

Review and Maintenance of the Agency Funds

Purpose

Regular analysis of agency cost centers is necessary to ensure that no external organization's operating activity is recorded as University related transactions. Conversely, any activity associated with the University's business or operations should not be recorded in agency cost centers. Only the Statement of Net Position is presented for agency funds. Any fund balance resulting from agency fund activity is reported as "Assets Held for Other", a liability on the University's financial statements.

This procedure is designed to provide a standard for the timely review of agency cost centers.

Establishing an Agency Cost Center

Before establishing an agency cost center, certain criteria should be met in order to ensure the agency relationship is the appropriate treatment. First, the external organization's goals and activities must be consistent with the University's mission and be in the best interest of the University. To determine if these criteria have been met, consider the following examples of appropriate agency relationships:

- Professional organizations for affiliated faculty or students
- Alumni organizations
- Transactions on behalf of other governments (such as the Federal Direct Student Loan program)

If the external organization fits the criteria for an agency relationship, a departmental sponsor must be assigned. The sponsor will be responsible for submitting the [Agency Agreement](#) to Accounting and Financial Reporting (AFR), reconciling the agency cost centers, reviewing any relevant information and reporting financial data to the entity.

Ensuring the Agency Agreement and subsequent agency relationship is consistent with accounting standards and University policy is the responsibility of the AFR department. AFR will review all relevant information including the Agency Agreement and make a recommendation to the Vice President for Budget and Finance regarding the use and acceptance of an agency relationship. If approved, AFR will submit a request to establish an agency cost center under the sponsor's name and department.

Review of Agency Cost Centers

Departmental Sponsors: The sponsoring department is responsible for monthly cost center reconciliations and facilitating transactions on behalf of the external organization. External organizations may use University resources such as the procurement and payroll systems but there will be no differential treatment for transactions originating from agency funds. Processing will follow the

normal course of business and is subject to all internal controls and approvals. In some cases, a fee may be accessed by the University for the use of these resources.

Accounting and Financial Reporting: Central review of all agency cost centers will be performed annually in March to ensure that the agency relationship continues to be compliant with the Agency Policy. The review will include:

- A comparison between transactions in the agency cost center and the Agency Agreement
- A review of the external organizations outstanding obligations
- A review of the fund balance to ensure that deficits are resolved in a timely manner
- Identification of inactive cost centers for further research and possible close-out

Reviews may take place more frequently depending on agency activity levels or complexity.

Agency Cost Center Close-out: Agency cost center may be closed for the following reasons:

- The Agency Agreement has expired
- By the external organizations request
- If non-compliance is identified
- If the agency cost center is identified as inactive (after 18 months of inactivity without notice from the external organization)
- Or at the University sole discretion

Any outstanding obligations or deficits will be the responsibility of the sponsoring department to resolve or collection from the external organization. Remaining funds considered abandoned will be compiled and provided to the Treasury department for inclusion in the annual escheatment process.

Special Situations

Each agency relationship will differ depending on the needs of the external organization. In cases when University fees need to be assessed for the use of University resources or other special provisions are requested, a formal contract may be required. These situations will be handled and documented on a case by case basis.

If you have any questions regarding this procedure, contact Accounting & Financial Reporting at extension 2352.