## Day 1 Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Presenter</th>
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<tbody>
<tr>
<td>8:30 am</td>
<td>Introduction/Accounting Update</td>
<td>Teresa Edwards</td>
</tr>
<tr>
<td>10:00</td>
<td>AFR Reporting Updates and Timeline</td>
<td>Tracy Crowley</td>
</tr>
<tr>
<td>11:15</td>
<td>Treasury Services</td>
<td>Julie Perry</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo – New Faces of Fraud</td>
<td></td>
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<tr>
<td>11:30</td>
<td>Lunch on your own</td>
<td></td>
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<tr>
<td>1:15 pm</td>
<td>Workday Impact – Accounting &amp; Payroll</td>
<td>Tracy &amp; Teresa</td>
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<tr>
<td>2:30</td>
<td>Break-Out Discussion Topics (choose one)</td>
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<tr>
<td></td>
<td>- AFR Module &amp; Reporting</td>
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<tr>
<td></td>
<td>- Capital Assets &amp; Leases</td>
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<tr>
<td></td>
<td>- Statement of Cash Flows Preparation</td>
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<tr>
<td>4:00</td>
<td>Discussion Topic Results</td>
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<tr>
<td>5:00</td>
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# Day 2 Agenda

(Assembly Rooms 3 & 4)

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<tr>
<td>8:00 am</td>
<td>Networking</td>
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<tr>
<td>8:30</td>
<td>Opening Comments</td>
<td>Teresa</td>
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<tr>
<td>9:00</td>
<td>FAMIS Year-End Process FAMIS Production Team</td>
<td>Melissa Ray, Wendy Hall</td>
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<tr>
<td>10:30</td>
<td>APS011 – AFR Review Process</td>
<td>Tracy</td>
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<tr>
<td>11:30</td>
<td>LBB Admin Ratio Discussion &amp; Closing Comments</td>
<td>Teresa</td>
</tr>
<tr>
<td>Noon</td>
<td>Adjourn</td>
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</tbody>
</table>
Introduction/
Accounting Update

Teresa Edwards, CPA
Controller
Texas A&M System Office
SOBA-Accounting Team

• Tracy Crowley, Assoc. Director, Financial Reporting
• Monica Poehl, Assoc. Director, Accounting
• Chris Arrington – System Office Operations
• Halli Falke – Construction & Analytics
• Amanda Johnson – Construction Accounting
• Sharon Kovar – Construction Accounting
• Wanda Roof – Cash & Investments
• Tori Smejkal – System Office Operations
Welcome

- Each year we meet to review AFR Processes, discuss upcoming changes
- Goal is to kick off the AFR season
- Discuss important issues
- Discuss Challenges & Successes
  - Workday HR/Payroll Implemented in December, 2017
  - APS011 Internal Audit for 3 years 2015-2017
- SAO Audits
  - Other Post Employment Benefits (OPEB)
  - SEFA-TAMU
  - Capital Assets-TAMU
2017 Consolidated Balance Sheet

- TAMUS Continue to have strong financial statements
- 2017 is the second year for Pensions to be recorded for all Texas Universities
- Most numbers are continuing to show growth
  - Assets plus Deferred Outflows $13.9 billion
  - Liabilities plus Deferred Inflows $7.9 billion
- Ratio Analysis
  - Current Ratio/Liquidity-CA/CL 1.89%; we have $1.89 in assets to pay every $1 of liabilities…very good
  - Debt to Asset-Total Liabilities divided by Total Assets 57%, 3% increase
- Another year of AAA Bond Rating for us
  - Treasury Services does an outstanding job working with
    - Bond rating agencies and Members to ensure our bond rating remains exceptional
2017 Consolidated Balance Sheet

- Assets & Deferred Outflows decreased $1.2 billion
  - Increase in Investments $312 million
  - CIP increased $40 million
  - Deferred Outflows increased $39 million for Pensions
  - Legislative Revenue increased $9 million

- Liabilities & Deferred Inflows increased $954 million
  - Bonds Payables increased $563 million, totaling $3.8 billion
    - PUF $877.2 million
    - RFS $2.9 billion
  - Pension & OPEB increased $226 million
2017 Consolidated Balance Sheet

- Liabilities & Deferred Inflows, continued
  - Funds Held for Others increased by $37 million, non-TAMUS members investing with Treasury Services

- Net Position increased $240 million
  - Net Investment in Capital Assets increased $188 million
  - Unrestricted increased $60 million
2017 Consolidated Operating Statement

- Operating Revenues increased $39 million
  - Tuition & Fees less Discounts increased by $41 million
  - Increase/Decrease in Fair Value of Investments increased by $198 million due to double digit increases in capital markets
  - Gifts decreased by $43 million due to TAMU 12th Man Foundation variance for Track and Field Stadium vs. funds received in prior years for Kyle Field

- Operating Expenses increased by $533 million
  - Instruction increased by $77 million, total students 152,415
  - Research increased by $17 million
2017 Revenues and Transfers
$4.9 Billion

- Student Tuition and Fees: 21%
- Sponsored Projects and Grants: 17%
- Net Other Sales and Services: 6%
- Auxiliary Enterprises: 6%
- Federal appropriations: 5%
- Gifts: 3%
- Investment Income: 9%
- AUF Transfer from UT System: 6%
- State Appropriations: 23%
- Other: 4%

Total: $4.9 Billion
NACUBO Function 2017 Operating Expenses
$4.5 Billion

- Instruction: 27%
- Research: 18%
- Public Service: 6%
- Academic Support: 9%
- Student Service: 4%
- Institutional Support: 10%
- Operation & Maintenance: 6%
- Scholarships & Fellowships: 5%
- Depreciation & Amortization: 7%
- Auxiliary: 8%
- Scholarships & Fellowships: 5%
NACUBO Function-Percentage Comparison

<table>
<thead>
<tr>
<th>NACUBO Function</th>
<th>2017</th>
<th>2016</th>
<th>Variance</th>
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<tr>
<td>Instruction</td>
<td>26.6%</td>
<td>26.3%</td>
<td>0.3%</td>
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<tr>
<td>Research</td>
<td>17.6%</td>
<td>18.2%</td>
<td>-0.6%</td>
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<td>Public Service</td>
<td>6.2%</td>
<td>6.4%</td>
<td>-0.2%</td>
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<tr>
<td>Academic Support</td>
<td>8.5%</td>
<td>8.9%</td>
<td>-0.4%</td>
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<tr>
<td>Student Service</td>
<td>4.3%</td>
<td>4.2%</td>
<td>0.1%</td>
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<td>Institutional Support</td>
<td>9.9%</td>
<td>8.8%</td>
<td>1.1%</td>
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<tr>
<td>Operation &amp; Maintenance</td>
<td>6.4%</td>
<td>6.7%</td>
<td>-0.3%</td>
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<tr>
<td>Scholarships &amp; Fellowships</td>
<td>4.9%</td>
<td>4.8%</td>
<td>0.1%</td>
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<tr>
<td>Auxiliary</td>
<td>8.2%</td>
<td>8.5%</td>
<td>-0.3%</td>
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<tr>
<td>Depreciation &amp; Amortization</td>
<td>7.4%</td>
<td>7.2%</td>
<td>0.2%</td>
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<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
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Overall 2017 AFR Excellent

- Excellent AFR year
- Financial Statements present a clear picture of growth and stewardship
- Excellent Individual Reports
- Challenges from a Statewide Perspective
  - Hiring Freeze Lapses
  - Financial Reporting went very well
FY17 AFR Desk Reviews Recap

3 Average number of point log items

2 Average number of corrections needed

How it feels to work with fabulous accountants
## FY17 AFR – Number of Corrections

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<td>AgriLife Extension</td>
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<td>TAMRF</td>
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<tr>
<td></td>
<td></td>
<td>PVAMU</td>
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</table>

|        | 3-5             |
|        | TAMIU           |
| TAMUCC | TSU             |
| TEEX   | TAMUCT          |
| TAMUK  | TAMUSA          |
| HSC    | TAMU            |
| System Office |         |
| AgriLife Research |       |
| WTAMU  | TAMUT           |
WHO'S AWESOME?
YOU'RE AWESOME!
Consistent Reporting

- We continue to see improvements in reporting
- We do want to encourage members to reach out and help one another
- The System Office provides help interpreting accounting standards; working with FAMIS on implementations and improving process
- Your teams see far more operational items
- Being part of the Texas A&M System, there is analysis occurring between members
  - Business Objects reports are being run
  - Internal Audit Team
  - SAO, reviews not only A&M System members, but state-wide
Comptroller’s Office-Disbursement of Funds Audits-Travel Reimb. Change-2019

- Travel card-interface is being changed September, 2018, for FY 2019, when sending the reimbursement voucher to USAS we will send with the Traveler Information
  - Members will need to change the way we analyze the deposits, the deposits will no longer be recorded to Citibank-TC on the USAS reports
  - Review the reconciliations and ensure the deposits are being posted back into the Travel Card clearing account

- If you are a member who is not using Concur, need to post FAMIS vouchers at the traveler level in FY 2019
Comptroller’s Office-Disbursement of Funds Audits-Pcard Reimb. Change-2021

- P-card interface is an issue for the Comptroller’s Office, they are requiring we submit vouchers to USAS with the vendor where the credit card was swiped in September, 2021
  - We are working with the FAMIS team and FMO to see what is possible
  - We appreciate being given a few years to work out the details of this interface

- If you are a member who is not using Citibank/Concur for credit card allocations of the pcard, the vouchers will need to be entered in by vendor beginning in FY 2020 to meet the deadline given by the Comptroller’s Office
Workday HCM-HR/Payroll

- Implementation went live December, 2017
- This was a big change, we need to remember it is important to keep moving forward
- The BPP technology was good; however, finding IT support for mainframe systems is a challenge for all institutions
  - Finding IT resources to work on the coding and supporting the computer
  - We need resources who are graduating to be able to access our software and for it to be comparable to what they are learning in college
Finance Discovery Process

