

## Notes

### Accounting Principles Committee (APC) 2017 TASSCUBO Winter Conference Monday, July 10, 2017 JW Marriott Hill Country Resort & Spa Exhibit Hall A San Antonio, Texas

4:00 pm – 5:30 pm  
Exhibit Hall A

- Preparing for 2017 Annual Financial Reporting Season
  - Review the deadlines **Biggest concern is the PT deadline moved up to 9/1.**
    - Sheri Hardinson raised an issue immediately. It is impossible to meet this deadline because not everything is completed, including payroll and accruals. What the Comptroller's Office told her was we should just fake certify – record a couple of lines. This is a problem if you submit a batch upload plus you know it's incorrect. If everyone has fake data, then defeats the purpose of an initial certification. It's a problem for anyone who doesn't use USAS as their primary system.
    - Not good numbers on accruals at that time. Could we just put a \$1?
    - Can we just not certify? Get locked out and make them unlock us
    - A&M doesn't close August until Sept 6. Not even ready until 10<sup>th</sup> or 12<sup>th</sup>
    - Non IHE state agencies already contact us and don't understand why we can't post our numbers
    - It is nice they are opening systems up early
    - Could it be "initial reporting" and not "initial certification"? We know it won't be final or accurate. (Man with white hair on the far left).
    - Selena –wondering if maybe part of it is that it's not really initial **certification**. Maybe we're getting wrapped up in what we are calling it. But she's not positive. Shelly said it could be subject to change. We need to get true information on what "certification" means. Selena will ask Shelly.
    - Texas A&M Ag Extension stated they have never had an audit problem with what was completed for the initial data. Never written up in an audit.
    - Don't see a purpose in putting a bad number out there.
    - TTI – what's the point of data if you know it's not accurate. The point was to start the process of reconciling your info with as accurate as possible info.
    - TAMUS will send another email based upon this feedback and circle back with this group
  - Capital Asset Transfers, new object codes for cash activity related to capital assets between state agencies/institutions

- This is for 2018. The CAFR is out of balance between proprietary and gov't funds. The concept of "boot" is where cash is involved with capital asset transfers. They believe cash is causing the transfers to be out of balance.
    - A&M records gain/loss of sale capital property, many institutions agreed this is the accounting event for the cash. Another entity also had a small amount that went to gain on sale. Within UNT campus
    - The Comptroller's Office will create new object codes. We will need to add these into our accounting systems in 2018.
    - Very often there is no cash in our capital asset transactions, usually just an asset between agencies...most institutions agreed
    - TTI has significant activity with TxDot. But it's really the purchase of asset and when the project is complete assets are transferred. Cash occurring with the transaction is rare.
    - Could impact elimination entries for university systems in 2018 with new transfer object codes
  - SEFA Note 3-Student Loans and Note 8-Disaster Grants updated
    - On the face of the SEFA, you have to put the value of all your loans for Perkins
    - You put in your beginning balance, walk thru, ending balance. Used to just be on Note 3. Now it's on the face of the SEFA. SAO finding didn't completely match the instructions for 2016.
    - How many people are liquidating Perkins? There is only 1 processor left. And gov't only extending it for 1 year.
  - SEFA web application open August 1<sup>st</sup>
  - Lapse Program for AY 2015 will run August 21<sup>st</sup>
- Legislative Changes
  - 2017
    - House Bill 2, Section 26 Governor's Hiring Freeze,
      1. Post as lapses in our main appropriation, GR
      2. Need to gather documentation from our budgeting team for the totals to be lapsed
      3. Comptroller's Office allowing to post in FY 2017 or FY 2018, will institutions recommend these are posted in FY 2017?
        - What is our group going to do? Comptroller's office will lapse in November. Is everyone going to have a lapse? About half of the group raised hands.
        - July 14 deadline was only for reductions, not for the lapse.
        - Most institutions will calculate the lapse and record the transaction. There is some risk waiting for the auto lapse program to run and the lapse would be recorded in FY 2018 vs FY 2017.
        - Email Selena if you want the spreadsheet for the auto lapse calculation. You fill in the blanks and it tells you the amount.
        - SFA – are we splitting the lapse between GR and GR-D? Selena- You could have lapse in both GR and GR-D. You'd lapse the budget, but the cash would be there.

- Most institutions are lapsing GR only
    - Some budget offices have not provided details to the accounting team
- GASB 60 Service Concession Agreements-for higher ed these are most often Parking, Student Housing, Bookstores or Food Services which have been outsourced
  - Which institutions report these on their AFR?
    - A&M doesn't have any to report at this time. Parking, student housing are potential examples.
    - SFA is debating on whether or not it's reportable
  - Open Discussion on the process, any challenges?
- APS011 Benefits Proportional by Fund
  - No changes have been made to the APS011 Calculation for 2017
  - The GAA now includes references from the 2016 instructions
  - Keep each other updated if there are changes
    - Some changes in the statute but no new requirements
- NACUBO Updates
  - Year-Round Pell-newly reinstated year-round Pell awards effective 2017-2018 award year; help students maintain their academic progress in the summer. Upper limit isn't changing for the year, just spreading across a full year.
  - Overtime Rules-Labor Department indicated they would be requesting a new round of public comments for Obama administrations overtime rules. They understand the overtime exemption moving from \$23,660 to \$47,476 was too drastic. Back on the table. No discussion.
  - Any additional items?
- Council On Governmental Relations (COGR) Updates-They have submitted templates requesting all institutions submit a letter to the White House, Office of Management & Budget and US DHHS discussing the opposition to the 2018 budget proposal for NIH proposed reduction to the NIH budget by \$7.2 billion and restrict F&A costs to 10%
  - Significant impact if reduced to 10%
  - Did any institutions issue letters?
    - When are letters due? First hearing in Washington DC was about 2 weeks ago but still please send letter in. Did anyone else do anything?
    - One institution has worked with their VPR office
    - They would have to allow direct administrative charges that have not been allowed in the past if they cap the IDC
    - Review Letter - handout
- Comptroller's Office Expenditure Audit-a few audit findings, open discussion
  - Direct bill by the hotel and/or credit card payments if state funded, and seek reimbursement; the alt vendor is the credit card company, not the traveler. Comptroller's Office has stated the traveler data is required on the entry. We believe this is not the accounting event; we are paying the credit card company. We have travel vouchers with the detailed charges by travelers.
    - Any other institutions have this finding?

