

21.01.03 Disbursement of Funds

Revised [September 20, 2023](#)

Next Scheduled Review: September 20, 2028

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Regulation Summary

This regulation establishes The Texas A&M University System (system) standards for disbursement of funds and is required to ensure all members understand the requirements relating to disbursement of funds.

Regulation

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 Each member must make prompt and timely payments of a vendor's invoice for goods and services delivered and accepted or must resolve in an expeditious manner any deficiencies in items delivered. The payment for goods and services delivered and accepted must 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 must expedite payments 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 Due to an increase in fraudulent activity relating to the change of vendor payment information, when vendors (companies or individuals) request updates to their own financial information (banking information), the vendor must provide the member with additional verification information. In addition, **training** is required for employees who maintain vendor information in the accounting system.

1.5.1 The requirements for the requested changes are listed below.

- (a) The vendor must properly complete the state of Texas compliant direct deposit form and submit to the member.
- (b) The member must verify the change with the vendor using a source not provided in the original change request.
- (c) The member must document the date and name of the vendor's employee who verified the updated information on the direct deposit form.
- (d) A supervisor must review and sign off on the verification prior to the change being entered.

1.5.2 Any employees who have the ability to access and update vendor records in the accounting system must complete a training course which is designed to emphasize the importance and the impacts of making changes to vendors' financial data.

1.5.3 An employee's access to update and view banking information in the accounting system must be reviewed and approved annually to ensure update access to banking information is current.

- (a) It is recommended each member ensure a limited number of employees have access to view and update this information.
- (b) It is recommended if a member has entered into a shared services contract for vendor setups, the member must consider either having no employees at the member with this access or having a limited number of employees who have the ability to update and view access to the vendor's banking information.

1.6 A&M members are legally exempt from paying state of Texas sales tax to vendors.

1.6.1 Employees must provide documentation to vendors to ensure the sales tax is not charged whether the cost is paid through Accounts Payable or the credit card programs.

- (a) if the Texas sales tax is inadvertently charged, then the member can define a process on how to handle this sales tax.
- (b) Texas sales tax is not allowed to be charged to state funds.

1.6.2 Note even though members are tax-exempt from paying the state of Texas sales tax; they are not exempt from collecting tax on sales made by the member.

1.7 Disbursements to nonresident aliens require special treatment. A 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 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 Members are prohibited from making payments to vendors who are on hold from the state of Texas.
- 2.2 Each member is also prohibited from making payment (excluding wages) to any person or firm indebted or owing delinquent taxes to the state until the debt or taxes are paid.
- 2.3 The state comptroller may not reimburse a state agency or institution of higher education for a payment made in violation of this statute. The Texas A&M University System accounting system contains system edits to ensure payments do not occur to persons indebted to the state of Texas.
- 2.4 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 are held accountable for any loss sustained by the state because of false certification.

4. TRAINING FOR PERSONNEL INVOLVED IN THE DISBURSEMENT PROCESS

- 4.1 Training is required for personnel involved in the disbursement process to ensure ordering, purchasing, and paying for goods and services are processed correctly and needed for official state business. The System Office has a virtual Disbursement of Funds Training class available for members; members can use the System class or create their own class. Ensure applicable staff are trained to understand the rules related to paying for goods and services at least once every two years.
- 4.2 Departmental personnel authorized to prepare or approve payments and/or travel documents must complete Disbursement of Funds training every two years to educate such employees on the rules regarding disbursing funds and help to ensure the

goods/services are purchased pursuant to the various rules, and the purchases necessary for business purposes are received.

- 4.3 Approvers of documents must attend Approver training class every two years to educate and remind the approvers of their responsibilities. The System Office has a virtual Approver class available for members; members can use the System class or create their own class.
- 4.4 A certification statement is required when documents are submitted to be purchased or paid; this statement must include text similar to the items below.

By approving this expense report, I certify the following:

- (1) each document within the expense report complies with applicable laws, policies, regulations and rules;
 - (2) the goods and services covered by the expense report have been received, plus the payment matches the contract requirements; and
 - (3) the invoices for the goods and services are accurate and complete.
- 4.5 Any training must be based on *Guidelines for Disbursement of Funds* prepared by SOBA.
 - 4.6 Each member ensures individuals involved in the disbursement process have received the necessary training and the member maintains a record of the training.

5. REVIEW OF CLAIMS AND APPROVAL OF DISBURSEMENTS

- 5.1 The account administrator (typically the head of the department or similar administrative unit) or person(s) authorized in writing by the account administrator approves disbursements of funds.
- 5.2 The appropriate fiscal personnel reviews all requests for disbursement of funds prior to final approval for payment. The member chief financial officer (CFO) determines the review procedures.
- 5.3 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 4. Completed signature forms are submitted to the bank through the System Office of Treasury Services.

5.4 State Warrants or Electronic Funds Transfers

- 5.4.1 The Texas Education Code requires the 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.

5.4.2 A written notification of signature revocation is 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.

5.5 Local Checks, Electronic Funds Transfers or Other Types of Payments

5.5.1 The member CFO or delegate establishes guidelines designed to ensure the issuance of accurate and lawful local checks, electronic funds transfers or other types of payments, as well as the early detection of altered or fraudulent local checks.

5.5.2 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, payments and pending electronic funds transfers with payment documents prior to release of checks or electronic funds transfers to payees;
- (d) timely reconciliation of checks, payments 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.

6. GENERAL TRAVEL GUIDELINES

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

6.2 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. The training must occur at least every two years. The Disbursement of Funds class includes travel rules and this class is available to be assigned by the members.

