PROCEDURE NUMBER:	FINA 1.20 (Formerly FINA 3.22) Procedure
SECTION:	Administration and Finance
SUBJECT:	Agency Funds (Z funds)
DATE:	September 1, 2021
REVISION:	April 1, 2024
Procedure for:	All Campuses
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Issued by:	Administration and Finance – Controller's Office

Procedure

The following procedure outlines the required steps to establish, maintain, monitor, and deactivate an Agency (Z) fund account. Refer to **FINA 1.20** – Agency Funds (Z funds) policy to determine the criteria needed to be classified as an agency (Z) fund.

A. <u>Establishing Z Fund Accounts</u>

Organizations seeking to establish an Agency fund must complete an Agency Fund Information Request and must be signed by the both the University (Dean or Vice President of the requesting unit) and external organization. The agreement should contain complete information on the terms and conditions of the agency relationship, to include but not limited to the following:

1. The business reason for the agency fund.
2. The nature of activity that will be processed through the fund.
3. The legal/corporate status of the organization (e.g. 501(c)(3), corporation, etc.).
4. The Federal Tax ID number of the organization, if applicable.
5. The affiliation of the organization with the University.
6. The sponsoring University department.
7. The person(s) authorized to request expenditures from the fund.
8. The term of the agency agreement.
9. The disposition of any remaining funds at the end of the agreement.

The Controller's Office will review the request to determine if the use of an agency fund account is appropriate and the University Controller or designee will approve.

- If the unit's request for an agency fund account is approved, the Controller's Office will create the needed chartfields within the financial systems of the University and will notify the parties when the account has been established.
- If the Controller's Office determines that the activity does not meet agency fund account criteria, the Controller's Office will contact the requesting organization and sponsoring University department to discuss alternatives.

B. Use of Agency Funds and Terms:

Once an agency fund is established, the agency fund must be used in accordance with the following terms:

1. Amounts deposited in agency funds are not considered tax-deductible gifts to the University.
2. Agency fund expenditures are subject to sales tax unless the agency fund administrator can provide documentation proving sales tax exemption.
3. As a general rule, agency funds may not be over-expended. The agency fund's administrator will be notified if there is a deficit. If the deficit balance has not been resolved within 30 days, an interest charge may be assessed on the deficit amount. This fee will be charged to the sponsoring University department. In addition, if the deficit is not resolved, the entire amount will be charged to the sponsoring University departmental funds. The only exception to this rule is if the Controller's Office has approved for the agency fund to operate on a reimbursement basis with the organization.

C. Accounting Principles for Revenues and Expenses:

Once an agency fund is established, the following accounting principles must be followed:

1. Agency transactions may use University established revenue and expense account codes for day-to-day transactions. However, because the agency fund represents amounts held for external parties and activity that is not part of the University, revenues and expenses will not be included in the University's revenues and expenses for the purposes of financial reporting.
2. The University's Statement of Net Position Financial Statement will report assets and liabilities for agency funds using "Funds Held For Others" and "Funds Due From Others".