1.2 Agency Funds

Policy Statement
Agency funds are used to account for resources held by the University as custodian or fiscal agent for individual students, faculty, staff members, or other organizations.

Overview
The University of Georgia agrees to serve as a fiscal agent for an agency fund only after satisfactorily considering all of the following:

- The purpose of the agency fund must relate to, but not be a fundamental aspect of activities dedicated to the achievement of educational, research, and public service goals.
- The agency fund is in the best interests of the University, taking into account all risk management implications.
- The establishment of an agency fund account is appropriate, according to the circumstances and reporting principles involved.
- An agreement governing the agency relationship is established.

The approval and establishment of an agency account DOES NOT:

- Automatically entitle the organization to the use of any University services other than the normal administration of funds as it relates to cash receipt and disbursement services.
- Place the agency fund under the University’s tax-exempt umbrella. Monies accepted for deposit in an agency fund are not considered tax-deductible gifts to the institution. Expenditures from an agency fund are not entitled to the University’s state sales tax exemption.
- Make the University liable for any of the organization’s debts, liabilities, or actions.
- Continue indefinitely. Agency status is contingent on adherence to all University policies. The University has the right to close an agency account at its discretion consistent with agreements between the organization and the University.

Use of Agency Funds
Before establishing an agency account, the University of Georgia should ensure that its relationship with the organization or third party is that of custodian or fiscal agent. A request for an agency account can originate from the University department acting on behalf of an external organization or an outside third party.

The Agency Agreement Form should be completed and signed by both the University and the external organization. A link to this form can be found under the Forms/Instructions section below. This agreement should contain complete information on the terms and conditions of the agency relationship, including:

- The business reason for the agency account; that is, the reason why the organization does not open its own bank account.
- The nature of activity that will be processed through the account.
- The legal/corporate status of the organization. For example, 501(c)(3), Corporation, etc.
- The Federal tax ID number of the organization
- If the organization is functioning as an agent or intermediary on behalf of another organization, the name of the other organization
The affiliation of the organization with the University.

- The person or persons authorized to request expenditures from the fund.

- The term of the agency agreement.

- The disposition of any remaining funds at the end of the agreement.

Because an agency account represents activity that is related, but not fundamental to the University’s primary mission, it is important that agency fund treatment is not awarded to activities that are a normal and continuing part of the University’s mission.

The process of evaluating an activity for agency treatment must be in place to ensure the accuracy of the University’s accounting for agency funds and to facilitate effective stewardship of funds for which the University has a fiduciary responsibility. At the same time, ongoing accountability and oversight for agency funds must be established to minimize the University’s financial exposure.

The status of each agency fund will be reviewed periodically, at least once a calendar year, for the purpose of ensuring whether the agency status should be suspended or revoked. Circumstances to be considered include:

- Failure to adhere to University policies and procedures.

- The nature of the activities and functions has changed such that agency account status is no longer appropriate.

- Deficit balances that are not remedied on a timely basis.

- In the judgment of the President or designee, suspension or revocation is in the best interest of the University.

- Inactive balances should not be carried forward indefinitely from year to year, but should be disposed of in accordance with the agency agreement.

After five (5) years without activity, unused balances must be forwarded to the state as mandated by escheatment laws unless the disposition of unused balances is covered in the agency agreement. In instances involving federal funds, those funds should be returned to the appropriate federal agency. Complete files should be maintained for all agreements, letters, or other documents, for guidance in the proper handling of the funds.

Individual agency accounts should not carry a negative balance outside of short-term timing in differences in processing. At the end of the fiscal year, receivables should be set up for any applicable deficit balances.

**Agency Account Services**

The following services may be available to agency account principals such as individuals, faculty/staff/student organizations, and other entities as described in this policy with proper prior written approvals:

- Cash receipting and disbursing services.

- Use of campus service departments, where amounts charged for such use are based on the standard recharge rates for the services of the department involved.

- Purchasing goods and services through the University’s Procurement office, with adherence to all state purchasing laws, rules, and regulations.

**Note:** While the University permits the use of agency fund account services as outlined above, agency fund account expenditures are subject to sales tax unless the agency account principal can provide documentation proving a sales tax exemption.

**Terms and Conditions of Agency Accounts**

Agency accounts are used under the following terms and conditions.
Funds accepted for deposit in agency fund accounts are not considered tax-deductible gifts to the University.

The agency account must have a positive cash balance at all times. Should a deficit occur, the agency principal is responsible for remedying the deficit balance promptly upon notification. Disbursements may be disapproved for insufficient funds.

Checks will be issued against the agency account using approved disbursement forms.

With the exception of the Study Abroad program expenses, purchasing cards may not be used for any agency account activity.

All University of Georgia policies and procedures must be adhered to as well as applicable U.S. and state Georgia laws.

Note: Agency fund expenditures are subject to all of the purchasing laws, rules, and regulations normally governing state funds.

Agency Fund Groups
Based on the purposes intended for the funds received, agency accounts will be established as follows:

**Funds Held on Deposit**
- Student Organizations and Activities
- Faculty/Staff Organizations and Activities
- Activities between USG Institutions and Other Entities

Agency- Designated Scholarships

Payroll Operations

Accounting Principles for Agency Funds

Below are detailed descriptions of agency funds:

**Funds Held on Deposit**

**Student Organizations and Activities**
These accounts are established for student clubs, student organizations, or workshops sponsored by student groups. Funds deposited in these accounts should represent funds earned or raised by the student organization. Funds allocated to the student organization from institutional funds shall not be placed in an agency account.

