.0 of this Act, a public institution of higher education in Virginia may be authorized to exercise additional operational authority in a minimum of two, but not all three of the functional areas set forth under §§ 2.0, 3.0, and 4.0 pursuant to this Act.*