

## 21.01.01 Financial Accounting and Reporting

Revised [August 21, 2019](#)

Next Scheduled Review: August 21, 2024

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### Regulation Summary

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This regulation identifies financial accounting and reporting requirements as prescribed by state law, provides a general description of required accounting standards, defines the type and frequency of mandatory financial reports, and prescribes the responsibilities for administration of the financial accounting and reporting function within The Texas A&M University System (system).

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### Definitions

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### Regulation

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#### 1. GENERAL

- 1.1 The state comptroller of public accounts (CPA), as authorized by the Texas Education Code, prescribes that the financial accounting and reporting requirements of state institutions and agencies must be maintained in accordance with Generally Accepted Accounting Principles (GAAP) and incorporate, as much as possible, the provisions of the *Financial Accounting and Reporting Manual for Higher Education (FARM)* published by the National Association of College and University Business Officers. With the exception of modifications necessitated by the Appropriations Act and/or other state statutes or federal laws, the financial accounts of the system and its members must be maintained and presented in formal financial reports in accordance with GAAP and as recommended in FARM.
- 1.2 Responsibility for the general supervision and coordination of financial accounting and reporting within the system is assigned to the System Office of Budgets and Accounting (SOBA) which:
  - (a) issues such directives as are deemed necessary to ensure that the financial accounting and reporting provisions are maintained in accordance with GAAP, FARM, the Appropriations Act and other applicable state and federal laws and regulations, and that directives of the Board of Regents (board) are complied with in a consistent and effective manner throughout the system;

- (b) monitors the financial accounting and reporting system requirements, and recommends new or modified processes and procedures where appropriate;
  - (c) directs the preparation and publication of The Texas A&M System Combined Annual Financial Report;
  - (d) leads the System Accounting Policies and Procedures Committee (APPC) on which each member's business/fiscal office is represented. The APPC is charged with developing and implementing consistent accounting and reporting regulations and procedures for the system and addressing other system-wide accounting and business issues; and
  - (e) directs the preparation and distribution of other reports as required.
- 1.3 Each member chief financial officer (CFO) is directly responsible for the effective performance of the financial accounting and reporting duties assigned to the member. The CFO is responsible for assuring member compliance with accounting standards and reporting requirements, including establishing and documenting a system of internal controls.

## 2. FINANCIAL ACCOUNTING

- 2.1 The financial accounting model of the system and its members is based on the principles and practices of fund accounting. The account structure used within the system contains several fund groups. Each fund group is treated as a separate accounting entity with a self-balancing set of accounts consisting of assets, in some cases liabilities, net position and, where appropriate, revenue and expense accounts.
- 2.2 The business office responsible for maintaining the official books of record of the member is the central office of accounting control for all member fiscal transactions.
- 2.2.1 It is the responsibility of the CFO to instruct and assist account administrators concerning the records of financial transactions maintained by departments and similar administrative units.
- 2.2.2 It is the responsibility of each account administrator to keep such records as are necessary to furnish accurate information on sales, transfers, other credits, expenses, other charges and encumbrances.
- 2.2.3 In accordance with System Regulation 25.07.06, *Interagency and Intrasystem Transactions*, two members may, by contract, agree that one of the members will be responsible for operating the other member's business office.
- 2.3 It is recommended that statements be prepared monthly by the business office and forwarded to each account administrator who is responsible for comparing records of the account administrator's office to those of the business office and promptly reporting any differences to the business office. In addition to ensuring that transactions are processed correctly, online systems are intended to provide up-to-date financial information for departmental officials and to ensure that expenses and/or encumbrances do not exceed budget allocations.

### 3. UNIFORM STATEWIDE ACCOUNTING SYSTEM (USAS)

The CPA prescribes an accounting, responsibility reporting and appropriations control system for state institutions and agencies. The system and its members are considered “reporting agencies” for USAS purposes; USAS is not the internal accounting system for the system. Each member must comply with the requirements of the *State Comptroller’s Manual of Accounts* and such other instructions regarding USAS as may be issued by the CPA for all funds deposited with and/or disbursed from the state treasury.

### 4. MONTHLY FINANCIAL REPORT

4.1 A financial report will be reviewed monthly for each member by the business office. This report must include information regarding revenues, expenses and balances, and a general ledger trial balance.

4.2 The purposes of the monthly financial report are to summarize the financial status of each member account and serve as a management information reference for the member executive and financial officers. Each member CFO is authorized to include such additional financial data as is considered necessary to meet this purpose.

4.3 In addition to the summary financial report described above, the members are encouraged to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of operations of auxiliary enterprises and service departments. These reports are utilized in management decisions regarding such activities.

4.4 The monthly closing process for each member is performed in accordance with the schedule provided by SOBA. For members using a financial system other than the Financial Accounting Management Information System (FAMIS), financial information is transmitted to FAMIS as part of the monthly closing process.

### 5. ANNUAL FINANCIAL REPORT

5.1 Section 2101.011 of the Texas Government Code specifies that the system publish annually a complete financial report in accordance with standards established by the CPA. Copies of the report must be furnished to the governor, CPA, state auditor, Legislative Budget Board (LBB), Legislative Reference Library and the Texas State Library by November 20<sup>th</sup> of each year.

5.2 The report, which is a joint effort of SOBA and the member business offices, is prepared in accordance with GAAP and as recommended in FARM. It is the responsibility of SOBA to determine the content and format of presentation, establish the production timetable, review and approve the reports submitted by the business offices, prepare the system combined statements, and publish and distribute the consolidated report. Each business office that maintains the official books of record of a member is responsible for preparing the annual financial report of that member or for coordinating with the CFO for that member in connection with the preparation of the report. The CFO is responsible for the completeness and accuracy of each report prepared under the CFO’s jurisdiction and for furnishing the report in accordance with the established due dates.

Upon completion of the member's annual financial report, the member's chief executive officer (CEO) and CFO submit a certification of the report.

5.3 The state auditor is charged by statute with auditing the accounts and records of the state and rendering the state auditor's official opinion regarding the fairness with which the statewide financial statements present the true financial situation of the state. The system combined annual financial report is subject to review by the state auditor; however, a separate opinion is not issued on the system financial report.

## 6. ACCRUED PAYABLES AND BINDING ENCUMBRANCES REPORT

Each member is required to certify accrued payables and binding encumbrances for current and prior years' appropriations.

## 7. AUTOMATED BUDGET AND EVALUATION SYSTEM OF TEXAS

The LBB prescribes a statewide budget system. Each member must comply with reporting and reconciliation requirements as issued by the LBB.

## 8. OTHER FINANCIAL REPORTS

Internal financial reports considered essential for effective administration by the member and those external reports required by outside agencies are prepared under the direction of the member CFO. Such reports issued at the system level are prepared under the direction of SOBA.

## 9. AUDITING

Financial accounts and reports are subject to audit by the system internal audit staff, state auditor and, in some operations, by federal and private agencies. Policies of the system pertaining to audits are presented in System Policy *10.01, Internal Auditing*.

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## **Related Statutes, Policies, or Requirements**

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[Tex. Educ. Code § 51.005, Reports](#)

[Tex. Gov't Code § 2101.011, Financial Information Required of State Agencies](#)

[System Offices AFR Preparation Instructions](#)

[System Policy 10.01, Internal Auditing](#)

[System Regulation 21.01.05, Service Departments or Centers](#)

[System Regulation 25.07.06, Interagency and Intrasystem Transactions](#)

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## **Member Rule Requirements**

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A rule is not required to supplement this regulation.

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## **Contact Office**

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(979) 458-6100