Agency accounts of these types should be provided only for bona fide student activities and institution-affiliated student organizations, with approval of the appropriate campus administrative offices such as the Vice President for Student Affairs office.

**Faculty/Staff Organizations and Activities**
These accounts are established for faculty and/or staff organizations and activities. Examples include professional organizations in which faculty and/or staff are members or conferences and workshops sponsored by faculty or staff groups. Agency accounts should not be established for grants or contracts awarded to the individual where the research would normally be handled as a departmental research grant or contract.

Establishing agency accounts for faculty/staff organizations and activities should be made only with approval from an administrative office such as Academic Affairs for faculty activities or appropriate administrative office for staff organizations.

**Activities between USG Institutions and Other Entities**
These funds are:
- Paid from one USG institution to another USG institution; and,
Paid by other state agencies to the Board of Regents for activities limited to meetings, seminars, training sessions, and workshops.

The funds include registration fees and incidental costs such as meals, use of facilities, training materials, and refreshments. Fee rates must be established to cover only the costs of the particular event. The account balance should be kept to a minimum and current balances should be considered when establishing fees for future events. Any balance on hand June 30th, considered by audit judgment to be inordinately large, may be transferred to general funds.

**Note:** An agency agreement as discussed under ‘Use of Agency Funds’ should be made for each activity agency fund account, and an Agency Account Agreement Form must be completed.

**Agency - Designated Scholarships**

These funds are provided by individuals, companies, civic organizations, church groups, other groups, state government, and the federal government for the purpose of awarding scholarships to students matriculating in established degree programs. The entities providing funds have the sole discretion in designating the recipient and the amount of aid to be provided.

Individuals and organizations desiring an agency account for scholarships should establish a Memorandum of Understanding that specifies: recipient eligibility requirements, the purpose of the aid, and the amounts of aid for each recipient.

Agency scholarships shall not be treated as gifts to the institution.

**Payroll Operations**

These are funds consisting of state and federal income taxes, social security taxes, retirement deductions, annuity premiums, and various other amounts withheld from the payroll checks of employees, from which legal or contractual obligation exists to remit monies to a third party. These payroll deductions are transferred to the appropriate agency accounts when the payroll is recorded and are held in trust by the University until routine remittances are made to the appropriate agencies.

Accruals of employer liabilities are also accumulated in this fund group.

**Accounting Principles for Agency Funds**

The assets of the agency fund group include cash, temporary investments, and amounts due from other fund groups. Balances for this fund group will be carried as a liability on the Statement of Net Assets. Receipts and disbursements of these funds are classified as additions to and deductions from the fund balances rather than revenue and expenditures.

Unique accounts should be established in each agency fund in order that transactions related to a specific fund balance may be recorded in one account. Each fund can then be properly analyzed for purposes of accounting control and for the preparation of necessary reports.

The accounting for agency funds must conform to the standards required for a fiscal agent. Funds should be disbursed only for properly designated and approved purposes.

**Reason for policy**

This policy conforms to the University System of Georgia Board of Regents policy for Agency Funds, as outlined in the USG Business Procedures Manual. A link to the agency fund section of the Procedures Manual can be found under Related Information.

**Forms/Instructions**

**Agency Account Agreement Form**

**Responsibilities**
Record Retention

Citation or Reference: Research Grant Records
Number: 0472-09-006
This series includes bank statements, purchase requests, purchase orders, requisitions, financial reports, accounts payable and receivable records, write-off records, discrepancy, payment schedules, operating statements, year-end projections, reconciliation and expenditure reports, cancelled checks, check stubs, moving expenses records, cost accounting reports, refund/disbursement request records, returned checks, deposit slips, travel records, credit voucher requisition records, cash balances and reconciliations, sales and cash reconciliation records, journal entries, outstanding obligations, refund/disbursement requests, receipts, and invoices. For expenditures processed with grant funding, all documentation should be retained for the life of the grant.

Retention: Final research report: PERMANENT; All other records: 7 years after the end of the grant period.

Citation or Reference: Accounting Records
Number: 0472-03-001
This series includes bank statements, purchase requests, purchase orders, requisitions, financial reports, accounts payable and receivable records, write-off records, discrepancy, payment schedules, operating statements, year-end projections, reconciliation and expenditure reports, cancelled checks, check stubs, moving expenses records, cost accounting reports, refund/disbursement request records, returned checks, deposit slips, travel records, credit voucher requisition records, cash balances and reconciliations, sales and cash reconciliation records, journal entries, outstanding obligations, refund/disbursement requests, receipts, and invoices.

Retention: Monthly and quarterly reports: 1 year; All other records: 5 years.

Related information
USG Procedures Manual 14: Agency Funds
Manual includes
- Section 14 Introduction
- 14.1 Overview
- 14.2 Use of Agency Funds
- 14.3 Agency Account Services
- 14.4 Terms and Conditions of Agency Accounts
- 14.5 Agency Fund Groups
  - 14.5.1 Fund 60000 – Funds Held on Deposit
  - 14.5.2 Fund 61000 – Agency - Designated Scholarships
  - 14.5.3 Fund 62000 – Payroll Operations
- 14.6 Accounting Principles For Agency Funds

Policy Dates
Effective Date:

Date Last Updated:

Date of Last Review:

Date of Approval: