UTDBP3108 - Agency Funds

Policy Statement

Agency funds are used to account for resources held by the University of Texas at Dallas (University) as a custodian or fiscal agent on behalf of external organizations or individuals.

Policy Overview

The University is committed to fulfilling the custodial and fiduciary responsibilities associated with agency funds for the benefit of external organizations which support or enhance the mission of the University. Funds held in an agency capacity cannot be used to support University programs. Agency Cost Centers within the University's general ledger track transactions that are not part of the University's business. These transactions must be recorded using the accrual basis of accounting although only assets and liabilities are reported in the University's financial statements. Because the agency fund represents activity that is not part of the University, agency fund revenues, expenses, gains and losses are excluded from the University's financial statements.

The University may serve as a fiscal agent for an external organization only if the following general criteria are met.

- The external organization's goals and activities must be consistent with the University's mission
- The agency relationship is in the best interest of the University considering the operational risks and needs of the organization

Use and Management of Agency Funds

An agency relationship is established to account for resources held by the University as a custodian for an external organization. Examples of agency relationships include:

- Professional organizations for affiliated faculty
- Student organizations including fraternities and sororities
- Alumni organizations
- Assets held for other governments including the Federal Direct Loan program

The University requires an Agency Acknowledgement disclosing the nature and extent of the external organization's activities. Agency Acknowledgements will include:

- Business justification for the external organization not opening its own bank account
- Description of how the external organization is affiliated with the University
- The external organization's legal status and Federal tax ID number
- Type and anticipated quantity of activity processed through the Agency Cost Center
- List of terms, conditions or restrictions placed on the funds
- Details for the disposition of remaining funds at the end of the relationship

The University may charge external organizations for the cost of any services provided as a part of the agency relationship. These charges can include cost of capital, interest on deficit balances and processing fees incurred by the external organization. Approval of an agency relationship and the establishment of an Agency Cost Center does not entitle the external organization to:

- Be included in the University's tax-exempt status
- The use of University systems for payroll processing, purchasing, invoicing or other business needs
- The use of University logo's, trademarks, name, etc.
• Use the University's credit standing or make the University liable for any actions or liabilities of the external organization
• Perpetual existence in the agency relationship

The University retains the right to terminate an agency relationship at its sole discretion. The University will make every effort to provide reasonable notice to all departmental and external organization contacts.

The Vice President for Budget and Finance/Chief Financial Officer or his/her designee will make the final decision to enter into an agency relationship with an external organization.

The status of each Agency Cost Center will be reviewed at least annually to help safeguard the University and minimize the financial risk associated with an external organization's inability or unwillingness to meet its obligations. The review process shall ensure the accuracy of accounting records as well as facilitate the effective custodianship of funds held in an agency capacity by the University. Circumstances to be considered in the review include:

• Adherence to University policies and procedures
• The nature of the activities and functions of the Agency Cost Center
• Deficit balances not remedied within University guidelines
• Inactive balances
• The best interest of the University

Terms and Conditions of Agency Cost Centers

• Agency Cost Centers are subject to Federal and State laws. The external organization may impose additional limitations
• Agency Cost Centers will not earn interest
• Agency Cost Centers will be managed at the same level of safekeeping as University Cost Centers. Should owners of the Agency Cost Centers wish to conduct an independent audit, they may do so by obtaining their own auditor at their own expense
• Agency Cost Centers are subject to review by University and state officials as well as anyone legally authorized to do so
• Organizations requesting an Agency Cost Center must have a University departmental sponsor and an employee as the responsible party
• Agency Cost Centers will be subject to the same transaction threshold limits and approval requirements as University Cost Centers
• Expenditure/disbursement requests may not be processed against an Agency Cost Center in a deficit cash position. University funds may not be loaned to agency fund activities
• Expenditure/reimbursement requests from an Agency Cost Center are processed on the same timeline as all other University payments

Responsibilities

Departments Acting as the Fiscal Agent

• Act as a sponsor to the external organization and agree to be responsible for the fiscal activities of the entity. Sponsorship includes departmental ownership of the Agency Cost Center and account reconciliations
• Complete the Agency Acknowledgement on behalf of the external organization
• In some cases, a formal contract will be required. No agreement should be made with an external organization before receiving final approval of the agency relationship from the Vice President for Budget and Finance/Chief Financial Officer or his/her designee
• Provide the external organization with a summary of cost center activity on a regular basis keeping it informed about balances owed/due and ensuring the University's records are accurate
• Monitor the external organization's financial position. This may include requiring partial or complete financial statements, explaining and resolving long-term deficits, ensuring compliance with University policies, etc.
• Report any instances of noncompliance with either University policy or the Agency Acknowledgement to Accounting and Financial Reporting
• Administer all uses of University resources on behalf of the external organization. All uses of University resources must comply with applicable policies including Federal and State regulations
• Prepare an annual operating budget including forecasted revenues and expenditures for the Agency Cost Center
• Ensure that all agency fund transactions are recorded and maintained within the University's accounting system

Accounting and Financial Reporting

• Review Agency Cost Center requests and Agency Acknowledgements
• Recommend the use and acceptance of agency relationships to the Vice President for Budget and Finance/Chief Financial Officer or his/her designee
• Work with the department and contracts office to complete all necessary agreements
• Conduct a periodic review of the external organizations activities to ensure continued alignment with the University's mission
• Record administrative fees when applicable
• Ensure that abandoned funds are escheated according to state guidelines

Budget and Resource Planning

• Work with departments to ensure operating budgets established in collaboration with the external organization are consistent with historical performance and compliant with University budgeting policies

Vice President for Budget and Finance/Chief Financial Officer or his/her designee

• Make the final determination of the use and acceptance of all agency relationships
• Brief the President or his/her designee on instances when suspension or revocation of the agency relationship is in the best interest of the University

Guidelines for Agency Funds

Specific procedures related to requesting, accounting for, and managing Agency Cost Centers can be found in the Office of Budget and Finance frequently asked questions database (AskYODA) at Agency Funds.

Links to the Agency Fund Procedure and Agency Acknowledgement on the Office of Budget and Finance website are provided below

Agency Fund Procedure
Agency Acknowledgement

Policy History

• Issued: 2017-11-09
Policy Links

• Permalink for this policy: http://policy.utdallas.edu/utdbp3108
• Link to PDF version: http://policy.utdallas.edu/pdf/utdbp3108
• Link to printable version: http://policy.utdallas.edu/print/utdbp3108