

NUMBER: BUSF 3.30
SECTION: Business and Finance

SUBJECT: Other Educational and General Program Accounts ("E" Funds)

Date: October 18, 2006

Policy for: All Campuses
Procedure for: All Campuses
Authorized by: Richard Kelly
Issued by: Budget Office

I. PURPOSE OF THE POLICY

The Budget Office is responsible for coordinating all financial activities associated with 'Other Educational and General Program Accounts' ('E' funds). The Budget Office is responsible for establishing 'E' fund accounts at the unit's request, monitoring all 'E' fund financial activity to ensure that a positive fund balance is maintained and notifying the appropriate Vice Presidents of actions needed to address accounts with excessive or deficit funding levels, and deactivating accounts at the unit's request.

II. POLICY STATEMENTS

'E' fund accounts are typically used to track the unrestricted, self-sustaining, and on-going activities of University units such as a college, department, institute, center, or other organizational element. These units retain the revenues generated through these activities to cover the costs of operations. Balances in these accounts shall carry forward from one year to the next for the purpose of expanding or improving the services provided by the unit. Examples of activities using 'E' fund accounts include, but are not limited, to the following:

- A. Continuing Education – The University's division of continuing education provides academic credit (CEU) and non-credit programs. Academic credit programs are designed for students who need courses at convenient sites and times compatible with their family and occupational schedules. Non-credit programs incorporate University resources in sponsoring conferences, workshops, short courses, and summer programs to provide instruction and/or professional certification. The revenues generated for this activity are based on the user fees charged by the unit for each program offering.
- B. Department Operating Accounts – Units of the University use 'E' fund accounts to track self-supporting activities associated with providing services

to other University units and external organizations. The revenues generated for activities are based on participant fees and contractual agreements.

- C. Departmental Recharge Centers - 'E' fund accounts are used to segregate financial transactions for services provided for other units of the University on a cost- reimbursement basis. Revenues should equal or exceed \$10,000 annually to be established as a departmental recharge center. These activities include printing, central supply centers, copy centers, computer services and other such activities where the department would have multiple users of a common service. Activities are required to be priced to recover full costs, in accordance with the federal regulations on costing principles (See OMB Circular A-21) that are applicable to the University. Rates assessed by these recharge centers must be consistently applied to all University users. All rates established by these units are subject to review at any time by appropriate University or other external authorities.
- D. Endowment Income Accounts – A limited number of 'E' fund accounts exist to track the quasi-endowment funding provided by University endowment accounts. (Board of Trustees' use only)
- E. Technology Fee Revenues – All students of the University pay a technology fee. These funds are designated to improve access to technology for students, faculty, and staff. Transfer of these funds to other activities is internally restricted by the University.
- F. Facility Renovation Fees – The University uses 'E' fund accounts to track the allocation of student fees collected for facility renovation projects.
- G. Research Based Allocations – The University uses 'E' fund accounts to track the allocation of research-related institutional costs.

'E' fund accounts classified as **continuing education** and **department operating accounts** are subject to a general administrative fee. If revenues for the 'E' account activity are received from outside the University the account will be charged the administrative fee. The user fees established by these units should cover, at a minimum, all the direct costs of operations, as well as the general administrative fee charged by the University.

III. PROCEDURES

A. Establishing 'E' fund Accounts

Units wishing to establish an 'E' fund account must submit a completed "Request to Establish 'E' fund Accounts" form to the Budget Office. If the requested account is designated as a **departmental recharge center**, the unit must also

include a completed “Other Education and General Programs Budget Worksheet” form. All accounts designated as a **continuing education or department operating account** will be charged the general administrative fee unless the unit has been granted a waiver of the fee by the Vice President for Business and Finance.

The Budget Office will review the unit’s request to determine if the use of an ‘E’ fund account is appropriate. If the Budget Office determines that the activity does not meet ‘E’ fund account criteria, the Budget Office will contact the requesting unit to discuss alternatives.

If the unit’s request for an ‘E’ fund account is approved, the Budget Office will complete an Account Memorandum form to establish the account in the financial systems of the University. In the process of completing this form, the Budget Office will assign a grant type code to identify the activity as **continuing education, department operating, department recharge centers, foundation supported, technology fee revenues, facility renovation fees, research incentive, or research/ productivity scholarships**.