• This workgroup was organized to analyze other software options and determine next steps
• It was determined Workday Finance was the best choice for TAMUS; the workgroup has been providing deeper dives into specific topics: grants, consolidations, chart of accounts, etc.
• Site Visit at LSU, Rutgers University and Yale was very helpful
• Next Steps
  o Determine Costs
  o Submit Recommendation to CFO in October
  o Design COA and implementation on a smaller scale
NACUBO Conferences

• Significant Tax Changes
  o UBIT-One report prepared for all TAMUS members
    ▪ Parking pre-tax? (NACUBO believes IRS will clarify soon)
    ▪ Complexity of the calculation has increased
  o Personal Tax Returns
    ▪ Standard deduction raised; concern over fewer donations to institutions

• Bulk purchases for computers is changing, each institution is recommended to set a policy
  o We have talked with SPA, they are reluctant to make any changes, they still believe the best way to record assets is individually…industry is changing though

• Cloud computing contracts…tricky to determine accounting event, not much GASB guidance
Washington Update

- Pell Grants Program increasing

- Supplemental Educational Opportunity Grant (SEOG), Federal Work-Study and TRIO programs were increased over 2017 levels for 2018

- Despite attempts to cut the NIH overhead payments, a bill was passed explicitly prohibiting changes to the negotiated F&A indirect cost rates

- Boosts for research funding federal entities: NIH, USDA, NSF, DOD, Dept. of Energy and NEH
Accounting Principles Update

- Pass-through Initial Certification deadline moved up to September 1st in 2017
  - Ended up being a non-issue, just balances available were certified

- TRS TEAM Reconciliation
  - TRS can begin penalizing in September, 2018
  - Requesting TRS have a way for us to verify employees who are TRS eligible before loading files
  - If there are issues with employees not receiving their annuity payout because TRS is stating we must have the entire institution or agency reconciled, notify your TRS Coach or Mark Chi, if still have trouble, escalate to the System Office
GASB Update

- GASB 75 OPEB-FY 2018-Change in methodology
  - Liability was $1.3 billion in 2017, could be over $4 billion
  - Discount rate went from 7% to 2.48%
  - System Office will continue to report this liability

- GASB 83 Certain Asset Retirement Obligations-FY 2019
  - We must estimate asbestos liability
  - FASB institutions are calculating this now, very complicated

- GASB 84-Fiduciary Funds-FY 2020
  - Separate statements will be required for us
  - Analyzing Agency Fund activities
  - Changes in the AFR module
  - Student organization accounts could be immaterial
GASB Update, cont.

• GASB 87 Leases-FY 2021
  o Interest Expense must be recorded
    ▪ Derived from the vendor’s offers or use our debt rate
  o Need 3 year lease data starting in 2018, we will have a restatement for the asset, liability and interest expense
  o Bulk purchases are allowed to be capitalized per GAAP, not per SPA
    ▪ Talking with the Comptroller’s Office now
  o IT purchases are being bundled now with lease language present,
    ▪ Capital assets will be reported with a liability
    ▪ What do we do in the case where we have controlled assets?
GASB Update, cont.

- GASB 89-Capitalized Interest on Construction Projects-FY 2021
  - No longer requiring the capitalization of interest from debt, starting September, 2020
  - Simplifies construction projects funded with debt, System Office will change their procedures
  - The rationale the financing does not make the asset worth more
FY 2018 Change to the USAS Process

- System Members are not required to submit yellow/grey highlighted spreadsheets to the System or the Comptroller’s Office
- Some balances still required to be posted in USAS by 11/08 or sooner
  - CIST, Fund 0001 offset CIST GL 0045 with GL 0048 - Not Required
  - CIST Other Funds match amount to 57 screen with GL 0047 - Not Required
  - By Oct. 30 Legislative Appns, Legislative Revenue must match GR Recon - Still Required
  - Due from/Due to match AFR less activity between A&M member - Still Required
  - By Oct. 20 Capital Assets match Note 2 and post to Fund 7999 - Still Required
  - By Sept. 26 Federal/State Revenues/Expense match Schedules 1A & 1B
  - Record non-A&M member transfers, if any - Still Required
USAS Process

- Update the spreadsheet with the final USAS numbers after entries are posted in USAS - Not Required

- Each fund must be listed separately on the SNA - Not Required

- We are not required to enter activity between A&M members into USAS. Due from/to, Pass-throughs and Transfers - Still Required

- We are not required to enter Retirement or Unemployment entries into USAS. They will be on our GR Recon but we do not enter them in USAS. These are paid on behalf entries only enter into GR Recon Web Application - Still Required
2018 USAS AFR Entry Changes

- System Office will removed the USAS/AFR Review Checklist
- Cash in State Treasury (CIST) must net with 0048 Legislative Cash in GR; GR Cash must net to zero - Not Required
  - CIST must match the System Office CIST Workpaper by Fund - Still Required
  - System Clearing GL 9999 must be zero - Still Required
  - Pass-throughs should tie to the AFR and the AFR column, USAS column will be less intra-A&M member - Still Required
    - Will have valid differences on the template for intra-system activity
- Template must have the SNP & SRECNP - Not Required
- Template must be entered in by Fund on the SNP - Not Required
  - Asset Legislative Appropriations GL9000 must equal GR Recon - Still Required
Common Challenges

• Capital Assets must be entered into the Local Fund 7999 column and posted to this fund in USAS

• Last minute entries can cause issues
  o In USAS or
  o In FAMIS

• Verify batches have cleared the IT file
State Requirements

Teresa
USAS Items to Review in August

- Fund 0900, 9000 & 9001-Clear balances if possible
- Review the IT File for old batches
- Ensure payroll batches are flowing
- We have had issues with negative payroll batches
- Reconcile benefit expenses between FAMIS and USAS quarterly, this will help out the person working on the APS011 calculation
- GR Recon cannot be completed until after APS011
Fund 0900-Unappd Activity

- Review USAS 58 screen using the agency, appropriated fund 0900, inquiry year CY and inquiry month 08 or 13.
Fund 9000-Deposit Default

- Review USAS 58 screen using the agency, Fund 9000, inquiry year CY and inquiry month 08 or 13

NET CASH ACT: 102,061.39
APPN CASH AVAIL: 102,061.39
APPN ACCR CSH AVAIL: 102,061.39
APPN ENC CASH AVAIL: 102,061.39
12 CASH REVENUES 102,061.39
Fund 9001-Returned Items Default Fund

- Review USAS 58 screen using the agency, Fund 9001, inquiry year CY and inquiry month 08 or 13

Texas S058
LINK TO: AGENCY/FUND SUMMARY INQUIRY

AGENCY:,xxx, AP YEAR:,18, APPR FUND:, , FUND:,9001,
INQ TYPE:,CB, (MA, PA, YA, CB, PY, PP)
INQ YEAR:,18, INQ MONTH:,08,
NET CASH ACT:, 45.00-, APPN CASH AVAIL:, 45.00-
APPN ACCR CSH AVAIL:, 45.00-, APPN ENC CASH AVAIL:, 45.00-

12 CASH REVENUES 45.00-
Open Discussion

• Other Items members have questions on
• State Appropriation Challenges?
Time for a break
Reporting Updates & Timeline

Tracy Crowley
Associate Director,
Financial Reporting
Texas A&M System Office
State Comptroller Update

• No longer having AFR Workshop in July
• Instead, added monthly Accounting Policy Meetings
• Next one is scheduled for August 29th – watch for upcoming agenda

• Online Reporting Requirements
  • “Changes” page removed, updates reported on Home tab

• Texas A&M System Financial Reporting Analyst –
  • Maricela Cayetano, maricela.cayetano@cpa.texas.gov
State Comptroller Changes

- Changing their AFR desk review process
- Dropping desk reviews for university components
- Focusing more on the System consolidated report
- How does this impact A&M System Members?

Not Required for Members Effective FY18

1. USAS AFR Template
2. USAS Certification Form
3. USAS Cash in State Treasury Entries
   - FRS will enter shared cash
   - System will enter totals in USAS
4. Not required to zero out System clearing
   (still required for 798, System Office)
USAS Entries Still Required

Interagency/Interfund Activity
- Pass-Through Revenue/Expense
- Due To/From’s
- Transfers

USAS Entries for Web Applications
- CANSS  Enter Capital Asset balances
- GR Recon Legislative Appropriation and Legislative Revenue needed to balance
- SEFA  Federal Pass-Through Rev/Exp
- SPTR  State Pass-Through Rev/Exp
## SEFA and SPTR Timeline

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<th>Description</th>
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<tbody>
<tr>
<td>September 1&lt;sup&gt;st&lt;/sup&gt;  (Saturday)</td>
<td>SEFA and SPTR Initial Certification</td>
</tr>
<tr>
<td>September 21&lt;sup&gt;st&lt;/sup&gt;</td>
<td><strong>Intra-System</strong> Pass-Through Schedules due to System Office</td>
</tr>
<tr>
<td>September 2&lt;sup&gt;nd&lt;/sup&gt; - 26&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Interagency Reconciliation Period</td>
</tr>
<tr>
<td>September 26&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Interagency Activity must be entered in USAS (excludes Intra-System activity)</td>
</tr>
<tr>
<td>September 28&lt;sup&gt;th&lt;/sup&gt;</td>
<td>SEFA and SPTR Final Pass-Through Certification (financial analyst must certify <strong>SPTR</strong> if Intra-System activity)</td>
</tr>
<tr>
<td>November 1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>SEFA Schedule Final Confirmation</td>
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</tbody>
</table>
USAS Pass-Through Activity

• Review State Comptroller object codes (COBJ)
  o Report Pass-Through To and From as **Operating** activity
  o Reported as Operating on AFR, mismatch with USAS
  o Analyze FMQuery Interagency reports for correct COBJ
  o Review RTI set-up on USAS screen 55

<table>
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<tr>
<th>Operating Statement</th>
<th>State COBJ</th>
<th>Federal COBJ</th>
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<tbody>
<tr>
<td>Pass-Through Revenue - Operating</td>
<td>3842</td>
<td>3978</td>
</tr>
<tr>
<td>Pass-Through Expense – Operating</td>
<td>7615</td>
<td>7978</td>
</tr>
</tbody>
</table>

Avoid Non-Operating Codes

| Pass-Through Revenue – NonOper     | 3725       | 3971         |
| Pass-Through Expense – NonOper     | 7614       | 7971         |
FMQuery USAS

• Review Interagency/Interfund Activity Report, compare to AFR reports

• Operating Statement (Exhibit IV)
  o Federal and State Pass-Through Revenue/Expense
    ▪ Total per FMQuery, plus intra-system activity, matches SPTR and SEFA
    ▪ Totals also match AFR Exhibit IV (Revenue) and Sch IV-1 (Expense)
    ▪ Verify obj codes are correct
  o Transfers In/Out
    ▪ Legislative Transfers In/Out match Exhibit IV
    ▪ Operating Transfers In/Out match Exhibit IV
    ▪ Eliminate transfers within the same fund in USAS

• Balance Sheet (Exhibit III)
  o Due To/From matches the Due To/From Other State Agencies rows on Exhibit III
GASB Questionnaires

Complete online GASB Questionnaires by **August 15th**

- **Termination Benefits – New for FY18**
  - Disclosure and possible liability accrual if offering more than COBRA

- **Component Units**
  - Analyze new potential CU’s, any change to existing CU’s?

- **Pollution Remediation**
  - Reportable if the pollution/contamination is known, and the obligation is estimable

- **Service Concession Arrangements (SCAs)**

- **Government Combination/Disposal**

- **Non-exchange Financial Guarantees**
USAS Reminders

• USAS Annual Cash-Basis **Close Friday, August 31\(^{st}\)**

• **USAS unavailable until Tuesday, September 4\(^{th}\)**
  - Prompt Pay Interest is still applicable during this period
  - New PPI rate effective Sept 1\(^{st}\) is 6% (increase from 5.25%)

• **Review USAS IT File** (Screen 53)
  - Balance and release all batches **by August 29\(^{th}\)**
  - Review again in November, any batches dated 08/31 or 08/32 must be released by November 19\(^{th}\)

• **Clear USAS Default Funds**
  - Review USAS Screen 69 (0900, 9000, 9001)
System Office AFR Resources

- **Financial Reporting Resources**
  - Annual Financial Reports
  - Preparation Instructions
  - Submission Deadlines
  - Review Checklist

- List of Items to Submit
- Financial Reporting Contacts
- Important AFR Deadlines
- Sample AFR Reports

- Instructions/updates communicated to AFR email list
A&M System Year-End Deadlines

- **Friday, September 7th** – FAMIS August Close (September 6th for Research Foundation)

- FY 18 PCT’s completed and approved by August 24th
  - Incomplete PCT will be cancelled

- Citibank Purchasing Card Allocations
  - August 27th July 4th - August 3rd Transactions
  - September 5th August 4th – August 31st Transactions

- September 4th - FY18 Equity Transfers

- September 21st Intra-System Due To/From, Transfer and Pass-Through workpapers
## FY18 AFR Deadlines by Member

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<th>Due Date</th>
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<td>September 28&lt;sup&gt;th&lt;/sup&gt;</td>
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<td>TVMDL</td>
<td>October 1&lt;sup&gt;st&lt;/sup&gt;</td>
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<tr>
<td>TEEX</td>
<td>October 11&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMUCC</td>
<td>October 12&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMUC</td>
<td>October 15&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TEES</td>
<td>October 16&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMUK</td>
<td>October 16&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMUSA</td>
<td>October 17&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>AgriLife Extension</td>
<td>October 18&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>AgriLife Research</td>
<td>October 19&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMRF</td>
<td>October 22&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>HSC</td>
<td>October 23&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>TAMU</td>
<td>October 24&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>System Office</td>
<td>October 30&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
Information needed for year-end entries is sent to AFR contacts as soon as available in September

1. Accrued Compensable Absences (ACAP) worksheet
   - Calculate using Business Objects
   - After excess hours have been lapsed

2. TRS Employer Contribution – General Revenue
   - Provide FY18 GR amount for benefits proportional calculation
   - Working on Business Object query using “Uncharged Employer Amount”

3. CIST (Cash in State Treasury)
   - FAMIS State Bank cash must match CIST per USAS
   - Adjust for timing differences between FAMIS and USAS
   - Typically adjust payables/cash for items paid in FAMIS, not posted in USAS
Supplemental Packet (continued)

4. Federal Surplus Property (if applicable)
   - System will request reports from Texas Facilities Commission
   - Sent to AFR contacts for members with activity

5. Property Insurance Premium accrual
   - Coverage period March through February, due in October
   - Accrue March – August in FY18

6. Reconciliation of Assets Held for Investment by System Offices
   - Distributed around the 3rd week of September
   - CCP balance adjusted to include August income
   - Unrealized gain (loss)
### Year-End Accounting Entries

Some of the Common Entries Required

- Accruals – Receivables and Payables
- Contract & Grant Accruals
- Reclassify Federal Receivable (SPR invoices posted A/R)
- Tuition Deferral/Prepaid Scholarship Expense
- Tuition Discount entries – after all tuition entries
- Cash/Investment allocation – wait until all cash entries are completed
- Unrestricted fund balance reclassification entries
Analyze Clearing Accounts

• What’s normal?
  o Benefit Clearing Accounts – expect to see Benefits Payable liability (2210) for August amount
  o Fund Balance/Net Position must be zero
  o Analyze balances and allocate among fund groups as needed

• What type of balances require more analysis?
  o Review balances in account controls 1600-1625, possibly move to Receivables or Payables
  o Appear as Other Current Assets on Balance Sheet
  o Clear Suspense Account entries (FAMIS Screen 017)

• Business Objects Query shows balances for last 3 years
  o TAMUS Shared/AFR Reports/AFR Review Queries/Clearing Account Review
Receivable Analysis

• FY17 Desk Reviews
  o Questions about large Bad Debt Expense fluxes
    ▪ Change in allowance percentage
    ▪ Change in collection procedures
  o Allowance, high % of Receivable
    ▪ Based on System-wide balances, Allowance for A/R is about 3% and Allowance for Student Receivables is roughly 23%
    ▪ Some members have allowance percentages > 50%
  o Calculate allowance percentage annually, estimate based on write-off history
    ▪ Analyze large fluctuations
Service Center Analysis

• Goal is to eliminate internal activity and avoid overstating revenues and expenses

• Current process is confusing, have to consider what’s already been completed by the AFR module

• Then, analyze net income (loss)
  1. Review function for net loss, adjust if other than Institutional Support
  2. Net Income, reclassify as Revenue if over $25,000

• See AFR Instructions Chapter 3 for detailed instructions
Service Center Analysis

• Tools to assist in analysis
  o AFR Schedule IV-4 Operating Income (Loss), review by column (Professional Fees, Materials & Supplies, etc.)
  o Business Objects query, useful to analyze by account
    • TAMUS Shared/AFR Reports/AFR Review Queries

• Adjusting Journal Entries
  o Use a Designated account coded as Institutional Support
  o Regular journal entries, not AFR reversing

• On Notes Worksheet, document adjusting entries and explain any negative balances
ACAP Accrual Entries

- Accrued Compensable Absences Payable
  - Estimated liability for compensated absences
  - System Office provides amounts based on leave balances in September, after excess balances have lapsed

- Liability includes salaries & wages and benefits (FICA)
  - Estimated using current rate of pay
  - Add 7.65% for FICA

- Report Current and Non-Current portion
  - Current Portion estimated based on 3-year average of actual pay-outs
ACAP Accrual Entries

- Allocate by Fund Group/Function (based on funding account)
  - Workpaper provided by System Office provides these details
- Liability must match in **total** to ACAP workpaper, Members should exercise judgment in how it’s allocated across fund groups/functions
- For example, if there are no Restricted funds available for leave payouts, allocate to E&G instead

<table>
<thead>
<tr>
<th>ACAP Liability</th>
<th>Net Increase/Decrease ACAP - Salaries &amp; Wages</th>
<th>Net Increase/Decrease ACAP - Benefits (FICA, 7.65%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2410 Current</td>
<td>4635 Net Decrease-Salaries &amp; Wages</td>
<td>4637 Net Decrease-Payroll Related Costs</td>
</tr>
<tr>
<td>2415 Non-Current</td>
<td>5635 Net Increase-Salaries &amp; Wages</td>
<td>5637 Net Increase-Payroll Related Costs</td>
</tr>
</tbody>
</table>
Cash and Investments

Year-end cash entries
- State Banks
- Complete all state bank reconciliations
- Adjust State Banks to match CIST (Cash in State Treasury)
  - Typically record payable to adjust for timing between FAMIS and USAS
- Complete GR Reconciliation
  - Reclassify Fund 0001 GR banks to Legislative Appropriation using FAMIS account control 1115
- Final check – AFR Cash Schedule Three-A
  - USAS Balances match CIST report by Fund
  - Cash Schedule *Legislative Appropriation* row is zero (not printed if zero)
Cash and Investments

Year-end cash entries

• Local Banks
  o System Treasury centralized cash management
  o Cash swept daily to “Master” Wells Fargo account
  o Members report very little Local Cash in Bank

• Pooled Cash & Investments
  o “Assets Held by System Office”
  o Members report using a bank or GL during the year
  o Bank shows as “Cash Balance to Reclassify” on Three-A
  o Year-end entries required to allocate by fund group and row

• Complete all local bank reconciliations
  o Including disbursement, payroll – all banks included in nightly sweep
Banking Flowchart

Member’s Disbursement Account

Member’s Payroll Account

Member’s Depository Account

Member’s Concentration Account

System Office Master Concentration Account

CCP Banks, type BC13, “Cash Balance to Reclassify”

