

ADMINISTRATIVE DIVISION FINA Administration and Finance		POLICY NUMBER FINA 1.20 (Formerly FINA-3.22)
POLICY TITLE Administration and Finance —Agency Funds (Z Funds)		
SCOPE OF POLICY USC System	DATE OF REVISION 04/01/2024 <u>04/18/2022</u>	
RESPONSIBLE OFFICER Executive Vice President for Administration and Finance and Chief Financial Officer	ADMINISTRATIVE OFFICE University Finance – Controller’s Office	

PURPOSE

This policy establishes the guidelines and procedures for requesting and using agency funds ~~as required in Governmental Accounting Standard Board (GASB) Statement 84~~. The establishment of an agency fund on behalf of an entity must be evaluated by ~~the Controller’s Office~~ to ensure proper treatment and accounting, as well as to facilitate effective stewardship of the funds for which the University has a fiduciary responsibility. ~~The University must establish ongoing accountability and oversight of agency funds to minimize the University’s financial exposure.~~

DEFINITIONS AND ACRONYMS

Agency Funds (Z funds) – Agency funds are custodial accounts established to account for funds not owned by the University. The University acts as a custodian to receive, hold, and disburse resources for other recognized organizations that have an affiliation with the University. The University commonly refers to these as Z funds.

POLICY STATEMENT

The Controller’s Office will review all requests to establish Agency or Z funds for appropriateness and discuss alternatives if the organization does not meet the necessary Z fund criteria as outlined in this policy and accompanying procedures. The Controller’s Office will perform periodic reviews of all agency funds to ensure continued Agency (Z fund) treatment is prudent and appropriate.

AGENCY FUND (Z FUND) CRITERIA:

For the University to agree to serve as a custodian for an organization, the following criteria are considered:

1. Is the fund being established for an outside entity with its own EIN?
2. Is the establishment of an agency fund appropriate according to the reporting and accounting principles involved?
3. Are the terms of the agreement governing the agency relationship acceptable?

The approval and establishment of an agency fund does not:

1. Automatically entitle the organization to the use of University services,
2. Make the University liable for any of the agency fund debts, liabilities, or actions, or
3. Allow the agency fund to continue indefinitely.

Agency status is contingent on adherence to University policies, contractual agreements, and applicable laws. The University has the right to inactivate an agency fund at its discretion consistent with contractual agreements between the agency fund, outside entities, and the University, after providing reasonable notice to the agency fund administrator.

AGENCY FUND GROUPS:

Based on the intended purposes for the funds received, agency funds will typically belong in one of the following groups:

- A. Outside Conferences
 - These funds are established for professional organizations where University faculty or staff are members and conferences or workshops are sponsored by those faculty or staff groups. These accounts will be closed within three months of the end of the activity.

- B. Activities between the University and other entities
 - These funds are paid from one University component unit to another University component unit (e.g., Foundations) and from other universities or outside entities meeting the University agency fund relationship criteria.
 - Agency funds of this type must have an agreement that has been reviewed by General Counsel on file with the Controller's Office.
 - Funds in these accounts will be distributed to or collected from the component units every three months.

PERIODIC FUND REVIEW:

It is imperative that agency funds are reviewed periodically because an agency fund represents activity that is related, but not fundamental to the University's primary mission. It is important to ensure that agency funds are not associated with activities that are a normal and continuing part of the University's mission. Ongoing accountability and oversight for agency funds are established to minimize the University's financial exposure as required in GASB Statement 84. The following will be considered during the evaluation:

1. Any changes to the nature of activities and functions of the organization that may deem Agency fund status as is no longer appropriate.
2. Deficit balances that are not remedied timely.
3. Failure to adhere to University policy and procedures.
4. Inactive or zero-dollar fund balances of 18 months or longer.
5. The judgement of University administration that suspension or revocation is in the best interest of the University.

PROCEDURES

The procedure for this policy provides details on the administration and management of Agency (Z) funds for the University. The procedure can be found here:

https://sc.edu/about/offices_and_divisions/controller/toolbox/policies_and_procedures/index.php.

RELATED UNIVERSITY, STATE, AND FEDERAL POLICIES

~~FINA 2.00—Expenditure Account Codes~~

~~FINA 2.03—Revenue Account Codes~~ [1.00 Chart of Accounts](#)

FINA 2.12 – Accounts Payable

FINA 2.14 – Acquisition and Payment of Goods and Services

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
<u>04/01/2024</u>	<u>Minor language updates</u>
04/18/2022	Policy updates and renumbering
10/3/2017	Policy creation