1.2 Custodial Funds (Agency Funds)

Policy Statement
Custodial 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 a custodial fund if all of the following criteria apply:

1. Assets are held by the University.
2. Assets are for the benefit of individuals and the University does not have administrative or direct financial involvement with the assets. For the purposes of this section, the University does not have administrative or direct financial involvement if the University:
   - Does not monitor compliance with any requirements of the resource provider;
   - Does not determine appropriateness of expenditures;
   - Does not have the ability to exercise discretion over how assets are allocated.
3. Assets are for the benefit of organizations or other governments that are not part of the financial reporting entity.

Establishment of Custodial Fund
The University of Georgia may agree to serve as fiscal custodian only after satisfactorily considering all of the following:

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

The approval and establishment of a custodial fund 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 custodial fund under the University’s tax-exempt umbrella. Expenditures from a custodial 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. Fund status is contingent on adherence to all University policies. The University has the right to close any custodial fund at its discretion consistent with agreements between the organization and the University.

Additional terms and conditions are as follows:

1. Funds accepted for deposit in custodial fund are not considered tax-deductible gifts to the University.
2. The custodial fund should have a positive cash balance at all times other than short term timing differences (60 days or less). Should a deficit occur, the external provider (owner of the custodial fund) is responsible for remedying the deficit balance promptly upon notification.
3. The University must withhold disbursements until sufficient funds are available for deficits outside of short-term timing differences.
4. University checks will be issued against the custodial fund using approved disbursement forms.
5. All University policies and procedures, including State procurement policies, must be adhered to when administering custodial fund activity.

Custodial Fund Agreements

Custodial agreements should be completed by the University and signed by representatives of both the University and the external organization (owner of the custodial fund). Each agreement should contain complete information on the terms and conditions of the custodial relationship, including:

- The business purpose for the custodial fund. The nature of activity that will be processed through the fund.
- The legal/corporate status of the organization. For example, 501(c) (3), Corporation, etc.
- The Federal tax ID number of the organization, if applicable.
- The name of any other organization on whose behalf the organization is functioning as an agent or intermediary.
- The affiliation of the organization with the University.
- The person or persons authorized to request expenditures from the fund.
- The term of the custodial agreement. Note: The term should not carry forward indefinitely. The agreement should establish a clear and reasonable beginning and ending date.
- The disposition of any remaining funds at the end of the agreement.
- Acknowledgement that the University cannot accept responsibility for financial shortfalls for the custodial fund. Disbursements will not be made unless adequate funds are available in the custodial fund.
- Acknowledgement that direct costs expended by the University on behalf of the custodial fund must be reimbursed by the custodial fund.
- Acknowledgement that the University cannot process disbursements that are not handled in accordance with the University’s prescribed practices, including applicable State procurement policies and guidelines for allowable expenditures.
- Acknowledgement that by establishing a custodial fund, the owner of the custodial funds is not a unit of the University and does not obtain University privileges, including but not limited to: entitlement to use University
services or facilities; inclusion under University income or sales tax exempt status; use of the University Federal Employer Identification Number (FEIN); use of the University payroll system; use of University staffing; use of University name, logos, trademarks; use of University property recordkeeping or tracking systems.

- Acknowledgement that the custodial fund does not enjoy tax-exempt status under the University's charitable tax status. Donations to the custodial fund or Owner of the custodial fund are not tax deductible unless Owner of the custodial fund obtains its own charitable status under the Internal Revenue Code. The Owner of the custodial fund is responsible for all aspects of compliance with its charitable status, such as issuing written gift acknowledgements to donors.

- Acknowledgement that the University is not responsible for the Owner of the custodial fund's actions, including but not limited to: appropriateness of disbursements; indebtedness or other liabilities incurred by the Owner of the custodial funds. Owner of the custodial fund agrees to hold the University System of Georgia, including its trustees, employees, and agents, harmless from and to indemnify each of them against all claims, demands, losses and liabilities relating to the University’s management of the custodial fund at the Owner of the custodial fund’s direction.

- Acknowledgement that the University has the right to close a custodial fund at its discretion.

- Acknowledgement that the records of all custodial funds shall be subject to review or audit by appropriate University, State, or external auditors as necessary.

The University may also assess administration fees to custodial funds, including funds with inactive balances. If administrative costs are assessed, acknowledgment of the potential for administrative cost assessment should be included in the custodial agreement. (Example: With prior written notification, the University may assess administration fees to custodial funds, including funds with inactive balances.)

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

Oversight and Maintenance of Custodial Funds

Financial stewardship of custodial funds is paramount; therefore, ongoing accountability and oversight must be maintained. Each custodial fund should be reviewed periodically, at least once a year, for the purpose of ensuring that custodial funds are being properly maintained and reported correctly. Circumstances to consider which could lead to change, suspension or revocation of custodial fund status would include:

- A failure to adhere to University policies and procedures;
- A change in the nature of the activities and functions such that reporting as a custodial fund is no longer appropriate;
- Deficit balances which have not been remedied in a timely manner;
- If, in the University’s judgment, continuing the custodial fund relationship is no longer in the best interest of the University.

After 24 consecutive months without activity, unused balances must be either disposed as outlined in the custodial agreement or refunded to the Owner of the custodial fund. Refunds that remain outstanding after one hundred eighty (180) days from the check’s issue date must follow procedures outlined in section 19.1, Unclaimed Property.
Individual custodial funds should not carry a negative balance outside of short-term timing differences in processing. Under no circumstances should the custodial fund group have a deficit balance. At the end of the fiscal year, accounts receivable should be set-up and external providers should be billed for any applicable deficit balances.

**Custodial Fund Groups**

**Fund 60000 – Funds Held for Individuals, Groups and Organizations**

**Student Organizations and Activities**

These funds are established for student clubs, student organizations, or other student group or affiliated group activities that fit criteria listed in Section 14.1. Money deposited in these funds should represent funds earned or raised by the student organization or affiliates. Funds allocated to the student organization from institutional funds, such as student activities fees, shall not be placed in a custodial fund.

Custodial funds of these types should be provided only for bona fide student activities and institution-affiliated organizations, with approval of the appropriate institution administrative office such as the Vice President – Student Affairs Office.

**Fund 61000 – Designated Scholarships**

These are funds provided by individuals, companies, civic organizations, church groups, other groups, state government, and the federal government for the purpose of awarding scholarships and loans to students matriculating in established degree programs. The individuals or entities providing the funds have the sole discretion in designating the recipient and the amount of aid to be provided. Pass through grants, for which the institution does not have any direct financial or administrative control, will be reported in this fund.

With the exception of pass through grants, individuals and organizations desiring a custodial fund for scholarships should provide an award letter or similar documentation that specifies the following:

- Recipient(s);
- Purpose of the aid; and,
- Amounts of aid for each recipient.

Custodial scholarship funds shall not be treated as gifts to the institution.

**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.

**Procedures**

**Accounting for Custodial Funds**

In accordance with the implementation of GASB Statement No. 84, Fiduciary Activities, custodial funds are replacing the activity traditionally reported as agency funds. In addition to the change in nomenclature, there is significant changes in accounting and reporting. Custodial Funds are to be reported as part of Fiduciary Activities financial statements, which will include the following:

- Statement of Fiduciary Net Position – full accrual basis financial statements that show all of the assets and liabilities of the institution’s fiduciary activities;
- Statement of Changes in Fiduciary Net Position – reports additions, deductions and reflects how fiduciary net position has changed during the year under review.
Unique department ID’s will be required for each custodial fund in order to accurately track the transactions by fund. Department or project ID’s will be required for all transactions.

Custodial fund additions will be reported in the general ledger using account range 4961xx to 4964xx. Custodial fund disbursements will be reported in the general ledger using account range 7961xx to 7964xx. Fiduciary net position will be reported in account 396000.

### Forms/Instructions

| Custodial Fund Agreement Form |

Requesting a New Chartfield

### Additional Contacts

None

### Definitions

None

### Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration  
**Responsible University Administrator:** Associate Vice President – Finance Division  
**Policy Owner:** Accounting  
**Policy Contact:** Darlene McConnell  
**Phone Number:** 706-542-6874

### Record Retention

**Citation or Reference:** Research Grant Records  
**Number:** 0472-09-006  
These records relate to funded research grant proposals and research activity associated with grant-funded projects. Examples of records include: supporting statistics, demographic data, draft proposals, suggested revisions, final proposals, forms, protocols, applications, research/activity reports, progress reports, and summary reports.

**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.

### Appendices

None

### FAQs

None
Related information

**USG Business Procedures Manual Section 14: Custodial Funds**

Manual includes

- Section 14 Introduction
- 14.1 Overview
- 14.2 Establishment of Custodial Fund
- 14.3 Custodial Fund Agreements
- 14.4 Oversight and Maintenance of Custodial Funds
- 14.5 Custodial Fund Groups
  - 14.5.1 Fund 60000 – Funds Held for Individuals, Groups and Organizations
  - 14.5.2 Fund 61000 - Designated Scholarships
- 14.6 Accounting For Custodial Funds

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**Policy Dates**

**Effective Date:**

Date Last Updated: March 2, 2021

Date of Last Review: April 1, 2021

Date of Approval:

Previous Version of Policy: