



Advanced Expenditure Processing and Documentation

Welcome to Training!





Objectives

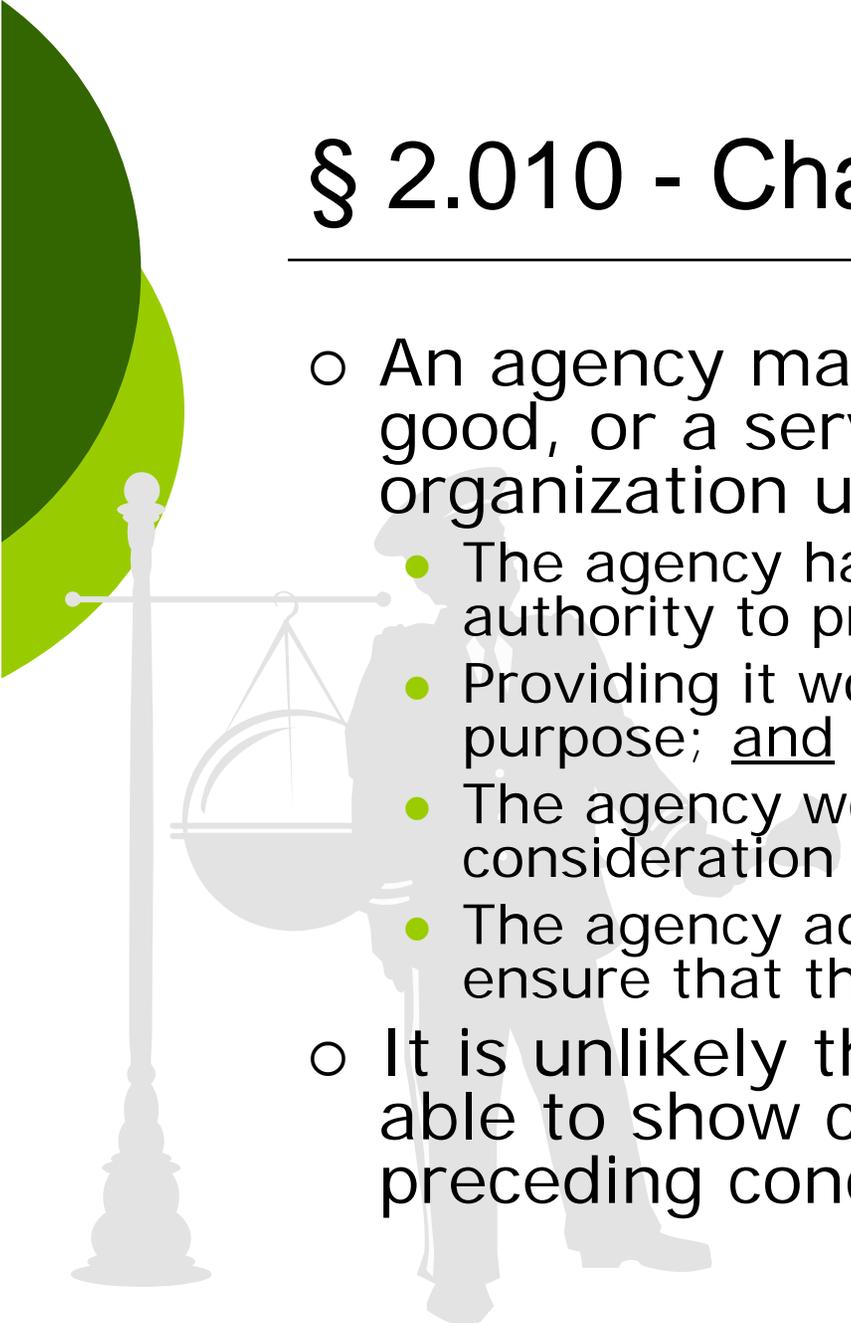
Participants will be able to ...

