21.01.03 Disbursement of Funds

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Regulation Statement

This regulation establishes The Texas A&M University System (system) standards for disbursement of funds.

Reason for Regulation

This regulation is required to ensure all members understand the requirements relating to disbursement of funds.

Procedures and Responsibilities

1. GENERAL

1.1 Each member must keep a record of all funds disbursed. This record must identify the payee and the purpose of the payment.

1.2 Every disbursement, except those representing withdrawals of personal funds held for students or others (see System Regulation *21.01.07, Agency Funds*), must be based on the annual operating budget or specific appropriations or authorizations by the Board of Regents (board). A disbursement may be made only when it is certified as a valid claim and is approved for payment by authorized personnel. Payment documents include purchase and travel vouchers, as well as online purchasing documents.

1.3 A member will make a prompt and timely payment of a vendor's invoice for goods and services delivered and accepted or resolve in an expeditious manner any deficiencies in items delivered. The payment for goods and services delivered and accepted will be processed in accordance with the Prompt Payment Act of the state of Texas which requires payment to a vendor within 30 calendar days. The member will expedite payment of a vendor's invoice offering a cash discount for prompt payment when necessary to earn the discount.

1.4 To be in compliance with the Internal Revenue Service (IRS) regulations, member fiscal offices must require all companies and individuals who are not employees or students to have a W-9 form on file with the fiscal office prior to payment.

1.5 Disbursements to nonresident aliens require special treatment. An entirely different set of tax rules and regulations for individuals and other entities deemed to be "nonresident aliens" exists under Internal Revenue Code Section 1441. In general, all income paid by the member to a foreign visitor, or to a third party on behalf of the visitor, is taxable unless the income is (i) exempt from tax under the provisions of a tax treaty between the U.S. and the person's country of residence (IRS Publication 901), (ii) exempt from tax under an Internal Revenue Code provision, or (iii) is "foreign source" income (IRS Revenue Ruling 89-67 states that the source of scholarship/fellowship payments is the residence of the payor). See the System Office of Budgets and Accounting (SOBA) tax website for additional information.

2. DISBURSEMENTS DUE TO PERSONS INDEBTED TO THE STATE

2.1 The system is prohibited by Texas statute from making payment (excluding wages) to a person who is in default on a loan from the Texas Guaranteed Student Loan Corporation. It is also prohibited from making payment (excluding wages) to any person or firm that is indebted or owes delinquent taxes to the state until the debt or taxes are paid. The state comptroller may not reimburse a state agency or institution of higher education for a payment made in violation of this statute.

2.2 Upon specific notification by the state comptroller, payments from state or institutional funds may not be released to an employee or vendor indebted to the state.

3. CERTIFICATION OF CLAIMS

3.1 Authorized personnel of the member must certify on the payment document that the goods and services delivered correspond with those ordered and that the vendor's invoice is correct.

3.2 The vendor’s invoice must be attached to and made a part of the payment document. When the vendor’s claim is not supported by an adequate invoice, the vendor must complete the vendor certification section of the payment document. An example of a vendor certification would be a statement that reads ‘Vendor Certification: I certify the described articles or services were contracted for and the account is true, correct and unpaid.’

3.3 The validity of a claim must also be certified on travel, payroll and construction vouchers. All personnel making certifications on payment documents will be held accountable for any loss sustained by the state because of false certification.

3.4 Departmental personnel authorized to prepare or approve a payment document will attend disbursement training seminars conducted by the various fiscal offices within the system. Training must be based on *Guidelines for Disbursement of Funds* prepared by SOBA. The member chief executive officer (CEO) will ensure that

every individual involved in the disbursement process has received the necessary training and that the member maintains a record of the training. The member will provide refresher training to authorized preparers and approvers periodically.

4. REVIEW OF CLAIMS AND APPROVAL OF DISBURSEMENTS

4.1 The account administrator (typically the head of the department or similar administrative unit) or person(s) authorized in writing by the account administrator will approve disbursements of funds.

4.2 The appropriate fiscal personnel will review all requests for disbursement of funds prior to final approval for payment. The member chief financial officer (CFO) will determine the review procedures.