Cash held on behalf of all Members
Cash and Investments

Assets Held for Investment by System Workpaper

• Wanda Roof sends out mid-September
• August 31st balances, adjusted to include August income and fair value adjustments
• Post entries in Month 13
  o Record August CCP monthly income
  o 4th quarter SEF income distribution (automated FAMIS entries)
• Year-end AFR Reversing Entries
  o CCP fair value adjustment
  o SEF fair value adjustment and year-end appreciation reserve allocation (separate workpaper, detail by endowment)
    ▪ Net position categories are important, totals are provided in workpaper
• Refer to AFR Instructions Chapter 4
## Current C&CE

### Reconciliation of Assets Held for Investment by System Office

**As of August 31, 2017**

<table>
<thead>
<tr>
<th>System Members update GREEN cells to reconcile</th>
<th>System Office updates BLUE cells (do not change)</th>
<th>Cash Concentration Pool (CCP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Investments (Short Term)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/31 Fund Ledger Balance</td>
<td></td>
<td>20,436,805.37</td>
</tr>
<tr>
<td>July Bank Charges</td>
<td></td>
<td>(1,792.99)</td>
</tr>
<tr>
<td>August Interest/Dividends</td>
<td></td>
<td>1,676.85</td>
</tr>
<tr>
<td>4th Quarter SEF Income Distribution</td>
<td></td>
<td>169,406.83</td>
</tr>
<tr>
<td>Concur Equity Transfer for August</td>
<td></td>
<td>456.09</td>
</tr>
</tbody>
</table>

### Reconciling Items per Local Bank Reconciliations

Identify outstanding deposits and disbursements separately, add rows or update descriptions as needed.

| Deposits in Transit                           | 189,923.52                                      |
| Outstanding Checks (Payroll & A/P)           | (805,059.20)                                    |
| Outstanding ACH Payments (Payroll & A/P)     | (133,026.16)                                    |
| Outstanding Equity Transfer                  |                                                |

### Total Current Investment Book Value (C&CE)

| 19,858,390.31 |
Non-Current Investments

- Year-End Unrealized Gain (Loss) by Fund Group
- Year-End Transfer for SEF Appreciation Reserve (separate workpaper breaks this down by endowment)

<table>
<thead>
<tr>
<th>Reconciliation of Assets Held for Investment by System Office</th>
<th>CCP</th>
<th>SEF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Current Investments (Long Term)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/31 Fund Ledger Balance</td>
<td>75,257,625.73</td>
<td></td>
<td>75,257,625.73</td>
</tr>
<tr>
<td>August Interest/Dividends</td>
<td>93,745.69</td>
<td></td>
<td>93,745.69</td>
</tr>
<tr>
<td>August Realized Gain (Loss)</td>
<td>1,124,993.84</td>
<td></td>
<td>1,124,993.84</td>
</tr>
<tr>
<td>August Gain (Loss) on Sale of Units</td>
<td></td>
<td></td>
<td>(17,841.38)</td>
</tr>
<tr>
<td>August External Manager Fees</td>
<td>(17,841.38)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th Quarter Endowment Report - Book Value</td>
<td></td>
<td>12,472,649.04</td>
<td>12,472,649.04</td>
</tr>
<tr>
<td>Year-End Appreciation Reserve Allocation</td>
<td></td>
<td>1,307,074.07</td>
<td>1,307,074.07</td>
</tr>
<tr>
<td>Total Non-Current Investments Book Value</td>
<td>76,458,523.88</td>
<td>13,779,723.11</td>
<td>90,238,246.99</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>5,077,657.64</td>
<td>984,430.28</td>
<td>6,062,087.92</td>
</tr>
<tr>
<td>Total Non-Current Investments Market Value</td>
<td>81,536,181.52</td>
<td>14,764,153.39</td>
<td>96,300,334.91</td>
</tr>
<tr>
<td>Total Book Value - Current plus Non-Current</td>
<td>96,316,914.19</td>
<td>13,779,723.11</td>
<td>110,096,637.30</td>
</tr>
<tr>
<td>Total Unrealized Gain (Loss)</td>
<td>5,077,657.64</td>
<td>984,430.28</td>
<td>6,062,087.92</td>
</tr>
<tr>
<td>Total Market Value – Current plus Non-current</td>
<td>101,394,571.83</td>
<td>14,764,153.39</td>
<td>116,158,725.22</td>
</tr>
</tbody>
</table>
Reconcile to AFR Reports

- Verify totals match “Assets Held by System” rows
- Current Investments - Cash & CE (Schedule Three)
- Non-Current Investments - Balance Sheet (Exhibit III)
- Schedule Three-A “Cash Balance to Reclassify” is zero

<table>
<thead>
<tr>
<th>Schedule Three - Cash &amp; Cash Equivalents</th>
<th>CCP</th>
<th>SEF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets Held by System Office - Current</td>
<td>1110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Assets Held by System Office - Current</td>
<td>1111</td>
<td>11,615,568.47</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Subtotal - Current Investments (C&amp;CE)</td>
<td>1114</td>
<td>19,858,390.31</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exhibit III Non-Current Assets</th>
<th>CCP</th>
<th>Sep.</th>
<th>SEF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Assets Held by System Office</td>
<td>1204</td>
<td>1205</td>
<td>1210 1220</td>
<td>12,128,610.05</td>
</tr>
<tr>
<td>Assets Held by System Office</td>
<td>1206</td>
<td>1207</td>
<td></td>
<td>69,407,571.47</td>
</tr>
<tr>
<td>Subtotal - Non-Current Investments</td>
<td>1207</td>
<td></td>
<td></td>
<td>81,536,181.52</td>
</tr>
<tr>
<td>Grand Total - Investments Held by System Office</td>
<td>1206</td>
<td></td>
<td></td>
<td>101,394,571.83</td>
</tr>
</tbody>
</table>

Check formula, value must be zero   

Formulas will show 'Out of Balance' error until AFR amounts are entered, and the totals match the Reconciliation total.
Tips for Cash Allocation Entries

• Wait until all other entries are completed
• Identify GL cash balances by Fund Group (FAMIS report FBMR204, or Screen 80)
• Use a spreadsheet to plan all entries before posting
• Start with total cash, subtract State Funds, Leg. Appn, any cash not held by System Office
• Balance in total to Reconciliation of Assets Held by System
• Correct negative Assets or negative Net Position by fund group before posting allocation entries
  o Record Due to/from or Transfer between fund
to reflect the status as of 08/31
  o For example, negative cash in Restricted
due to cost reimbursable grants
Investment Check Figures

Assets Held for Investment by System Workpaper

• AFR Check Figure Tab
• Reconcile workpaper to operating statement (Sch IV-Fund)
  o Net Increase/Decrease in Fair Value
  o Realized Gain/Loss on Sale of Investments
• Most common adjustments are for agency fund activity
• Reconcile Net Sales/Purchases of Investments Held by System to Statement of Cash Flows
• Reconciling adjustments used when preparing elimination entries for investment Purchase and Sales
III-1 Unrestricted Net Position

- AFR Instructions Chapter 8 provides detailed descriptions for each line item, including FAMIS GL reserve codes, 27xx
- Year-end entries required to allocate balances
- Goal is to break out unrestricted balances to analyze funds available and how they may be spent, broken into 3 categories
  1. Reserves (encumbrances, debt service payments)
  2. Allocations (set aside for specific programs)
  3. Allocated for Operations
- After Reserve entries, if Unallocated is negative there are no funds available for Allocations
Common Reserve Entries

- **Reserve for Annual Debt Service Payment**
  - Should match reserve schedule prepared by Treasury
  - Don’t include TRB or HEF for upcoming year since they are not part of this year’s fund balance
  - Could have a variance if reserving a portion of local funds

- **Reserve for Receivables**
  - III-1 Footnote shows total Receivables plus us Due from Agencies and Due from Members by fund group
  - Use to calculate Receivable reserve amount
  - Exclude
    - AUF Due From, reported on Allocated for AUF row (TAMU, HSC, PVAMU, System Office)
    - E&G Federal Receivables reported as ‘Restricted for Education’ (AgriLife Research, AgriLife Extension)
Reserve for Unrealized Gain

- Unrealized Gain reflected in the Net Position (Fund Balance) as of August 31st
  - Different from Operating Statement which reports the net change
- Example
  - Assume 100% of the unrealized gain/loss is recorded in a separate Designated GL

<table>
<thead>
<tr>
<th>GL for Unrealized Gain - Designated</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$ 6,736,311.46</td>
<td></td>
</tr>
<tr>
<td>AFR Reversing Entry</td>
<td>(6,736,311.46)</td>
<td>(4,813,876.07)</td>
</tr>
<tr>
<td>Current Year Unrealized Gain</td>
<td>$ 1,922,435.39</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$ 1,922,435.39</td>
<td>&lt;-- III-1 Reserve Amount</td>
</tr>
</tbody>
</table>
AFR Review Checklist

• System Office uses during AFR review
• Encourage System members to go through the check list before submitting the AFR
• Verify reports balance **by Fund Group**
  - Total Assets and Deferred Outflows equals Total Liabilities, Deferred Inflows and Net Position
  - Net Position per Sch III-Fund equals Net Position per Sch IV-Fund
• Verify supporting workpapers tie to AFR
  - Notes worksheet
  - Tuition Discounting Schedule
  - FMQuery reports
AFR Lock Request

- Ready to submit AFR?
  Send AFR lock request via email to
  - Tracy Crowley  tcrowley@tamus.edu
  - Wanda Roof    wroof@tamus.edu

- AFR cannot be locked until 3 FAMIS items are completed (n/a for non-FAMIS campuses)
  1. MDEP  Monthly Depreciation
  2. RR200  Indirect Cost (must run before September close)
  3. YR412  Close budget, can be run multiple times, make sure to request **final run**, at least 1 day prior to AFR submission
Items to Submit with AFR

- Complete list posted on [Financial Resources](#) web page
- Items include
  - SEFA/SPTR report downloads (Excel format)
  - FMQuery Interagency/Interfund Report
  - APS011 Benefits Proportional and supporting workpapers
  - APS011 Check report from ACO (latest version)
  - Note 2 from CANSS
  - Signed member review checklist
  - Completed Reconciliation of Assets Held by System
  - Notes Worksheet
  - Fluctuation Analysis
  - Tuition Discounting Workpaper
  - Documentation to support capital asset transfers to/from State of Texas Agencies outside TAMUS
Notes to Reviewer