- One institution was told that they had to enter employee SS# for the alt ID
    - Another institution was told the alt ID had to be the employee as the alternate vendor. Or use the TINS numbers, not SSN.
  - Service departments, we are allowed to have them and can seek reimbursement from state funds; however, when we are seeking reimbursement, we must have a unique TINS number (mail code).
    - From Selena – you aren't supposed to be reimbursing yourself
    - Teresa and another institution: They need a specific mail code that identifies the Service Department. That will clear an audit.
    - See FMX website [Service Departments](#)
  - Condition code of Assets being analyzed, need to ensure property managers are providing guidance on the condition when departments are inventorying the assets. Ensure if older than one year, not listed as 'new'. Also required per new Uniform Guidance. This was a federal grant audit, maybe NIH. They did not like that the condition code has not been updated. There is a state rule that also requires condition of assets to be correct.
  - Any other items institutions are receiving?
    - SFA – Comptroller Office audit - ITA box checked on all the direct deposit forms for vendors that are set up as direct deposit. Make sure if you use an alternate form rather than the Comptroller's direct deposit form, that it's being filled out correctly as well. Also looking at USAS confidentiality forms and want the original forms from initial hire. They want it to have 2 signatures, someone other than the individual with access. However, the Comptroller's form doesn't have two signature spots.
    - San Angelo, Comptroller's Office reviewed the cost comparison for travel and how many people in the car. Direct bill was not a finding but a management issue. Travel was reviewed. And looked at direct deposit forms.
    - Midwestern – last year they had a post payment audit – had findings because 3 forms didn't have the ITA box checked. They looked at CTIA forms also, and retention is 5 years.
    - TAMUC – also the Comptroller's Office is looking at prenoting on direct deposits. It's a question on the initial questionnaire. For TAMUC, prenote doesn't happen on payroll, but we do prenote on AP. (A prenote is a zero-dollar transaction that is sent to a bank through the Automated Clearing House (ACH) network. Banks use prenotes to verify the accuracy of account data, such as routing numbers and account numbers.)
- Internal Audit Questions
  - Student Receivables-auditors are analyzing each institutions write off policies, fiscal office provides the entries and what is expected, but not percentages or timeframes...what do others do? What is reasonable? Based upon individual institutions experience?
    - When writing off the account from the student system? 5 years or permanent?
    - When writing off the debt on the AFR? 1-3 years?

- UNTS – not writing off; actually trying to bring old balances. Old debt in student finance system that still is collectible and has warrant hold process. So trying to bring back into financial system, because can't reconcile the two systems.
    - UNT - after 2 years start writing off for AFR
    - UTSA – after 2 years start writing off for AFR  
TAMUC – in banner move them to a “write off” detail code; after 3 years
    - SFA – write them off when they die; bankruptcy: they put on hold if not discharging educational debt. Record an allowance based on age and percentage. Can't have a negative bad debt expense.
  - Travel cards being used with institutional funds; require being in travel status? Statutes have changed. Potentially we will have a one-card solution. Auditors still reviewing this issue.
    - A&M OGC believes higher ed exemption to be able to use travel card when not in travel status
    - There is talk of a one card solution, which would be big help
    - Some universities still issue both pcard and travel card. Auditors still reviewing.
    - One institution does audit of IBT cards to make sure not being used while not in travel status. They saw write ups for not reviewing charges.
    - UTSA does use a one card solution for handful of people for executives and heavy travelers. Don't allow any meals on travel card. If they need a business meal, they place the charge on their procard. They are looking to see about expanding the one card method for everyone.
    - SFA – is the state allowing us to issue debit cards? Preloaded cards not debit cards. Yes, and TAMUHSC and UTSA use. Athletics is big user at UTSA.
- Upcoming GASB Pronouncements
  - GASB 81 *Irrevocable Split-Interest Agreements-FY 2018* –
    - Really complicated; UT is probably expert on this one. Jamie already submitted and they requested details and they don't have that yet. Harder change is where we are a beneficiary but not intermediary. Development office tracks the details but not all the data is available to record the accounting. Every trust is different. Trying to write up all the various buckets of types of trusts and funds, to see if some could even be excluded. This one will be really hard.
    - Questionnaire by the Comptroller's Office, due July 31<sup>st</sup>
    - Irrevocable split-interest agreements where the institution is the intermediary
    - Might be recorded in Annuity and Life Income Funds, analyze activity and balances
  - GASB 87 Leases-FY 2020 – **Correction FY2021**
    - This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and

an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

- Subleases will be included
- Audit issue due to volume of leases, financial ratio impact the viability and other debt ratios and the CFI
- Consider investing in a lease accounting software package
- One institution started inventory tracking on leases.
- This will change procurement and budgeting b/c it changes the way you budget for the full lease term
- TAMUC – met with purchasing team – be sure you can just identify them
- Financial Reporting Model-**FY 2022 – some schools think it'll be pushed back**
  - BTAs will be reviewed
  - Role of the Cash Flow Statement
  - Examining the operating revenue/expense