

Sam Houston State University
A Member of the Texas State University System

Finance & Operations Policy FO-59
Agency Funds

Purpose

To define agency fund accounts and to outline the procedure for accepting, administering, and accounting for agency fund accounts.

Agency fund accounts in the University's general ledger are accorded different treatment because they represent amounts held on behalf of parties external to the University, and should only be used to report resources held by the University in a purely custodial capacity. Agency fund accounts typically involve only the receipt, and remittance of funds. Agency fund accounts are not trust accounts, nor are they banking accounts.

An agency fund account represents activity that is not part of the University, thus revenues, expenses, gains and losses in agency fund accounts are not included in the University's financial statements; only assets and liabilities are reported

Because of these accounting implications, it is important that:

- Agency fund treatment is not awarded to activities that are part of the University's business. Agency fund accounts are purely custodial, and are limited to assets held in an agency capacity for others; agency fund accounts cannot be used to support the University's own programs. GASB 34, ¶ 69.
- Agency fund treatment is not awarded for resources [cash] held for the University itself; these resources should be reported in the University's non-agency fund accounts.
- Agency fund treatment is considered only for entities whose activities are related to the mission of the University, but whose separate legal status requires that the operating results not be blended with the University's.

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 these agency funds must be established to minimize the University's financial exposure resulting from a third party's inability or unwillingness to pay.

Definitions

- Agency Fund Account – an account which records funds held by the University as custodian or fiscal agent for an organization or a University related organization.
- Organization – the individual group whose funds are accounted for in the agency fund account.
- Sponsor – The person (normally a University employee or employees) designated to authorize expenditures and manage the account in accordance with State and University rules, regulations and procedures. This person(s) may delegate signature authority to up to two (2) members of the Organization. All requests for expenditure/disbursement must have two authorized signatures.

General

Agency Fund Accounts are funds held by the University as custodian or fiscal agent. Such funds do not technically belong to the University, but there are some circumstances where it is advantageous for the University, to manage these funds for an organization or group. The money is deposited with the University for safekeeping, to be used or withdrawn by the depositor at will. All agency fund accounts must be related to the mission of the University. The University, at its sole discretion, will determine whether or not to establish an agency fund account. The following will be considered:

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- The purpose for the agency fund account must relate to activities dedicated to the mutual achievement of educational, research and public service goals.
- The goals must be consistent with the mission of the University.
- The agreement to establish the account is in the best interest of the University, taking into consideration its fiscal, human resource, risk management, facilities management, budget, tax and legal implications.
- The establishment of an agency fund account is appropriate, according to accounting principals involved.

By acting as fiscal agent, the University will:

- Hold funds provided by the Organization in a separate account on the University's books and in the name of the Organization. (The Organization will retain all its rights, titles and interest in and to such funds.)
- Consistent with University policy and procedures, purchase goods and services on behalf of the Organization and disburse funds to the Organization.
- Provide guidance for reconciliation of Agency Fund Accounts to the Organization.

The approval and establishment of an Agency Fund Account does not:

- Automatically entitle the Organization to the use of any University services.
- Place the Organization under the University's tax-exempt umbrella.
- Make the University liable for any of the Organization's debts, liabilities or actions.
- Grant the Organization the right to use the University's payroll system.
- Grant the Organization the right to use the University's name, logo, or trade and service marks.
- Continue indefinitely. Agency fund account status is contingent on adherence to all University policies as well as applicable laws; the University has the right to close an agency fund account at its discretion after providing reasonable notice to the Organization.

Policies & Procedures

- University funds may not be deposited into an agency fund account.
- Agency funds are subject to Federal and State laws. The Organization may impose additional limitations.
- The University reserves the right to commingle agency funds with University funds deposited in financial institutions.
- Agency fund accounts will neither earn interest nor be assessed administrative fees, except for identifiable bank charges directly related to a specific agency fund account.
- Agency funds will be managed at the same level of safekeeping as University funds. Should owners of the agency funds wish to conduct an independent audit, they may do so by obtaining their own auditor at their own expense.
- Agency fund accounts are subject to review by University and state officials as well as anyone legally authorized to do so.
- Organizations requesting an agency fund must have a University employee as the responsible party.
- Agency Fund Accounts will require two authorized signatures for all expenditures and disbursements – the Responsible Person and/or his/her designee(s).
- Expenditures/disbursement requests may not be processed against an agency fund account in a deficit cash position. University funds may not be loaned to agency fund activities.
- Expenditure/reimbursement requests from an Agency Fund Account are processed on the same timeline as all other University payments. Typically, when all submitted documentation is complete and properly authorized, payments can be processed in three to five business days.
- Agency accounts will be considered dormant when they have not had activity for 18 consecutive months. All dormant agency accounts will receive a liquidating disbursement to the organization and will not be eligible to re-establish an agency account for 6 months.

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Request to Establish an Agency fund account

A request to establish an agency fund account is made by having the Organization along with their Sponsor (University employee) complete the "Agency Fund Account Request Questionnaire" form (FO-59A), obtain required approval signatures and send it to the Controller's Office for review. The form is available from the Controller's Office, on the University Policy and Procedures page, or on SamWeb. If approved, the agency fund account will be assigned a fund number (Banner), which will be used by the Organization when depositing or withdrawing funds.

Disbursement from an Agency fund account

Withdrawal of funds or payments to vendors:

1. Complete a "Direct Pay" form available on MySam/Forms. Print the completed form, obtain required signatures, and submit it to Disbursement Services.

All checks will be mailed unless written instructions are provided on these forms. Allow one week for check processing.

Negative Balances in Agency Fund Accounts Prohibited

Agency fund accounts are not permitted to carry negative balances. Therefore, the University may assess a \$25 institutional fine each time an account goes into a negative balance. If an agency fund account is referred for collection, the account will be assessed all associated costs.

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