• Adding a template this year to encourage members to submit a “Notes to Reviewer” document
• Some members have provided explanations in their AFR submission email, adding a template to help review process
• Include additional explanations for unusual items
  o Events during the year that had a noticeable impact on the financial statements
  o Explain clearing account balances
  o Explain large changes in Bad Debt/Allowance
    ▪ Notes template tab for A/R methodology removed
Fluctuation Analysis

- Identify the cause of the change and be able to explain the “why”
- Explanations required for fluctuations greater than 20% and $100,000
- Workpaper includes macro to import AFR files
- Required for specific statements

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit III</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>Schedule III-1</td>
<td>UnRestricted Net Position</td>
</tr>
<tr>
<td>Exhibit IV</td>
<td>Operating Statement</td>
</tr>
<tr>
<td>Schedule IV-1</td>
<td>Expenses by NACUBO Function</td>
</tr>
</tbody>
</table>
Treasury Services
Treasury Services Organization Chart

Maria Robinson
Chief Investment Officer & Treasurer

Cindy Hanks
Associate Director, Finance

Christy Ramirez
Financial Analyst III

Elaine Welch
Associate Director, Financial Management Services

Andrew Juranek
Financial Analyst II

Julie Perry
Financial Analyst III

Sherri Lander
Assistant to the CIO & Treasurer
Wells Fargo Contacts

Kim Maxey, CTP
kim.maxey@wellsfargo.com
281.652.4043
Senior Vice President
Treasury Management Consultant
Government and Institutional Banking

Karl Propst
karl.propst@wellsfargo.com
214.661.1222
Senior Vice President
Education and Nonprofit Banking
New faces of fraud: Tackling today’s biggest threats

Karl Propst
Relationship Manager

Kim Maxey
Treasury Management Consultant
Cyber security – Today’s hot topic
  • Feedback from customers

  • Increase in fraud cases/cyber attempts

  • Confusion on cyber security

  • Mutual interests

  • Risk exposure

  • Are you ever truly protected?
News coverage

How Burger King revealed the hackability of voice assistants

Los Angeles college pays $28,000 in ransomware

Majority of workers blindly open email attachments

New Android malware found every 10 seconds

InterContinental Hotel Chain Breach Expands

Hacked Cameras, DVRs Powered Today’s Massive Internet Outage

2 more Southland hospitals attacked by hackers using ransomware
Mindset of a fraudster
The sobering reality of fraud

- 74% of organizations were victims of payment fraud in 2016
- 74% of organizations were exposed to business email compromise
- 64% of organizations have been exposed to impostor fraud

Financial losses from impostor fraud exceed $1.2B worldwide

Source: The AFP Fraud and Controls Survey, 2017
Payment fraud trends
Cyber threat landscape
Online account takeover fraud

What is account takeover fraud?

A fraudster

→ Tricks you into giving up your online banking credentials.

or

→ Tricks you into installing malware on your device.

- Impersonates a trustworthy entity.
- Sends infected attachments or links to infected sites.
- Records on-screen actions, redirects browsers, or displays fake web pages.
- Moves funds from your account to theirs.
## Impostor fraud

### The fraudster

- Poses as a person or entity you know and trust
- Contacts you by email, phone, fax, or mail
- Requests a payment, submits an invoice, or asks to change vendor payment instructions

---

If you fall for the scam, any payments you send go to the fraudster — not where you intended.
Checking for a spoofed email by hitting reply

Warning: Do not actually reply. You’d be replying to the fraudster.
Email hacking

The fraudster

- Takes over full access to the email account
- Studies email patterns, checks calendars
- Sends emails from the user’s account **undetected**
  - Will intercept a reply to a hacked email and continue to perpetrate the scheme
Fraudsters are willing and ready to interact with you. They anticipate that you may question the request.

They’re prepared to respond to your follow-up emails and phone calls.
Executives make perfect targets to impersonate

Always on the move
At the top of the approval hierarchy
May occasionally request ad hoc payments
Can be very demanding
Business needs trump accounting rules
Vendors also impersonated

Companies often have many vendor relationships.

Correspondence with vendors is typically conducted via email.

Vendors often supply new account numbers.
Taking charge: how you can fight fraud

Make contingency plans.

Engage your banks.

Get to know your cyber security group.

Don't click links, open any attachments, or install programs from unknown senders. Update antivirus programs.
### Fight this fraud with a multipronged approach

<table>
<thead>
<tr>
<th></th>
<th>Don’t trust email</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Verify phone instructions</td>
</tr>
<tr>
<td></td>
<td>Add multiple layers of control and separation</td>
</tr>
<tr>
<td></td>
<td>Eliminate bank account information from your payment system</td>
</tr>
</tbody>
</table>
For payments, especially …

- **Pay close attention to details.**

- **Implement dual custody** and ensure both users are on different devices.

- **Generate financial transactions from a stand-alone PC** with email and web browsing disabled.

- **Empower staff to question any unusual payment requests.**

- **Authenticate all requests:**
  - Verify by a channel other than that through which the request was received.
  - Use official contact information on file to verify; never use contact information provided in the request.
Watch for red flags – if something seems wrong ... it probably is
Lunch Break

Return at 1:15
Workday HCM Impact-
Accounting & Payroll

Teresa & Tracy
“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

- Charles Darwin
Impact of Workday Transition

• Integration built with FAMIS continues to be modified and updates are being made
• FAMIS team has been a huge help in identifying and correcting integration issues with the payroll files received from Workday
• PCT Payroll corrections required changes to the USAS file feeds to process negative expenses as deposits
  o Still testing this process, in production soon
• Default account has required a lot of time to work errors, changes have been made as integration issues have been identified
Working to Improve

• The Workday team is aware they need to continue training and knowledge sharing the nuances of Workday

• Payroll Working Group established to help prioritize change enhancements and defects

• Encourage members to continue to submit request to Workday help desk or FAMIS Help

• Each year our knowledge and the software will improve
Payroll Default Account

- Review transactions after each payroll
- Payroll entries with zero gross pay
  - Workday is not sending the costing allocation information
  - Payroll records with the employer benefit contribution for employees with no salary in summer are hitting the default account
  - FAMIS posted corrections to move from the default account based on May costing allocation (consistent with pre-Workday method)
  - Known issue, case open with Workday, working towards a solution
- If the costing allocation information is not entered into Workday, when the file is sent to FAMIS they do not have an account it is being posted to the default account
Retro Process Issues

- Designed to assist payroll offices with corrections from a previous pay period
- If correcting for a prior period, Workday attempts to go back and calculate adjustments as if the change happened
- Retro process sometimes creates unexpected results
- Recommend the members review the retro action report
  - We are understanding from several members, report contains many rows of data and often there isn’t enough time to complete the review of this report before payroll runs
- Working with the Benefit Administration team, HR, Payroll and Workday on what types of benefits should be allowed to be used on the retro process
  - Depending on an entities complexity, it is not recommended for all benefit types
Retro Process Issues, cont.

• For instance if some one takes leave and back dates it to a prior period; Workday will go back and review the eligibility rules for TRS

• Another case where a person changed their pay by a few pennies between GR and Fund 02xx, the retro process calculated a $260 adjustment to ORP-could we have caught this on the retro report? Was this right?

• Retro is a powerful tool; thus the retro action report was developed to help the payroll team analyze the activity

• Caution members and fiscal offices to review for nuances

• We want to ensure we do not have a situation where the incorrect amount of benefits is charged to an employee or charged to an inaccurate funding source
Impact to Benefit Clearing Accts

- For year-end reporting, we are projecting an overall decrease in Benefits Payable for Retirement Payments Clearing (TDA/ORP)

- Pre-Workday
  - File generated from BPP was sent directly to the bank, payments sent to the vendors from each member’s bank account
  - This was a configuration difference; BPP was issuing payments directly to vendors

- New method—After Implementing Workday
  - Workday’s best practices state vendor payments must be out of the accounting/AP system
  - Now, System Office pays the vendors centrally, collect from all members via equity transfer
    - System Office enters vouchers in FAMIS to send ACH payments to vendors
    - Time sensitive, SO must enter in time for the vendors to receive payments by the 1st
    - At month-end, payable is cleared
## Retirement Clearing Acct Comparison

### Retirement Payments Clearing (TDA/ORP)

<table>
<thead>
<tr>
<th>Example</th>
<th>Deducts</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local-Employer</td>
<td>$20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State-Employer</td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clearing Account</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deducts TDA/ORP</td>
<td>70,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Employer ORP-Local</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Move to System Office</td>
<td></td>
<td>(100,000)</td>
</tr>
<tr>
<td>August Year-End Payable</td>
<td>90,000</td>
<td>(10,000)</td>
</tr>
</tbody>
</table>
Payables for Other Deductions

- BPP generated checks for various deductions
- With Workday, these deductions are deposited to clearing accounts by deduct type as defined on FAMIS Scr 837
- Garnishments are paid centrally by System Office
  - Court Ordered Deductions (COD), Tax Levies (LEVY), Bankruptcy (BNKR), Student Loans (STDL)
- Members responsible for issuing payments for optional deducts, increase payables

<table>
<thead>
<tr>
<th>Optional Deducts</th>
<th>Remitted by Each Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHAR/ CHE Charitable Contrib.</td>
<td>PARK Parking</td>
</tr>
<tr>
<td>LIT/SIT Local/State Income Tax</td>
<td>TTF Texas Tomorrow Fund</td>
</tr>
<tr>
<td>EORG Employee Org. Deduction</td>
<td>TXPR Texas Protects</td>
</tr>
<tr>
<td>FIA/FIB/FIC/FIR Federal Ins.</td>
<td>USRF User Service Fees</td>
</tr>
<tr>
<td>CSRS Civil Service Retirement</td>
<td></td>
</tr>
</tbody>
</table>
PCT (Payroll Cost Transfers)