4.3 Only board-approved personnel may sign local checks or electronic funds transfers. Each member is responsible for the development, completion, execution and maintenance of signature forms which identify this authority, as well as the fulfillment of the training requirement in Section 3.4. Completed signature forms are to be submitted to the bank through the Office of the Treasurer.

4.4 <u>State Warrants or Electronic Funds Transfers</u>

4.4.1 The Texas Education Code requires that final approval of a disbursement to be made by state warrant or electronic funds transfer drawn on the state treasury be based on a payment document approved by an employee who has been designated approval authority by the member CEO on state comptroller prescribed signature cards. The member CEO is required to make such approval and designation in writing to the state comptroller.

4.4.2 A written notification of signature revocation will be submitted directly to the state comptroller's office by the member no later than five days after the effective date of the revocation if removal is due to termination and no later than ten days after the effective date of the revocation if removal is not due to termination.

4.5 <u>Local Checks or Electronic Funds Transfers</u>

4.5.1 The member CFO will establish guidelines designed to ensure the issuance of accurate and lawful local checks and electronic funds transfers, as well as the early detection of altered or fraudulent local checks.

4.5.2 Guidelines must include, but are not limited to, the following:

(a) signature authority and document flow;

(b) security measures over mechanical check-signing devices, check stock and computer operators;

(c) correlation of checks and pending electronic funds transfers with payment documents prior to release of checks or electronic funds transfers to payees;

(d) timely reconciliation of checks and electronic funds transfers paid or processed by banks with those issued; and

(e) security measures over undelivered checks including voiding such checks within an appropriate period of time.

5. GENERAL TRAVEL GUIDELINES

5.1 The system is committed to conserving public funds and maintaining accountability in regard to system employee travel. All travel reimbursements must be reasonable and necessary and the purpose of the travel must be official state business that is directly related to the legal responsibilities of the system.

5.2 Each member must comply with and train employees regarding applicable federal and state laws, the General Appropriations Act, rules and procedures established by the state comptroller as detailed in *Textravel Policies and Procedures* and system requirements established herein.

5.3 Each member must participate in the state travel services contracts for airfare, rental cars, lodging and charge card services when purchased with general revenue funds or other state funds. This requirement does not apply to institutional funds.

5.4 Each employee will be held responsible for complying with applicable state and system travel requirements in seeking reimbursement for travel. An employee must not seek reimbursement for expenses that the employee knows are not reimbursable.

5.5 Each member must adopt guidelines providing one online mapping service to be used for member employee travel. The online mapping service is used to input the traveler's headquarters and destination and the service will calculate the number of miles the traveler is able to receive for reimbursement.

6. SUPPLEMENTATION OF TEXTRAVEL POLICIES AND PROCEDURES

6.1 Meals and Lodging

6.1.1 For state funds, an employee will be reimbursed for the actual cost of meals and lodging up to maximums specified in *Textravel Policies and Procedures* and must follow any applicable member guidelines. For institutional funds, employees may be reimbursed for the actual cost of meals and lodging or as allowed by the member travel guidelines. All reimbursements shall be in compliance with IRS regulations.

6.1.2 Actual expenses incurred in excess of the rates specified for state funds may be reimbursed from institutional funds at the direction of the CEO or designee.

6.2 Non-Overnight Travel

6.2.1 For state funds, the member CEO, and for local funds, the member CFO, have the authority to authorize state employees to receive meal reimbursements which do not require an overnight stay if the following criteria are met.

(a) The employee is conducting state business.

(b) The employee is outside his/her designated headquarters for at least six consecutive hours. The travel period begins at the time the employee leaves his/her designated headquarters and ends when the employee returns to the designated headquarters.

Aircraft pilots who convey state officers or employees on official business are exempt from the six-hour limitation per Tex. Gov't Code § 660.207.

(c) The travel can occur in-state or out-of-state and must be charged to unique object codes.

(d) For state funds, non-overnight meal reimbursements may be reimbursed for actual expenses not to exceed the maximum meal reimbursement for that location.