6.3 Each member may participate in the Texas Comptroller's Office State Travel Management Program (STMP) for airfare, rental cars, lodging and charge card services when purchased with state funds. This recommendation does not apply to institutional funds.

6.3.1 The Texas A&M University System implemented an e-travel software solution available for all members. The state rules and member-specific rules are defined in the travel software solution.

- 6.4 Each employee is held responsible for complying with applicable state and system travel requirements in seeking reimbursement for travel. An employee must not seek reimbursement for expenses the employee knows are not reimbursable.
- 6.5 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.

7. ADDITIONAL TRAVEL POLICIES AND PROCEDURES

7.1 Meals and Lodging

- 7.1.1 For state funds, an employee is 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.
- 7.1.2 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 must be in compliance with IRS regulations.
- 7.1.3 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.

7.2 Non-Overnight Travel

- 7.2.1 For state funds, the member CEO, and for institutional 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 the employee's designated headquarters for at least six consecutive hours. The travel period begins at the time the employee leaves the 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.
 - If the non-overnight travel cost is charged to a federally funded account, review the federal guidelines, the federal requirements maybe different than the state requirements.
 - (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 the specific location.

(e) For institutional funds, non-overnight meal reimbursements may be reimbursed for actual expenses not to exceed the maximum meal reimbursement for the specific location and can be charged to the State Travel card.

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

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

7.2.3.1 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.

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

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

7.3.1 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.

7.3.2 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.

7.3.3 This notification must include the timing of the trip, its purpose and the name of a contact person for additional information.

7.3.4 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.

7.4 Foreign (International) Travel Other than Canada and Mexico

7.4.1 Each member must ensure the foreign travel of its employees complies with state of Texas foreign travel guidelines, system requirements and member processes.

7.4.2 Prior approval by the member CEO or designee is required for foreign travel.

7.4.3 Any foreign travel, including Canada and Mexico, must follow export controls.

- 7.4.4 All foreign travel must route to the System 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 classified as 'extreme risk' require approval of the member CEO or designee.
- 7.4.4 Foreign countries may have additional rules such as applicable visitor taxes or a rule regarding registration before a visit is allowed.
- 7.5 Pre-approval for Out-of-State Travel including Canada and Mexico
 - 7.5.1 Pre-approval of out of state travel is required if the travel occurs on state funds.
 - 7.5.2 Per the Comptroller's Office, out-of-state travel is travel outside of the state of Texas and includes Canada plus Mexico.
 - 7.5.3 Each CEO can expand this requirement to include out-of-state travel paid with local funds at their discretion.
 - 7.5.4 Any foreign travel, including Canada and Mexico, must follow export controls.

7.6 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 the travel will not be reimbursed.

7.7 Travel Bonus (Frequent Flyer) Rewards

- 7.7.1 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.
- 7.7.2 If an employee uses travel miles for a business trip, the employee is only allowed to charge or seek reimbursement for the out-of-pocket costs incurred.

8. USE OF SYSTEM AIRCRAFT

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

9. OFFICIAL TRAVEL BY SPOUSES AND RELATIVES OF EMPLOYEES

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

- 9.3 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.
- 9.4 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.
- 9.5 IRS regulations may require 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 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 governing 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

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

12. STATE CREDIT CARDS

- 12.1 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 the employee's individual card. The system will not be responsible for the charges, regardless of the type of charge.
- 12.2 If a purchase of goods and services from a vendor is made on a state payment credit card and the purchase is over \$500, the vendor must be reviewed to ensure they are not on hold with the state of Texas using the Comptroller's Office Vendor Hold website. Documentation proving the review occurred prior to the purchase is required to ensure vendors, who are on state hold, are not receiving payments.
- 12.3 A member may elect to use individually named, agency-paid credit cards. These credit cards may be used in conjunction with an e-travel system. The individually named, agency-paid credit cards must be used for official business use. This allows the travel card to be used to purchase business items needed for a business trip even though the employee may not be in travel status yet as long as the expenses are purchased with

institutional funds. Any personal expenses are reimbursable to the member. Members issue an invoice and record an accounts receivable to employees for personal expenses. Employees are 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.

12.4 An agency liability travel card may be used for business meals while in the city of the employee's headquarters as long as these costs are charged to institutional funds only.

13. TRAVEL GUIDELINES ON LOCAL FUNDS

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; or
- (h) Travel expenses of prospective employees.

14. RULES ON ALCOHOL PURCHASES

14.1 Alcohol purchases cannot be paid from appropriated or state funds; only institutional funds can be used.

14.2 For institutional funds, alcohol can be purchased on a member liability travel card or reimbursed to an employee when ALL criteria below 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, *Alcoholic Beverages*.
- (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.

- 14.3 If one or more of the stated criteria above are not met, the member issues an invoice and records an accounts receivable to the employee for the expense. The employee is placed on state hold if the employee fails to reimburse the member on a timely basis for the alcohol expense.

15. 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 § 51.9335 \(d\), *Acquisition of Goods and Services*](#)

[Tex. Educ. Code § 85.22, *Expenditures*](#)

[Tex. Admin. Code \(state.tx.us\) Title 34, Part 1, Rule 3.293](#)

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

[State Travel Management Program \(texas.gov\)](#)

[The Texas A&M University System Travel Forms](#)

[Textravel-State of Texas Travel Resource](#)

[Texas Office of State-Federal Relations \(OSFR\)](#)

The Texas [A&M University System General Accounting](#)

[System Policy 13.04, *Student Travel*](#)

[System Office 15.02, *Export Control Program Management*](#)

[System Regulation 21.01.07, *Fiduciary and 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

For details regarding international travel, see the [Office of Risk Management – The Texas A&M University System](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

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