- Complete and approve FY18 PCTs by **August 24th**
- Incomplete PCTs will be cancelled
- Posting errors
  - Some Due to/from Payroll entries were not posted, program error identified and corrected
  - FAMIS identifying PCTs requiring corrections, will reverse and re-post

- Negative expenses in USAS, requiring FAMIS to make changes to the files we send – still testing
  1. D-Doc batch for negative expenses, member must initiate a check to send to the State
  2. Voucher reimbursement batch for positive expenses
Year-End Payroll/Benefit Accruals

- Process for **August monthly** payroll remains the same
  - Expenses for August monthly payroll will be posted to FAMIS in August
  - Cash disbursement entries delayed until September (FAMIS Batches PAYM01 for Local and PAYM07 for State)
  - Report as payable, batch feeds to USAS for Payroll & FICA

- August Benefits
  - Automated vouchers process (FBPR096) will generate State reimbursement vouchers to feed to USAS – A/P batch BENV01
  - Includes Employer-State Retirement contributions for ORP

- Allocate clearing account payable balances to appropriate fund groups
BW Payroll for Last Week of August

- 1st BW payroll paid on September 14th includes
  - 5 days August, 27th – 31st
  - 5 days September, 1st – 7th

- Old method - BPP would split the payroll into two files
  - Aug. posted in current year using current year AA table
  - Sept. posted in new year using new year AA table

- FY18 method - August portion will be estimated and accrued as a payable
  - Estimate based on 2nd BW in August
  - AFR reversing accrual will be posted in August
Estimated Accrual

- Accrual based on ½ of 2nd BW in August (pay date Aug 17)
- Below is the BW payroll for July 20th

<table>
<thead>
<tr>
<th>Local</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;G</td>
<td>504,510.11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary</td>
<td>966,339.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated</td>
<td>3,625,777.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>1,534,314.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Local Total</strong></td>
<td><strong>6,630,942.67</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GR</td>
<td>2,712,296.30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>940,898.17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td><strong>3,653,194.47</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total BW** $10,284,137.14
Accrual - BW Payroll Aug 27 - 31

- If there are state funds on the accrual entry, members will need to manually post USAS entries to accrue expenses in AY18, payroll and benefits (OASI, ORP/TRS, WCI)
  - No GIP expenses (already charged on previous August BW)
  - Two options for USAS-depending on if your institution or agency has spent most of the State funds
    1. Post the USAS accrual to match with the FAMIS accrual entry posted, then post the adjustment to AY 2018 when the actual payroll posts after the September 12th payroll posts
    2. Post the USAS accrual for the FAMIS accrual entry plus or minus the amount posted on the September 12th payroll posts
- USAS accruals posted with a 420 t-code and backdated to 8/31
- Other adjustments may be needed for payroll corrections impacting prior year for prior AY activity
FY19 Posting Actuals for BW paid 09/14

- Actuals will post in September
- The plan is to use sub-period from Workday to separate the two weeks (August vs. September)
- Using sub-period, the program will split time between work weeks based on time entry in Workday
- Benefits will be pro-rated across the sub-period based on the base pay amounts
- The FAMIS team believes they will need additional time to post this payroll, may not be posted until after September 14th
Moving Forward

• Continue to work with FAMIS and Workday to resolve issues
• Monitor payroll default account and payroll/benefit clearing accounts
• Review USAS batches, monitor IT file for errors
• Let us know if there is anything we can do to help
• Workday help desk and FAMIS help are good resources
Questions/Comments

I’m an accountant, what’s your superpower?
Break-Out Discussion Topics

AFR Module & Reporting (WebEx) Slide #121
Capital Assets & Capital Leases Slide #142
Statement of Cash Flows Preparation Slide #164
AFR Module & Reporting-Breakout Session
AFR Module

• Accessing the AFR module
  • Log into FAMIS and type “AFR” in the Screen field

• Navigation
  • Use Screen 882 to change the fiscal year or campus code (defaults to current year)

• Main Menu Screen 001
  • Useful to find screen numbers

• View PF keys at bottom of screens for cues
# AFR Module

## Frequently Used Screens

<table>
<thead>
<tr>
<th>Screen</th>
<th>Title</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>172</td>
<td>Print Group Reports</td>
<td>Select and print reports</td>
</tr>
<tr>
<td>175</td>
<td>Report Column Maintenance</td>
<td>Shows how the column is defined</td>
</tr>
<tr>
<td>179</td>
<td>Line Item Definition Maintenance</td>
<td>Shows how the row is defined</td>
</tr>
<tr>
<td>180</td>
<td>Extended Line Item Maintenance</td>
<td>Enter manual entries (cash flow statement)</td>
</tr>
<tr>
<td>193</td>
<td>Manual Entry Summary</td>
<td>View manual entries for a specified report</td>
</tr>
<tr>
<td>194</td>
<td>Work Order Summary</td>
<td>View status of requested report(s)</td>
</tr>
</tbody>
</table>
Printing AFR Reports

- Print Group Reports – Screen 172
- Press F8 for GASB reports, enter ‘X’ to Run All
- Use Month = 13 for year-end (Calendar months, such as April = 4, etc.)
- **Good news for FY16**, print Priority default changed to 4

- Pre-Requisite Pop Up Box
  - Appears after selecting reports on 172, and pressing enter
  - If there are pre-requisite reports you do not wish to run but not print, change to ‘R’ for Run Only.
Printing AFR Reports

172 Print Group Reports

Screen: ___  Fiscal Year: 2016

Month: 13  Destination: SAG01PR1
Copies: 1_  Form: SLW1__ Hold: N
Draft/Final: D  Specifications: _  Priority: 4
Font: TIMES NEW ROMAN____

Campus Code: 01  Row Highlight: Y  Suppress Off: _
Table of Contents: _  Round Numbers: _

Start Work Order:  End Work Order:
Submitted Reports:

Enter-PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10---PF11---PF12---
Hmenu Help EHelp CCSel GASB Print User
Select Which Reports to Print

Screen: __  Fiscal Year: 2016

172 Print Group Reports

Report Selection Screen

H8049 Please enter an 'X' to indicate selection

Run All: _

Select with X - Run and Print
R - Run Only

_ III  _ IV  _ V  _ III-FUND
_ III-1 _ IV-FUND _ IV-1 _ IV-2
_ IV-3  _ IV-3-A _ IV-4  _ IV-5-A
_ N-2   _ N-2-FN _ N-2SYSTR _ N-2SYST2
_ N-6   _ TANDF-TD _ THREE _ THREE-A

Press <PF4> to Quit  <PF5> to reset selections  <PF9> to Print
View Report Status

Screen 194  Work Order Summary

- Report Status
  - O-Open request
  - R-Running Report
  - C-Complete and in print queue

- If report is not printing, check to see if the job is completed.

<table>
<thead>
<tr>
<th>Work</th>
<th>Order</th>
<th>St</th>
<th>CC</th>
<th>FY</th>
<th>--Report--</th>
<th>Scr</th>
<th>-----Creator-----</th>
<th>Finish Date</th>
<th>Finish Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>_</td>
<td>201400463</td>
<td>C</td>
<td>01</td>
<td>2014</td>
<td>THREE-A</td>
<td>172</td>
<td>CROWLEY, TRACY L</td>
<td>02/28/2014</td>
<td>16:59:03</td>
</tr>
<tr>
<td>_</td>
<td>201400464</td>
<td>C</td>
<td>01</td>
<td>2014</td>
<td>III-1</td>
<td>172</td>
<td>CROWLEY, TRACY L</td>
<td>02/28/2014</td>
<td>16:59:16</td>
</tr>
<tr>
<td>_</td>
<td>201400465</td>
<td>C</td>
<td>01</td>
<td>2014</td>
<td>III-FUND</td>
<td>172</td>
<td>CROWLEY, TRACY L</td>
<td>02/28/2014</td>
<td>16:59:27</td>
</tr>
<tr>
<td>_</td>
<td>201400466</td>
<td>C</td>
<td>01</td>
<td>2014</td>
<td>III</td>
<td>172</td>
<td>CROWLEY, TRACY L</td>
<td>02/28/2014</td>
<td>16:59:32</td>
</tr>
</tbody>
</table>
Manual Entries

- Cash Flow Statement (Exhibit V) is all manual entries
- Manual entries on other AFR reports may only be posted by System Offices
- Data Entry
  - Identify line item requiring manual entry on 179, and select line item to proceed to 180
  - Enter amount in ‘M’ column, specify the appropriate column number
  - Enter justification on pop-up window
  - No manual entries on Total lines
  - Entry affects the Manual CC, only in the Manual Month (typically month 13)
  - To delete manual entry, remove the amount on Screen 180
Manual Entry Example

Select Row on Screen 179

```
179 Line Item Definition Maintenance 08/12/16 09:51
FY 2016 CC 00
Screen: ___ CC: 00 Fiscal Year: 2016 Report: V________ Section: 1___
HD: 1__ Sub: 15
Line  Val
Fn HD Sb Typ Col Ind From To Description > S U
X 1_ 15 D ___ _ ______ _ _______ PROCEEDS RECEIVED FROM CUSTOMERS__ _ 01
_ 1_ 15 M ___ _ ______ _ _______ ___
```

Post Entry on Screen 180

```
180 Extended Line Item Maintenance 08/12/16 09:53
FY 2016 CC 00
Screen: ___ CC: 00 Fiscal Year: 2015 Report: V________ Section: 1___
Description: PROCEEDS RECEIVED FROM CUSTOMERS

M - Col Amount | Q - Col FY Report Sec UPN | U - Col R UPN
1_ ___1848439.88 | 2_ 2014 V________ 1__ 50001 | 1_ _ 50001
2_ ___________ | _____________ _ ____ | ___ _ ___
```
View Manual Entries