6.2.2 There are tax consequences to an employee for receiving meal reimbursements under Section 6.2.1 per the Texas Comptroller's office and IRS guidelines. The reimbursement of a non-overnight meal is considered a taxable benefit and members shall ensure compliance with the tax guidelines.

6.2.3 A member CEO's or CFO's authorization under Section 6.2.1 can be either a blanket authorization for the member or it can be on a reimbursement-by-reimbursement basis.

6.2.3.1 If the member CEO authorizes meal expense reimbursements on a blanket basis, it must be documented in the member's guidelines and made available to the Texas Comptroller's office upon request.

6.2.3.2 If the member CEO authorizes meal expense reimbursements on a reimbursement-by-reimbursement basis, the supporting documentation for each reimbursement must include that authorization.

6.3 Travel to Washington, D.C. for Official Appropriation Business Using Appropriated Funds

The General Appropriations Act requires system personnel to inform the Office of State-Federal Relations (OSFR) if they intend to travel to Washington, D.C. and the travel is being paid from appropriated funds. The term "travel" in this section is limited to only activities involving obtaining or spending federal funds or impacting federal policies. For example, this could include travel to confer on legislative or appropriation issues with members of the U.S. Congress or other federal government

staff or officials. This notification shall include the timing of the trip, its purpose and the name of a contact person for additional information. Each member must establish a process for such notification using the OSFR online form. A copy of the completed form must be attached to the related travel voucher.

6.4 Foreign Travel

Each member shall ensure that the foreign travel of its employees complies with state of Texas foreign travel guidelines, system requirements and member processes. Prior approval by the member CEO or designee is required for foreign travel. All foreign travel shall route to the Office of Risk Management or member's foreign travel delegated representative to track employees traveling abroad and to review the risk of traveling to that country. Any countries that have been classified as 'extreme risk' will require approval of the member CEO or designee.

Foreign countries may have additional rules such as applicable visitor taxes or a rule regarding registration before a visit is allowed.

6.5 Non-Reimbursed Official Travel

The member CEO or designee may authorize an employee to travel in performance of state business at no expense to the system provided such employee is notified in advance that the travel will not be reimbursed.

6.6 Travel Bonus (Frequent Flyer) Awards

An employee who earns discounts or bonuses with airlines, hotels, car rental companies, etc., for official travel is not required to account for such credit or to use such credit for official travel.

7. USE OF SYSTEM AIRCRAFT

Expenses for use of system aircraft shall comply with System Policy *25.01, Use and Operation of System Aircraft*.

8. OFFICIAL TRAVEL BY SPOUSES AND RELATIVES OF EMPLOYEES

An employee's spouse or other relative may qualify to have travel expenses paid by the system if his or her presence at a function or on a trip is for an official purpose benefiting the system and/or the state of Texas.

In making a determination of whether the presence of a spouse or relative is for an official purpose, the factors to be considered are the nature and duties of the employee's office, the traditional role, if any, of the employee's spouse or relative, the particular trip's purpose and the spouse or relative's connection with that purpose. The member CEO must approve requests for reimbursement or for direct departmental payment of travel expenses for an employee's spouse or relative which the member must pay from institutional funds available for such purposes. The chancellor must approve a request from a member CEO requesting travel reimbursement for a spouse or relative. The chancellor's spouse's travel

must be approved by the System Offices CFO or delegate. IRS regulations may require that travel reimbursements for a spouse or relative be reported as income of the employee.

9. EXTENSION OF STATE RATE AIRFARES TO STUDENTS

A student is eligible for state contract airfare rates as long as:

(a) the student is traveling on behalf of the state or member on official state business;

(b) the member CEO or designee approves the travel in advance;

(c) the travel expenses are subject to the same state statutes and guidelines and system policies and regulations that govern state employees; and

(d) the travel expenses are paid by the state through a business travel account using institutional funds if the student is not also an employee of the state agency.

10. STUDENT TRAVEL

Student travel is governed by System Policy *13.04, Student Travel,* and member academic institution rules adopted under that policy.

