

**Notes & Updates After the Meeting**  
**Accounting Principles Committee (APC)**  
**TASSCUBO Conference**  
**Monday, July 9, 2018**  
**The Gaylord Texas Resort & Convention Center**  
**Meeting Room: Grapevine 1**  
**Grapevine, Texas**

4:00 pm – 5:00 pm

Grapevine 1

**Agenda Items**

- Looking forward to the **2018** Annual Financial Reporting Season-UT & A&M System met with the Comptroller's Office regarding upcoming changes
  - Comptroller's Office trying pushing forward on items to improve their CAFR processes
  - They are no longer having the AFR Workshop in July, they are giving monthly updates instead, need to review the topics. If Shelly Arnold is listed potentially there could be an update for the AFR.
  - 2018 Changes
    - USAS AFR template and certification form will no longer be required. They are still requiring items they need for statewide matching.
      1. Cash in State Treasury entries not needed
      2. Legislative Appropriations and Legislative Revenue might still be required since the GR Recon is required (wait and see)
      3. Transfers are still required until a new transfer website is ready, hopefully 2019
      4. Federal Revenue, pass-through revenue and expenses still required
      5. Capital Asset entries are still required
    - Eliminating the desk review of university components within a system to allow a more in-depth review of the consolidated system AFR
    - Web applications (GR Recon, SPTR, SEFA, CANSS, etc.) all still required
    - System clearing still needs to be zeroed out at year end
  - 2019 Changes
    - Creating a new website, this will potentially remove the CANSS certification for university components within a system and remove the USAS entry for these items
    - Not sure of the impact to the non-system institutions, still working on understanding the changes **independents will still have same responsibility – enter at individual line items**
    - **Question – new web app for transfer on capital side? Yes – CATS for FY2019, capital, transfers, cash, all transfers into one website**

- Question – bimonthly mtgs – are they changing any of the technology? Very hard to hear the call due to people entering and leaving? Think it's getting better. Watch the agendas to see the AFR topics, or see if Shelly Arnold is on there. Website needs to be updated better. Now go to webinar instead of a call. May meeting was changed with better technology
- APS011 Benefits Proportional by Fund
  - No changes for the upcoming calculation no changes that Selena is aware of.
  - Per the GAA, our internal auditors are required to review 3 years of APS011 calculations 2015-2017
    - TAMUS internal audit did have some findings; mostly related to the items in our Statutory Tuition or switching between state and federal funds, more revenue questions than expenses
    - How did other institutions come out?
  - ACOs have completed the 2017 reviews
  - Any other issues? **Midwestern was reviewed by internal audit this year; did SAO select any other institution? Yes – one – Albert at Texas State Technical College. Audit went well.**
- Comptroller's Office Expenditure Audit-the Comptroller's Office has updated FPP.043
  - Travel expenses as it relates to direct hotel charges 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 USAS reimbursement entry.
    - Comptroller's Office will not alter their opinion
    - TAMUS members are changing their travel interface in September, 2018
  - PCard transactions-Comptroller's Office is requiring the vendor where the credit card is swiped be listed on the USAS reimbursement voucher.
    - Many issues
      1. Vendors will be required to be setup in USAS/TINS for it to process successfully, we will be receiving the vendor data from Citibank, we will not have W-9, concerned about the vendor integrity in our accounting system and USAS/TINS...we will mark these vendors so they cannot be used on any other type of transaction
      2. Wrong accounting event, will show in our accounting system as a payment to the vendor we swiped the credit card at vs. payment to Citibank
      3. Reconciliation issues, ensure the payment from the Comptroller's Office goes back to the clearing accounts
      4. Significant increase in vouchers since it is at the vendor level vs. now it is at the pcard cardholder level
    - TAMU polled several institutions
      1. About ½ are sending Citibank and ½ are sending the vendor where the credit card was swiped
      2. Several institutions are concerned this is a big change and a burden
    - We will make a trip to Austin and discuss with the Comptroller's Office