- Screen 193 allows you to view all manual entries for a specific AFR report by campus code
- Enter report name and select ‘M’ for Manual entries

```
193 Manual/Update Entry Summary

Screen: __ CC: 00 Fiscal Year: 2015 Report: V_______
M/U: M Sect: 1__ Hd: 1__ Sub Hd: 15
Col: __ Data CC: 01 Month: 13 13th Month

Sel LTyp Sect Hd Sub Col Seq Description Amount
----- ---- ---- ---- ----- ----------------- --------
_ M 1 1 15 1 500000 PROCEEDS RECEIVED FROM CUST 1,848,439.88
_ M 1 1 20 1 50001 PROCEEDS FROM GRANTS AND CO 33,195,673.04
_ M 1 1 30 1 50002 PROCEEDS FROM OTHER OPERATI 578,400.83
_ M 1 1 40 1 50003 PAYMENTS TO SUPPLIERS FOR G -1,043,082.83
```
AFR Module Reports

• AFR Instructions Chapter 11 – AFR Module
  o List of reports
  o Prerequisite hierarchy
  o AFR Module commonly used screens
  o Printing reports (Screen 172)
  o Report print status (Screen 194)
  o Manual entries for Cash Flow Statement Exhibit V (Screen 193)

• AFR Report Inquiry
  o Screen 175 shows how columns are defined, Screen 179 for line items

• Checklist for troubleshooting AFR reports
  o Assets not equal to Liabilities plus Net Position
  o Net Position per III-Fund doesn’t match IV-Fund
AFR Reports & Pre-Requisites

• Statement of Net Position (Exhibit III)
  o Schedule III-Fund  Net Position by Fund Group
  o Schedule Three-A  Cash & CE by Fund Group
  o Schedule III-1  Unrestricted Net Position

• Statement of Revenues, Expenses & Changes in Net Position (Exhibit IV)
  o Schedule IV-Fund  SRECNP By Fund Group
  o Schedule IV-3, IV-3-A  Operating Expenses by Fund/Function
  o Schedule IV-4  Service Department Activity

• Operating Expenses by Natural Classification (Sch. IV-1)
  o Schedule IV-2  NACUBO Function Matrix
  o Schedule IV-3, IV-3-A  Operating Expenses by Fund/Function
  o Schedule IV-4  Service Department Activity
AFR Reports

• Other Schedules
  o N-2 Capital Assets
  o N-2-FN Capital Asset Footnote
  o TANDF-TD Tuition & Fee Detail
  o N-6 Pledged Revenue

• Review online sample AFR reports
• Includes comments and references, things to looks for when reviewing
Timing Considerations

- Recommend running AFR module reports as of a closed month
- For AFR reports run during the year, PY balance is as of the same month
- When running reports mid-year……
  - AFR reports – Use calendar month (Sept = 9)
  - Business Objects - Use fiscal year month (Sept = 1)
- Business Objects is updated nightly, FAMIS entries not reflected immediately
AFR Reports – Getting to the Details

• How to identify the detail of what’s included in a specific amount on AFR report?
• Several ways to analyze
• View Report definition details on AFR module screens
  o 175 – Column definitions
  o 179 – Row definitions
• If report has pre-requisite, may have to look at underlying schedule to see detail
• For example, view reports IV-3 or IV-3-A to see the codes used for operating expenses reported on IV-Fund
AFR Module Report Prerequisites

Balance Sheet

III
III-Fund

Cash Schedule

Three
Three-A

Natural Classification

Capital Assets

Operating Statement

IV
IV-Fund

IV-1
IV-2
IV-3-A
IV-3
IV-5-A
IV-4

Three-A
III-1
N-2-FN
N-2
AFR Reports – Getting to the Details

• Another option is to use System Office online object code list
• Advanced feature allows you to select the line item to see a list of the codes included
Business Objects – AFR Details

• AFR Reports – Drilldown for Detail
  o TAMUS Shared/AFR Reports/Reports
    ▶ IV-Fund – Operating Statement by Fund Group
    ▶ IV-3 and IV-3-A – Operating expenses
    ▶ IV-1 – Operating Expenses by NACUBO Function

• Reminder about months
  o AFR module uses calendar months
  o Business Objects uses fiscal month
  o For example, to run reports as of April, use month 4 in AFR module, or month 8 in business objects
Business Objects – AFR Review

• AFR Review Queries
  ○ TAMUS Shared/AFR Reports/AFR Review Queries
    - Cap Asset Transfers (IntraSystem) – Summary
    - Service Center Elimination (details by account)
    - Service Center Fund Balances
    - Clearing Account review
    - Frozen Code Activity and Budget Pool Actuals
      - Also checks for Agency fund transfers to/from other fund groups
  • See Appendix C – AFR Instructions
AFR Report Downloads

• Download automatically created when AFR report request is processed

• Members will need access to report downloads for Cash Flow Statement and Flux Analysis Workpapers

• FAMIS FTP access required
  o Request through FAMIS Production
Questions/Discussion

• Other useful business objects reports?
• Questions about specific AFR reports or schedules?
Capital Asset and Capital Leases-Breakout Session

Teresa Edwards
Capital Asset Workshop June 6-7, 2018

- Class went very well
- Appreciate every one’s input
- Discuss audit concerns
- Surplus Property Challenges
Audit Concerns

• SAO CAFR Audit
  o Each year SAO asks the System Office to estimate how much our net capital assets will increase, total balance for FY 2017 was $5.4 billion
    ▪ Helps them determine if they will audit us for the FY
    ▪ FY 2018 TAMU will be audited

• Comptroller’s Office
  o Post Payment Audit will focus on capital assets purchased and want to view the assets
  o Values and Location are critical
Asset Mgmt Manual Updates

- Updated June, 2018 in preparing for this class
- Page 5 Lease Purchase AFR Category removed, changed the way we record leases, no longer in FFX, liability recorded in account the payments will be made from
- Page 16 Capital Leases-Record as Purchased Asset
- Page 18-19 US Government Surplus Property, entries defined for capital and non-capital assets plus SEFA reporting
- Page 34-35 Livestock Clarification for inventoried items
- Page 38-39 Cloud Computing clarification
- Page 41 Operating Lease definition and reporting
Livestock Updates

- Capital Asset Management Manual was more strict than the Comptroller’s Office requirements
  - The State Property Accounting rules state we must capitalize livestock if the individual value is greater than $5k and the useful life is greater than one year
  - The State does not provide additional rules on assets management determines they want to track
  - We updated the manual
- Cattle, horses, mules or breeder stock swine can be recorded in a herd or group.
- Tracking inventoried animals, need to define a methodology and continue with the methodology
  - Animals are born, define a price
  - Purchase price vs. carrying value
Deferred Maintenance

• Board of Regents would like to understand each members’ deferred maintenance plan
Transfers

• From another State Agency, not within the TAMU System
  o If a capital asset, coordinate and confirm the amount of accumulated depreciation/amortization
  o Must be entered into SPA if the releasing agency uses SPA
  o Must coordinate depreciation with that agency
  o If cash is exchanged another entry is needed

• From another System Member
  o Each member is assigned a unique acquisition method within FAMIS FFX in order to identify where the asset came from
  o Within FAMIS FFX, do NOT change the original acquisition date, acquisition method, class code and dollar amount
Transfer with Non TAMUS Agency

Transfer Out TO Non TAMUS State Agency
• Drop asset with Disposal Method TA (5415-Tf to Another State Agency)
• If you receive cash
  o Journal Entry
    ▪ Debit Cash
    ▪ Credit 5415-Transfer to Another Agency

Transfer In FROM Non TAMUS State Agency
• Add asset with Acquisition Method TA (4415-Tf from Another State Agency)
• If you pay cash
  o Journal Entry
    ▪ Debit 4415-Transfer from non-TAMUS Agency
    ▪ Credit Cash
Transfer with TAMUS Agency

Transfer Out TO TAMUS Agency
• Drop asset with Disposal Method Campus Code # (06)
• If you receive cash
  o Journal Entry
    ▪ Debit Cash
    ▪ Credit 5706-Tf to Part 06 Ag Research

Transfer In FROM TAMUS State Agency
• Add asset with Acquisition Method Campus Code # (06)
• If you pay cash
  o Journal Entry
    ▪ Debit 4706-Tf from Part 06 Ag Research
    ▪ Credit Cash
Bulk Purchases

- Bulk purchases for computers is changing, each institution is recommended to set a policy
  - GASB and FASB allow the recording of assets as an asset purchased in one contract
- SPA would like to continue to record by the asset vs. recording an asset which would include various quantities
- Maybe an issue if this bulk purchase falls into a capital event
- We might be missing out on spreading the cost via depreciation to many periods vs. recording as an expense in the initial purchase period
  - What do members think?
  - Any property managers present, thoughts?
CANSS Deadline-Oct 20th

- CANSS-Capital Asset Note Submission System web application, need to have security to this system through USAS Security Coordinator
- Deadline **October 20th**
- Reconcile to AFR Schedule N-2 by row (asset type) and column (activity)
- Asset balances must be posted in USAS in Fund 7999-Local in order to certify
Open Discussion & Questions

• How does coordinating with agencies go?
• Members analyzing Todd’s transfer report periodically to match transfers within the System?
• Any suggestions to help?
Leases
Leases

• GASB 87 Leases-FY 2021
  o Most operating leases will be converted to capital, unless contract is for less than one year or ownership transfers or the asset is not capitalized
  o Interest rate will have to be imputed/calculated either with a rate from the vendor or a rate the System Office provides based upon our current debt funding
  o Each Lease is different based upon the contract
Leases

• GASB 87 Leases-FY 2021
  ○ Some institutions/agencies are tracking leases, copiers are going to be a challenge due to the volume
    ▪ 220 PO Header Create/Modify screen in FAMIS, Type Order field, typing in LEAS
    ▪ Add this field to Business Objects
    ▪ AggieBuy does have similar fields
Operating Lease

- Operating Lease
  - Reporting usually occurs in the Fiscal Office/Business Office
    - Reported as a lease expense on the operating statement
    - No capital asset is recorded
    - Note Disclosure required
      - List the Years of the operating lease obligation, liability is not required to be reported on the balance sheet

