

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 system members understand the requirements relating to disbursement of funds.

Procedures and Responsibilities

1. GENERAL

- 1.1 Each system 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 system 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 on-line purchasing documents.
- 1.3 A system 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 thirty (30) calendar days. The system 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, system member fiscal offices should 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 (code) Section 1441. In general, all income paid by the system 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 a 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 system 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 the *Guidelines for Disbursement of Funds*

prepared by SOBA. The system member chief executive officer (CEO) will ensure that every individual involved in the disbursement process has received the necessary training and that the system member maintains a record of the training. The member will provide refresher training to authorized preparers and approvers periodically.

- 3.5 Each system member CEO will provide continuing education on an annual basis for all key fiscal personnel. Such training may consist of updates to the *Guidelines for Disbursement of Funds* training, as provided by SOBA, and/or training in other fiscal office or accounting responsibilities.

4. REVIEW OF CLAIMS AND APPROVAL OF DISBURSEMENTS

- 4.1 The account administrator (normally 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 system member chief financial officer (CFO) will determine the review procedures.

- 4.3 Only board-approved personnel may prepare and sign local checks or electronic funds transfers. Each system 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 System Office of the Treasurer.

4.4 State Warrants or Electronic Funds Transfers

- 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 system member CEO on state comptroller prescribed signature cards. The system 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 system member no later than ten (10) days after the effective date of the revocation.

4.5 Local Checks or Electronic Funds Transfers

- 4.5.1 The system member CFO will establish procedures 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 Procedures 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. VOUCHER FORMS

The system member CFO is responsible for ensuring that payment documents are prepared in accordance with state comptroller requirements, where applicable.

6. GENERAL TRAVEL GUIDELINES

- 6.1 The system is committed to conserving public funds and maintaining accountability in regard to system employee travel. All travel for which expenses are incurred or reimbursed must be official state business and must be directly related to the legal responsibilities of the system.
- 6.2 Each system 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 the State of Texas Travel Allowance Guide (TAG) and system policies and regulations established herein.
- 6.3 Each system 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 educational and general funds.
- 6.4 Each system employee will be held responsible for complying with applicable travel regulations and procedures in seeking reimbursement for travel. An employee must not seek reimbursement for expenses that the employee knows are not reimbursable.

7. SUPPLEMENTATION OF TRAVEL ALLOWANCE GUIDE

7.1 Meals and Lodging

- 7.1.1 An employee will be reimbursed for the actual cost of meals and lodging up to maximums specified in the TAG or a system member's rules.
- 7.1.2 Actual expenses incurred in excess of the rates specified for state employees may be reimbursed from institutional funds available for such purposes at the direction of the CEO or designee.

7.2 Non-Overnight Travel

Irrespective of permissible reimbursement found in the TAG, an employee may not be reimbursed for meals when traveling on official business that does not require an overnight stay unless the meal is considered a business meal and is substantiated as such.

7.3 Travel to Washington, D.C. for Official Appropriation Business

The General Appropriations Act requires system personnel to inform the Office of State-Federal Relations (OSFR) at least seven (7) days in advance if they intend to travel to Washington, D.C. to confer on legislative or appropriation issues with members of the U.S. Congress or other federal government staff or officials. This notification should include the timing of the trip, its purpose and the name of a contact person for additional information. Each system member must establish procedures for such notification using the OSFR form. A copy of the completed form must be attached to the related travel voucher.

7.4 Advance Approval of Foreign Travel

7.4.1 The advance written approval of the chancellor is required for foreign travel by any system employee who is to be paid from funds appropriated by the General Appropriations Act and held in the state treasury. Foreign travel for this purpose excludes travel to U.S. Possessions, Canada and Mexico. A Request for Foreign Travel form must be completed and routed through the appropriate supervisors (i.e., department head, dean, vice chancellor or vice president and CEO) far enough in advance of the anticipated trip to allow the chancellor a minimum of thirty (30) days to review and approve the request prior to the specified travel dates.

7.4.2 Each system member may establish procedures for foreign travel funded from non-appropriated sources.

7.4.3 A copy of the written approval must be attached to the applicable travel voucher when submitted.

7.4.4 A copy of the written approval must also be forwarded to SOBA for compilation and submission of the annual report of foreign travel, which is due to the Governor's Office of Budget and Planning and to the Legislative Budget Board by October 1st of each year.

7.5 Non-Reimbursed Official Travel

The system 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.

7.6 Travel Bonus (Frequent Flyer) Awards

A system 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.

8. USE OF SYSTEM AIRCRAFT

Expenditures for use of system aircraft should be in compliance with System Policy 25.01, *Use and Operation of System Aircraft*.

9. 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 system member CEO must approve requests for reimbursement or for direct departmental payment of travel expenses for an employee's spouse or relative, which the system member must pay from institutional funds available for such purposes. The chancellor must approve a request from a system member CEO requesting travel reimbursement for a spouse or relative. IRS regulations may require that travel reimbursements for a spouse or relative be reported as income of the employee.

10. 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 system member on official state business;
- (b) the system member CEO, or designee, approves the travel in advance;
- (c) the travel expenses are subject to the same system policies, regulations, statutes and state guidelines 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.

11. STUDENT TRAVEL

All employee activities, use of state resources and member procedures related to student travel must follow System Policy 13.04, *Student Travel*.

12. STATE CREDIT CARDS

A system 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*.)

13. TRAVEL GUIDELINES

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

- (a) Use of state travel services contracts
- (b) Meal and lodging rates
- (c) Authorization of actual expenses for persons traveling with or representing the chancellor, a system member CEO, or a member of the system 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
- (h) Travel expenses of prospective employees

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, system 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 to the more appropriate funding source. Each system member must maintain adequate detailed records to support summary transfer amounts.

Related Statutes, Policies, or Requirements

[Tex. Educ. Code § 85.22](#)

[Texas Comptroller of Public Accounts Payments Policies and Procedures](#)

[Travel Forms](#)

[State of Texas Travel Allowance Guide](#)

[A&M System General Accounting Forms](#)

[System Office of Budgets and Accounting Tax Website](#)

[System Policy 13.04, Student Travel](#)

[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](#)

[System Regulation 21.01.07, Agency Funds](#)

This System Regulation supersedes:

System Regulation 25.02.01, *Travel Regulations*

Contact Office

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