- We might need to consider the impacts on the administrative ratio since UT & A&M system members will not have OPEB expense or pension expense on their financial statements (this will be discussed in the next joint meeting with the budget team)
  - **UNT System – mirrored image what they do with pensions – book at System level – don’t allocate down to institutions**
  - **Midwestern – Comptroller’s Office will post GR in Fund Type 06; they will communicate to Midwestern the amount of non-GR to post in Fund Type 05; will have a restatement**
  - **Texas Tech System doesn’t have their own plan – book at System level**
  - **We are working through the mechanics of recording the restatements – to pull off the old balance for A&M and UT Systems**
- **GASB 81 Update by UT System-Irrevocable Split-Interest Agreements-FY 2018**
  - Very complicated if your university has these types of agreements
  - Research is needed
  - **A&M System didn’t have a lot of these**
  - **Jamie at UT System – only one dealing with this, this year; calculated for all their institutions; auditors are reviewing now; components will be booking their piece; some were already on the books; new activity – booked both system and component and then eliminate; follow same process already established; system will do on their behalf; audited at the system level; can provide details/documentation; are using a materiality threshold;**
  - **Hard to believe it doesn’t affect everyone; A&M has a Foundation so that’s why not affected. Recommend institutions review the requirements to verify these contracts do not exist. Jamie at UT System offered to help if anyone has questions.**
- **GASB 83 Certain Asset Retirement Obligations, FY 2019**
  - Obligations to decommission certain tangible assets, nuclear reactors, wind turbines, sewage treatment plants and/or removal x-ray machines, etc.
  - Complex calculation, FASB schools are calculating now, samples are available
  - **UT System is still working on a policy; basically every institution that does research; most have broad scope license; risk management is working on this issue with institutions; decommissioning plans need to be analyzed; think they will have to record at the member level; includes underground storage tanks for gas.**
- **GASB 84 Fiduciary Activities FY 2020**
  - Separate financial statements for some of our activities
  - Analyze Agency Funds
    1. Foundations
    2. Investments Held on behalf of other Institutions
- **GASB 87 Leases- FY2021**
  - 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
  - GASB 89 FY 2021– Discussions related to interest; need to review the standard; construction related to debt; capitalized interest; all going to be affected; first year could be a challenge. The standard was issued and recommended to be implement on our before FY 2021; will be required to no longer capitalize interest costs going forward. No restatement is required.
  - Financial Reporting Model-FY 2022
    - BTAs will be reviewed
    - Role of the Cash Flow Statement
    - Examining the operating revenue/expense
- Workday Implementation for Human Capital Management
  - Texas A&M University System went live with Workday December 17<sup>th</sup>, 2017
  - UT is going live November, 2018 with HR/Payroll
  - Big challenge is the benefits being required to be posted with unique appropriations and Funds
    - UT will implement blended benefit rate in September It's a big change. Must implement at the beginning of the fiscal year with their legacy payroll system. How is research office handling for federal funds? Grants get charged the pooled rate; get reimbursed on actuals in the E&G fund groups.
    - TAMUS considering blended benefit rate.
    - Any others considering this option?
  - Any others going through this process?
- 1099-Interest threshold related to the prompt pay act-several institutions have been discussing this issue; just wanted to share some research. Since institutions are government entities, we only need to issue 1099-INT for prompt pay if it is over \$600. Some of us were using the \$10 threshold in the past or no threshold, but this is not required per the research completed.
- 1099 Box 1 Rentals or Box 7 Contracted Services- would like to understand how institutions are determining the proper box for hotel lodging charges (for partnerships and individual owned/franchised hotels). At A&M object codes for each one.
  - Cindi-Tx State - Institution who submitted question. Different guidance being given at conferences. Payments to hotel for renting the lodging room are being told either Box 1 or Box 7.
  - Cindi-Tx State – question – What do institutions do to review general ledger transactions and review/verify the vendor? So if you're an individual vendor but you're renting something, it's not box 7 it would be box 1.
    - UT has object code like A&M – automated system with IT logic built in.
- Invoice Received Date-would like to understand how institutions are determining this date. Is it when the invoice is received anywhere on the campus, or when received at the address listed

on the PO for invoice submission (i.e. Accounts Payable address)? Additional concerns on this include situations when the campus staff has not provided the PO to the vendor (and the vendor does not have the invoice mailing information) or the campus staff advises the vendor to send the invoice directly to them rather than the address on the PO. How is the 'invoice received date' managed by other institutions in these situations? How do they manage compliance with the campus staff to have invoices sent to the proper address (e.g. Accounts Payable)? What processes do they use and how successful are they?

- For TAMU, they will defer to the date on the invoice unless the department stamps or writes on the invoice the date they received it. It could be stamped in at the front desk or sent to the person who ordered it. The accuracy of this date is a challenge.
- Any other institutions want to share?
- Tuition Rebates-Comptroller Object Code 7696-from the Comptroller's Office Manual of Accounts this rolls to Other Operating Expenses vs. Tuition Reduction and is not 1099 reportable. Normally issue checks from A/P for this item, but should we be adjusting the 1098T? Institutions are discussing how to treat this item.
  - We have talked with the Comptroller's Office they are comfortable with the AFR roll up and it is not reportable on the 1099 since it is not a service or interest, it is most similar to a refund. They did not have an opinion on the 1098T.
  - Definition of tuition rebates--To record payment for tuition rebates to students who complete their undergraduate coursework with no more than 3 semester credit hours in excess of the minimum required to complete their degree, as authorized by Texas Education Code 54.0065
  - TAMU believes it should be reported on the 1098T
  - Any other institutions want to share their experience?
- SACS Audit Requirements-there are additional requirements depending on the SACS audit team and additional requirements without much notice
  - For the 5 year review-some institutions are receiving notices SACS is not accepting the SAO audit opinion under the Single Audit work for the student financial aid (SFA) cluster. Some institutions are having an external audit completed on their SEFA-financial assistance.
    - SACS's is concerned with SAO's low-risk assessment of the SFA Cluster, which leads to no transactional testing for some institutions. This is compliant with OMB Uniform Guidance, however, SACS has determined their standard requires evidence of compliance and presumably SAO's opinion is not sufficient.
  - Hoping SAO re-evaluates federal financial aid audits and completes more work to help with SACS compliance
  - Institutions may need to consider audits on SFA cluster for the 5 year review and potentially financial statement audit for the 10 year
    - TAMUS is working with our internal audit team to determine if our internal auditors could provide the field work needed
  - Recommend working with the SACS team as soon as possible
  - Additional input?
  - **UNT Health Science Center – is having an audit of the HSC alone; SACS team would not accept SAO statewide opinion letter because detailed transactions weren't tested in**

- that audit. It's a Title IV (financial aid) audit. It will completely depend on your SACS audit team. They've had 3 SACS reviews in 3 years. One accepted everything for UNT; UNT-D was accepted; UNT-HSC asked for additional work. Theoretically financial aid cluster would suffice. The sooner we can clarify with the audit team the better since they are providing inconsistent answers.
- Midwestern's 5 year review is in April – and they are considering a financial aid external cluster review by an external audit team.
  - Sheri – UTSA – contracting with Deloitte and probably will do just a financial aid cluster review.
- Any other Items to discuss?