If the ‘E’ fund account is determined to be subject to the general administrative fee, the fee shall be treated as an expense and tracked using the 52001 object code (Contractual Services, Direct Charge for Services). The fee will be applied at 8% of actual expenditures charged to the account, excluding the administrative fee itself. The Controller’s Office processes an automated journal entry at the end of each month to calculate the amount of the direct charges to be applied to each account based on the actual expenditures for the prior month.

The Budget Office will forward the completed Account Memorandum form to Accounting Services for processing and notify the requesting unit when the account has been established.

B. Maintaining ‘E’ fund Accounts

Each unit is responsible for maintaining the ‘E’ fund account in a positive fund balance status and in accordance with the general record keeping requirements of the University. In addition, units should maintain detailed records supporting charges to other University units, students, and external customers. The unit’s records must document how these charges were developed and should include at a minimum the following information:

- Name of person and department responsible for the service
- General ledger account numbers for internal customers being charged for the service
- Description and cost of the services being performed
- Names and addresses of the external customers being billed for services

- Total volume of activity for University customers, including federal grants and contracts, and for external customers
- Financial information necessary for computing billing rates

Where user fees are designated as the revenue for an 'E' fund account, these fees must be established at a minimal level that is sufficient to cover the entire cost of operations, including the general administrative fee.

If an activity cannot generate sufficient revenue to cover all costs, it should be budgeted in a general 'A' fund account. Units are expected to annually review 'E' fund accounts for inactivity and take appropriate steps to deactivate accounts.

'E' fund accounts should not experience continuing deficits. If substantial year-end deficit balances exist, the unit will be asked to submit a plan of action to resolve the deficit.

Cash collected from outside sources should be deposited on a timely basis into the proper revenue classification code. A unit may not apply revenue as a credit to reduce expenditures within the same unit. See BUSF 2.06 for internal business transactions.

University units should process expenditures for 'E' fund accounts in the same manner as any other expenditure. Special care should be taken to ensure that all costs are recorded as expenditures in the proper accounts based on function. All direct costs of operations of the "E" fund program should be charged to the account. This should include payments to instructors, travel expenditures, contractual services, and other expenditures clearly associated with the program. The salary of an employee providing administrative support to the program should be charged to the program if the employee spends 20% or more of his or her time on the program.

C. Monitoring all 'E' fund Financial Activity

The Budget Office is responsible for monitoring all 'E' fund financial activity to ensure that a positive fund balance is maintained by the unit. The Budget Office will conduct a bi-annual review of all 'E' fund accounts to identify:

- Accounts that may indicate deficit spending.
- Accounts operating in a continuing deficit status.
- Accounts with limited activity over a year.
- Account with excessive fund balances.

In each case, the Budget Office will seek to resolve concerns on a case-by-case basis by contacting the unit. Following the fiscal year end review, the Budget Office will provide each Vice President with a list of the 'E' fund accounts within

their responsibility area that have continuing excessive or deficit funding levels for their review and action.

D. Deactivating Accounts

Units wishing to close out an 'E' fund account must submit a written request to the Budget Office after taking appropriate action to ensure that no charges will be incurred during deactivation or after the account has been closed. To this end, the unit will need to complete the following activities prior to issuing the deactivation notice to the Budget Office:

- For any payroll expenditures charged to the account, prepare personnel documents to transfer these expenditures to other accounts.
- Issue written notices to service departments of the University (telephone, postal, computer services, etc.) that charges to the account are not appropriate after a closing date to be set by the unit. This action may include disconnecting telephone services and throwing away preprinted postal charge slips.
- Cancel or transfer to another account all outstanding commitments indicated on the general ledger for materials or services that will not be received and paid prior to the closing date selected by the unit.
- Supply the necessary documents needed to clear the commitment and initiate payment for materials or services shown as outstanding commitments and received prior to the closing date selected by the unit.
- In consultation with the Budget Office, the unit will prepare and forward to accounting services for processing a journal entry to transfer any residual funds to the account of their choosing.

After all financial obligations have been satisfied in the account as demonstrated by no active commitment balances and 30 days of expense inactivity, the unit will issue a written request to the Budget Office to deactivate the account. The Budget Office will verify the account's status, prepare the appropriate forms needed to deactivate the account and forward this request to accounting services for processing.

- Word document for: [Request to Establish an 'E' fund Account](#)
- PDF view of: [University of South Carolina Account Memorandum](#)
- PDF view of: [Other Education and General Programs Budget Worksheet](#)
- [Excel version](#) of Other Education and General Programs Budget Worksheet

IV. REASONS FOR POLICY CHANGE

Clarification of procedures for activities prescribed above.

Send Comments to [Leslie Brunelli](#)