1. Discuss frequently used expenditure processing and documentation resources
2. Discuss advanced sections of the Purchase Policies and Procedures Guide
3. Research payments in TINS and USAS
4. Avoid common post-payment audit findings



Frequently Used Resources

- General Appropriations Act (GAA)
- State of Texas Purchase Policies and Procedures Guide
- Comptroller Manual of Accounts
- Fiscal Policies and Procedures (FPPs)
○ Statewise
- Expenditure Assistance Section -
(512) 475-0966



§ 2.010 - Charitable Organizations

- An agency may not provide money, a good, or a service to a charitable organization unless:
 - The agency has specific or implied statutory authority to provide it; and
 - Providing it would serve a proper public purpose; and
 - The agency would receive adequate consideration for it; and
 - The agency adopts adequate controls to ensure that the public purpose is achieved.
- It is unlikely that a state agency would be able to show compliance with the preceding conditions.

§ 2.022 – Food and Related Equipment

- Food may not be purchased for employee or agency visitor consumption
- Agencies may purchase food storage and preparation equipment if the agency determines it has authority to do so
- Documentation must show how the purchase is necessary to the accomplishment of a public purpose related to the agency's legal authority or duties



§ 2.026 - Judgments and Settlements

- Guidelines for payment of judgments and settlements:
 - Limited to \$250,000 per claim
 - Limited to 10% of total funds available to spend for an agency during a fiscal year
- Judgments and settlements require online approval by the Comptroller's Office and offline by the Attorney General and Governor's Office.
- Settlements under the Texas Tort Claims Act cannot be settled by a governmental unit unless determined by the Governor that it is in the best interest of the unit.



§ 2.036 - Chamber of Commerce Memberships

- An agency may not join a chamber of commerce.
- An agency may contract with a chamber of commerce for services if the agency has statutory authority to do so.





§ 3.020 – Licensing Fees and Occupation Taxes

- An agency is not required to pay licensing fees or occupation taxes
- Factors for an agency to consider:
 - Whether the employee works full-time or part-time
 - Whether the employee uses the professional credentials outside state employment
 - Whether the credentials are required or merely useful

§ 3.024 – Moving Expenses

- Use a state-owned vehicle if it is available
- Moving expenses for employees are payable if:
 - The employee is reassigned from one designated headquarters to another, and
 - The agency determines that the best interest of the state will be served by the reassignment, and
 - The distance between the current and future designated headquarters is at least 25 miles





§ 3.024 – Moving Expenses (cont.)

- Moving expenses for employees are also payable if:
 - The employee is employed at a facility that is being closed or is undergoing a reduction in force, and
 - The employee accepts a position with the agency that is headquartered at least 25 miles from the original facility



§ 3.024 – Moving Expenses (cont.)



- Documentation:
 - Put reimbursements for meals, lodging, mileage, and transportation expenses on a travel voucher
 - Direct payments to a commercial transportation company or owner of a self-service vehicle must be on a purchase voucher under expenditure object code 7071
 - If a state-owned vehicle was available, explain why a company or self-service vehicle was used
 - State the employee's old and new headquarters



§ 3.026 - Notary License Fees and Bond Fees

- An agency may pay a notary license fee or notary bond fee for an employee if providing notary services is part of the employee's duties.
- Expenditure object codes:
 - Use 7205 for notary bond fees (requires pre-approval by SORM)
 - Use 7210 for notary license fees
 - Use 7334 for notary stamps or notary record books

Exercise Time!





§ 4.008 - Attorneys

- The Attorney General is the legal representative of the state.
- The approval of the Attorney General is needed for contracts with outside attorneys or law firms:
 - Object code 7246 – OAG gives online approval before each payment processes
 - Object code 7258 – OAG gives the agency blanket approval to hire outside legal counsel
 - Submit a copy of the OAG's letter authorizing retention of outside legal counsel
 - Agency will be added to the 8C profile in USAS.

§ 4.018 - Witness Fees and Expenses

- Different rules for witnesses in different proceedings:
 - Administrative hearings
 - Civil court
 - Criminal proceedings
 - Federal court
- Expert witnesses receive compensation and reimbursement according to their contracts with the agency.





§ 5.006 - Consulting Services

An agency may contract with a consultant only if:

- There is a substantial need for the consulting services; and
- The agency cannot adequately perform the services with its own personnel or through a contract with a state governmental entity.



§ 5.006 - Consulting Services (cont.)

- The selection of consultants is based on the following factors:
 - Demonstrated competence, knowledge, and qualifications
 - Reasonableness of the proposed fee
- Preference is given to a consultant whose primary place of business is in the state





§ 5.006 - Consulting Services (cont.)

Major consulting services contract

- \$15,000 for state agencies
- \$25,000 for institutions of higher education

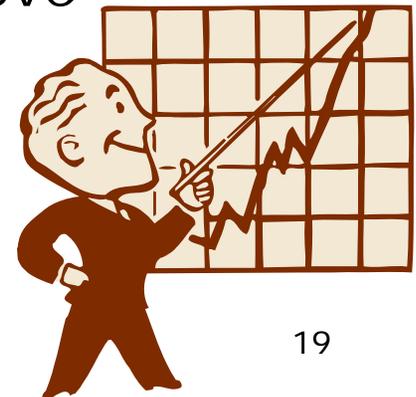
Steps in a major consulting services contract:

1. Notify the Legislative Budget Board and the Governor's Budget, Planning and Policy Division of the intent to contract.
2. Demonstrate that the agency has complied with the requirements in subsections (C) and (D)(1) of this section.
3. Obtain a finding of fact from the Governor's Budget, Planning and Policy Division that the consulting services are necessary. Institutions of higher education are exempt from this requirement.
4. Document with the Secretary of State for publication in the *Texas Register*.

§ 5.006 - Consulting Services (cont.)

Consulting by former or retired employees:

- Not permitted before the first anniversary of the last date of employment with the agency.
- The former state employee must disclose information on the former state employment.
- Reporting of financial interests must be completed by the 10th day after the consultant submits the offer.
- An unforeseen emergency allows consulting service before compliance with the above requirements.





§ 5.022 – Interagency Contracts

- An interagency contract must specify:
 - The kind and amount of services to be furnished, and
 - The basis for computing reimbursable costs, and
 - The maximum cost during the period of the contract



§ 5.022 – Interagency Contracts (cont.)

- An interagency contract must be in writing unless:
 - The contract concerns an emergency for the defense or safety of the civil population or in planning and preparing for that type of emergency, or
 - the contract concerns a cooperative effort, proposed by the governor, for the economic development of the state, or
 - The amount of the contract is less than \$50,000



§ 5.024 - Professional Services

- Agencies must comply with the Professional Services Procurement Act
 - Tex. Gov't Code Ann. §§ 2254.001-2254.006
- Contracts for professional services is a two step process:
 1. Select based on demonstrated competence and qualifications to perform the services
 2. Negotiate for a fair and reasonable price



§ 5.024 - Professional Services (cont.)

- What if you can't agree on a price with your first potential vendor?
 1. End negotiations with the first candidate
 2. Begin negotiations with the second candidate
 3. Repeat with more candidates as necessary until you reach an agreement
- Cannot contract with former or retired agency employees for professional services within one year of leaving the agency (see §§ 5.026, 5.028).

§ 6.058 – Membership Fees to Non-Professional Organizations

- An agency may pay a membership fee to a non-professional organization if:
 - the agency has specific or implied statutory authority for the payment, and
 - the payment would serve a proper public purpose, and
 - the agency would receive adequate consideration in exchange for the payment
- An agency may pay a membership fee in order to purchase goods or services at a discount if it is cost effective.





§ 6.060 – Membership Fees to Professional Organizations

- Membership fees to professional organization are payable if:
 - The agency has specific or implied statutory authority for the payment, and
 - The payment would serve a proper public purpose, and
 - The agency would receive adequate consideration
- Head of the agency or that person's designee must first approve the expenditure if appropriated funds are used

§ 6.088 – Retainage



- What is retainage?
 - The part of a public works contract payment withheld by a governmental entity to secure performance of the contract
- Retainage of more than five percent of the periodic contract payments must be held in an interest-bearing account
- Upon the project's completion, the contractor receives the retainage plus the earned interest

§ 6.096 - Taxes and Fees



- Taxes assessed by the US, this state or another state:
 - An agency is not automatically exempt
 - An agency may not voluntarily pay a tax or fee
- Taxes and fees assessed by a political subdivision of this state:
 - Contact the political subdivision and inquire on the exempt status.
- A state agency may reimburse the taxes and fees to an independent contractor if required by the contract.

Exercise Time!



Game Time!



Researching Payments in TINS and USAS





Common Post-Payment Audit Findings

- By following the tips on avoiding each finding, you can ...
 - Comply with state laws and rules regarding expenditures
 - Save money
 - Improve internal controls
 - Avoid future audit findings

Security after employee termination

- Access to online systems must be revoked the **same day**
- Signature cards must be updated within **five days**
- Tips:
 - Keep security coordinators informed
 - Have procedures that guarantee compliance with the deadlines
 - Attend the Fundamentals of Expenditure Approvals and Certification training class



Control over expenditure processing

- Good internal controls reduce the risk of fraud
- Employees should not be able to process expenditures without oversight
- Tips:
 - Regularly review your agency's internal controls
 - Do not allow transactions to be processed by only one person, when possible
 - Attend the Fundamentals of Expenditure Approvals and Certification training class



Warrant hold



- USAS automatically checks vendor status
- Agencies must check vendor status for:
 - payments made outside USAS (i.e. petty cash, travel advance, local funds, payment cards)
 - third party reimbursements
- Tips:
 - Make sure vendors are aware of the warrant hold process
 - Develop procedures to verify whether vendors are on warrant hold before making payments
 - Attend Fiscal Management's warrant hold training class



Duplicate payments

- Sometimes agencies mistakenly make the same payment twice
- Common situations:
 - Duplicate invoices from vendor
 - Reimbursing local funds
- Tip:
 - Have procedures for lost and canceled payments
 - Before reissuing a payment, verify the original warrant was canceled
 - Ensure that the same payment is not made twice from different funding sources

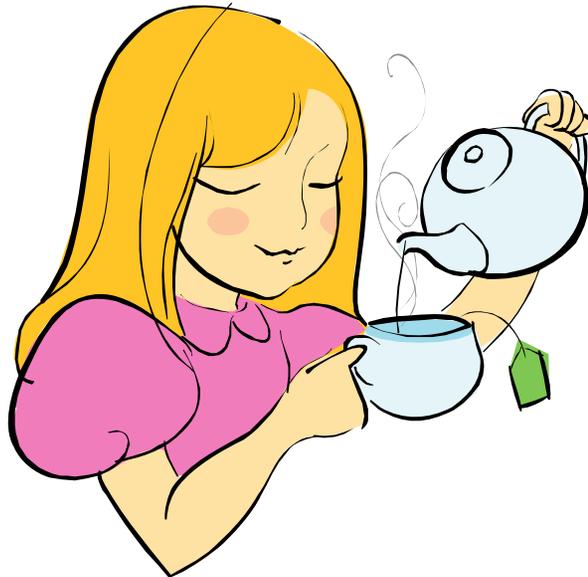


Unclaimed property

- Texas and other states have unclaimed property repositories
- Tips:
 - Periodically check unclaimed property Web sites to recover your agency's property
 - See <http://www.window.state.tx.us/up>

Reimbursement T-Codes

- Processing third party transactions correctly captures the correct vendor name



- Tips:
 - Use appropriate T-Code pairs:
 - Travel – 264/905
 - Payment cards – 264/905
 - Employee reimbursements – 247/904
 - See FPP A.043: *Processing Third Party Transaction*

Assets and state property accounting

- Capital and controlled assets should be tracked in the SPA system
- A property tag should be attached to the asset
- Tips:
 - Ensure every asset is accounted for and properly entered
 - Update SPA when an asset changes location or assignee
 - Review SPA regularly



State service accounting

- Verify prior state service
- Apply state service correctly for:
 - Longevity
 - BRP
- Tips:
 - Carefully review prior state service of newly hired employees
 - Periodically review records for all employees



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