11. STATE CREDIT CARDS

An employee may not use a state credit card for personal expenses. State credit cards may only be used for legitimate system business expenses. The individual employee is solely responsible for payment of charges on his or her individual card. The system will not be responsible for the charges, regardless of the type of charge. An employee may use a state credit card to charge for items that, while they qualify as official business, are not fully reimbursable under state and/or system guidelines for reimbursement. (See also System Policy *33.04, Use of System Resources*.)

A member may elect to use individually-named, agency-paid credit cards. These credit cards could be used in conjunction with an e-travel system. The individually-named, agency-paid credit cards must be used for official business travel only. Any personal expenses are reimbursable to the member. Members will issue an invoice and record an accounts receivable to employees for personal expenses. Employees will be placed on state hold when reimbursements for personal expenses are not made to the member on a timely basis. The member reserves the right to withhold or terminate a member-issued card at any time.

12. TRAVEL GUIDELINES

For sources other than general revenue funds or other state funds, members may establish travel guidelines in the following areas:

(a) State travel services contracts usage;

(b) Meal and lodging rates;

(c) Authorization of actual expenses for persons traveling with or representing the chancellor, a member CEO or a member of the board;

(d) Travel expenses for athletic departments;

(e) Cancellation of advance registration for seminars, conferences, etc.;

(f) Advance approval of travel;

(g) Documentation of travel requests and approval; and

(h) Travel expenses of prospective employees.

13. ALCOHOL PURCHASES WHILE IN TRAVEL STATUS

13.1 Alcohol purchases cannot be paid from appropriated or state funds.

13.2 For institutional or local funds, alcohol can be purchased while an employee is in travel status on a member liability travel card or reimbursed to an employee when ALL of the criteria below are met. Section 13.3 addresses member liability travel card purchases for which not ALL criteria are met.

(a) The alcohol purchase or reimbursement is paid from approved institutional funds because appropriated funds cannot be used. *See* Tex. Gov't Code §§ 660.113(e), 2113.101.

(b) The employee is not on active duty (i.e., performing the essential duties of a job) when the alcohol is consumed. *See* Tex. Gov't Code § 2113.012.

(c) The alcohol purchase must be for a lawful purpose in support of events or activities furthering the mission of the member as determined by the member CEO. *See* System Policy *34.03.*

(d) Detailed receipts clearly indicating the purchase of alcohol are required. *See* System Policy *34.03*.

(e) The object code for alcohol must be used. *See* System Policy *34.03*.

13.3 If one or more of the stated criteria in Section 13.2 are not met, the member will issue an invoice and record an accounts receivable to the employee for the expense. The employee will be placed on state hold if the employee fails to reimburse the member on a timely basis for the alcohol expense.

14. COST ALLOCATIONS

For the purpose of more effective and efficient identification and allocation of costs and to effect timely payments to employees and vendors, members may temporarily charge salary and/or operating costs to appropriations most applicable for the expense being incurred. Upon receipt of more specific information such as personnel-time allocation information for payrolls or allocation of costs associated with the purchase of office supplies or other goods and services, members may reimburse the original funding source and transfer the expense to the more appropriate funding source. Each member must maintain adequate detailed records to support summary transfer amounts.

Related Statutes, Policies, or Requirements

IRS Taxable Fringe Benefit Guide

Tex. Gov't Code Chapter 660, *Travel Expenses*

Tex. Gov't Code §§ 2113.012, 2113.101

Tex. Educ. Code § 85.22

Texas Comptroller of Public Accounts Payments Policies and Procedures

The Texas A&M University System Travel Forms

Textravel-State of Texas Travel Resource

Texas Office of State-Federal Relations (OSFR)

A&M System General Accounting

System Office of Budgets and Accounting Tax Manual

System Policy *13.04, Student Travel*

System Policy *21.01.07, Agency Funds*

System Policy *22.02, System Investment*

System Policy *25.01, Use and Operation of System Aircraft*

System Policy *33.04, Use of System Resources*

System Policy *34.03, Alcoholic Beverages*

The November 2008 version of this system regulation supersedes:
System Regulation *25.02.01, Travel Regulations*

Appendix

Chancellor's System Offices Memo Dated September 19, 2013

Chancellor's International Travel Memo Dated October 10, 2013

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

System Office of Budgets and Accounting
(979) 458-6100