- Currently A&M members are reporting space, vehicles and equipment to FY 2034, totaling $58 million
  - Most common example is copiers
Capital Lease

- Reporting can vary, could be Property Office only or a combination of the Property Office and the Fiscal Office/Business Office
  - Asset reported by the Property Office in FFX, Plant Funds
  - Liability reported by the Property Office and/or Fiscal Office/Business Office in Account making payments on the lease and/or AFR account

- Reporting the Capital Lease
  - Reported as capital object code
  - Asset recorded, normally depreciate over the life of the contract
  - Liability recorded, payments made for principal and interest
  - Note Disclosure required
    - List the Years of the capital lease obligation

- Currently A&M members are reporting space, vehicles, equipment and software to FY 2035 totaling $48 million
Current GAAP/SPA Lease Standards

State Property Accounting Manual

Leased property should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term equals 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.
Lease Documentation

• Contract
  o Determine if should be handled as a Lease Purchase
  o Start and end dates of lease agreement
  o Total financed amount
  o Interest percentage
  o Possible maintenance cost included

• Amortization schedule
  o Will show breakdown of each payment-principal and interest
  o Used to determine principal/interest totals for year end entries

• New Software Needed?
  o John Hopkins
  o University of Minnesota
Where to find Leases

- Types of asset (real estate, property lease info)
- Leased equipment (medical schools, research)
- Vehicles
- IT
- Copiers, business machines
- Imbedded leases (Ex: outsourced services)
Cloud Computing

- Each contract is unique and needs to be analyzed

- Determining the capitalized costs, must be greater than $100k and useful life greater than one year
  - Capitalize burn in phase
  - Determine if a capital contract

- Useful life analysis needed, could be the asset useful life or contract useful life

- Could have asset on the books longer than the liability
Open Discussion & Questions

- Any information gathering at the member level now?
- Reviewing contracts?
- Copiers could be converted or contracts could be re-written
Statement of Cash Flows
Preparation-Breakout Session
Cash Flow Statement

• Panel Discussion
  o Kristin Nace (HSC)
  o Sarah Baker (TAMU-Commerce)
  o Monica Poehl (System Office)

• Overview
  o Discuss processes for preparing Statement of Cash Flows
  o How to use the Cash Flow template
  o Share tips for analyzing the activity
  o AFR Desk Review
Cash Flow Statement Tools

• Cash Flow Template
• Use macro to import FBMR204 report
• May need to adjust FBMR204 tab for any last minute changes after the report download
• FAMIS Screen 80
• Other reports?
Cash Flow Analysis

• Analyze Receivables and Payables where there are no related revenue/expenses, by fund group
  o Example - Unearned Revenue in Restricted, reclassify from Tuition & Fees to Sponsored Programs
• Adjust for Prepaid Expenses related to Scholarships
• Payroll/Benefit accruals should be spread across fund groups
• Review accrual amounts that have not changed
  o Example - Deferred comp liability
Cash Flow Statement

Desk Review

• Verify Exhibit V amounts match cash flow template (all manual AFR entries)
• Verify ending cash equals Schedule Three
• Intra-System transfers match amounts per the Cash Flow tab of Due To/From Transfers workpaper
• Review for negative proceeds or positive payments, reclassify as needed
• Classification difference should be zero (reconciliation section)
• Verify template balances by fund group
Discussion Topic Results
FY 2018 AFR Workshop – Day 2
Day 2

- Networking
- Welcome
- Questions from Day 1
- New questions, items for discussion?
- Introduce FAMIS Production Team
FAMIS Year-End Process

Wendy Hall & Melissa Ray
FAMIS Services
Texas A&M System Office
It’s Time For A Break
APS011 Benefits Proportional
AFR Desk Review

Tracy Crowley
APS011 Benefits Proportional

- Still a hot topic
- System Internal Audit reviewed FY15, 16 & 17
- Following the methodology prescribed by SAO
- No materiality threshold
- Required corrections for some items System Office Accounting team passed on during the AFR review
- Mostly revenue calculation errors, Fund 02xx
- Issue with 3rd party receivables, we only want to include bad debt expense for receivables related to statutory tuition
  - Could be a detail code issue in Banner
  - Analysis is needed
Audit Results

- Very good audit report
- Continuing to improve each year

<table>
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<th>2015 Excess (Deficit) of GR Benefits</th>
<th>2016 Excess (Deficit) of GR Benefits</th>
<th>2017 Excess (Deficit) of GR Benefits</th>
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<tr>
<td>Members Impacted</td>
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<td>4</td>
<td>1</td>
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<tr>
<td>System-Wide Net Total</td>
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<td>$15,968.86</td>
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Updated White Paper 2018

• Edits highlighted in green
• Fairly minor changes
  o FY 2018 removal of ineligible object codes
    ▪ 1907 Employee Insurance Payments-GIP-Part-time ACA
    ▪ 1908 Employee Insurance Payments GIP-ACA
  o GAA References

• Changes due to Internal Audit’s Review
  o Bad Debt Expense for 3rd party receivable should be excluded
  o Materiality paragraph, page 6
    ▪ This will help when we have a variance between the System Office Accounting team reviewing the APS011 and the next time internal audit reviews the calculation
Overview of the Process

- Reconciliations completed
- Review GR Recon
- Ensure Tuition Revenue is completed
- Prepare the APS011 Workpaper
  - Match Revenues to the IV-Fund
  - Compare Expenses from FAMIS to USAS
- Review the APS011 Check Report (ACO must send to us)
- Post any accruals in USAS
- Post any corrections, if needed
- Download GR Recon, once more
Helpful Hints

• Don’t underestimate the amount of time this could take
  o Potentially a week
  o If it is completed too early, the numbers will change
  o If it is completed too late, AFR deadline will be a challenge

• Ensure payroll expenses are completed
  o 100% accuracy is a challenge
  o Remember short time frame

• This is our first year to post payroll accruals and ensure all values are posted
Expenses by Bank Is Important

• Do not post correcting entries with a journal entry; must use 12/13 screens with the proper bank and 1100 Claim on Cash
• We need to tie expenses by bank to help with the USAS reconciliation process
• This will help the AFR desk review and will help out the internal audit review
Common Issues

- Revenue for Institutions should tie to the E&G column on the AFR
- Must list Legal Cites for all Exclusions
- Ineligible object codes paid from the main appropriation are not removed from APS011 calculation
  - ORP sub codes 1956 (Supplement) and 1957 (Differential)
- Workpapers need to tie from USAS to FAMIS by expense object codes
- Auxiliary employees and retirees should never be charged to GR or Fund 02xx
- The State reviews expenses related to GAA funding sources only on the APS011 Form
- No longer use object code 1990 Benefits Paid
Fund 02xx Tuition Revenue

Revenues per Schedule IV-Fund (E&G column)
• Tuition
• Fees
• Other E&G Sales available to pay salaries, if applicable
• Interest (earned in State Treasury)

Exclusions
• Exemptions per TANDF-TD schedule, Total Exemptions per E&G column
• TPEG (should match TPEG workpaper)
USAS Expenses

• Verify benefits proportional expenses to check report from ACO, match by benefit type (OASI, GIP, TRS, ORP)

• GR portion of TRS should match report from System Office

• Expenses should match FY18 column, very little activity in FY19 column

• Accrual entries will be needed to accrue for AY18 expenses paid in FY19
FAMIS Expenses

• Use business objects query to verify expenses
  - TAMUS Shared/AFR Reports/APS011 Benefits Proportional
• System Office Accounting team will use this query during review, Internal Audit also used for their recent audit
• Important that expenses are captured by bank
• Screen 14 won’t work if moving between funding sources, only allows one bank
• Query may be submitted as the reconciliation of FAMIS to USAS
Deadline/Submission

• Submit with your AFR package to the System Office for review
  o Include workpapers/supporting documents for revenue calculation, exclusions
  o Latest APS011 check report from ACO
  o Reconciliation of FAMIS expenses to USAS

• Each member submits their final APS011 form to the Comptroller’s Office, LBB and SAO on or before **November 19th**
Admin Ratio

Teresa
Administrative Ratio

- Per LBB
- New definition submitted to them
- Method of Calculation: The amount of Institutional Support Expenses (all funds) divided by the Total Operating Expenses (all funds) with the following exclusions.
  - Exclude auxiliary expenses from the denominator
  - Exclude net operating income or loss of Service Center activity
  - Exclude Pension expenses and Other Post-Employment Benefits (OPEB) expenses from the numerator if these costs are recorded in institutional support and exclude 100% of both of these costs from the denominator
Great minds discuss ideas; average minds discuss events; small minds discuss people.

(Eleanor Roosevelt)
Eliminate Service Center Activity

• We are challenged by our current Service Center elimination entries
  o Causes issues when analyzing balances in Business Objects
  o Causes issues with the Admin Ratio removal, very tricky
    ▪ AFR Module auto eliminates the net operating income and loss
    ▪ System Office requires 2 additional adjustments
      • Move the loss to the most appropriate function
      • Ensure the expenses are not understated by profits

• Want to brainstorm on ideas to improve the process
  o TAMU presented the idea of placing net income as an elimination entry on the revenue vs. how we are recording it now as a reduction of expense and then posting an entry in Designated
Proposals

• Remove the auto-elimination entry? Or just change where it is being posted?
• Place the net operating income on a revenue stream vs. recording negative expenses
  o If there are several revenue streams then need to allocate by percentage
• Place net operating losses also on revenue
• Need to still ensure the function is correct
Ideas

• Any one have additional ideas
• Concerns?
• How can we improve the service center elimination entry?
• Consider options and send to Teresa and Tracy
• We will be considering different options going forward
• Need an easy to follow pattern
• Reduce confusion
Never give up
stay Focused
stay Positive
stay Strong
Closing Comments

- AFR Season is here, each member has a strong team...you’re doing great
- This is going to be a little tougher year, our payroll team continues to work out the Workday HCM challenges; expect variances
  o We have discussed the Workday HCM impacts to clearing accounts, defaults, etc.
  o It will continue to improve over time
- If we can help in any way please let us know

Thank you for attending!