

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

**PURPOSE**

The purpose of this policy is to establish 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 also establish ongoing accountability and oversight of agency funds to minimize the university’s financial exposure as required in GASB Statement 84. This policy applies to all campuses.

**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.

**A. AGENCY FUND (Z FUND) CRITERIA:**

In order 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 their 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.

#### B. AGENCY FUND GROUPS:

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

1. Outside Conferences
  - a. These funds are established for professional organizations in which university faculty or staff are members and conferences or workshops that are sponsored by faculty or staff groups. These accounts should be closed within 3 months of the end of the conference.
2. Activities between the University and other entities
  - a. 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.
  - b. Agency funds of this type must have an agreement that has been reviewed by General Counsel on file with the Controller's Office.
  - c. Funds in these accounts should be distributed to or collected from the component units every three months.

#### C. PERIODIC FUND REVIEW:

Agency funds will be reviewed annually to ensure compliance with GASB Statement 84, as agency funds represent activity that is related, but not fundamental to the University's primary mission. This annual review 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 on a timely basis.

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: [FINA 1.20 - Agency Fund \(Z Fund\) Procedures](#).

**RELATED UNIVERSITY, STATE, AND FEDERAL POLICIES**

[FINA 2.00](#) – Object of Expenditure Classification Codes Policy

[FINA 2.03](#) – Revenue Classification Codes Policy

[FINA 2.12](#) – Accounts Payable Policy

[FINA 2.14](#) – Acquisition and Payment of Goods and Services Policy

**HISTORY OF REVISIONS**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
04/18/2022	Policy updates and renumbering
10/3/2017	Policy creation