

**Financial Policy & Procedure Instructions Manual
FPI H-5 Administration of Agency Funds**

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I. **PURPOSE**

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

II. **GENERAL**

An agency fund account may be established by a University employee or by an organization or activity related to the University to account for activities or services that supplement and are consistent with the mission of the University. Expenditures of an agency fund account will consist of either scholarships designated by a sponsor for specific individual(s) or specified expenses of the activity funded by the sponsor. Ownership of agency funds is retained by the sponsor. Unused funds are to be returned to the sponsor. Agency fund relationships must be supported by a written agreement. All agency fund agreements must be signed by the appropriate dean, director or department head.

III. **DEFINITIONS**

- A. **Agency fund account.** An account in the 99 fund which records funds held by the University as custodian or fiscal agent for a sponsor or a University related organization. These special accounts are not charged indirect costs.
- B. **Sponsor.** The individual or group whose funds are accounted for in the agency fund account.
- C. **Sponsored individual.** The individual or group as identified in the sponsor's agreement, on whose behalf the funds have been deposited with the University. Only in rare cases will the sponsor and the sponsored individual be one and the same.
- D. **Responsible person.** The University employee designated to authorize expenditures and manage the account in accordance with State and University rules, regulations, and procedures.

IV. **POLICY**

- A. Agency fund accounts are subject to State laws and Fiscal Procedures, in addition to this policy and the remaining University Financial Procedure Instructions. The sponsor may impose additional limitations.

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B. Responsibility for agency funds:

The responsible person will ensure that all disbursements from the account are made in accordance with the written agreement on file.

The Manager of General Accounting is responsible for approving and establishing each agency account in the financial reporting system (FRS).

- C. University cash may not be utilized to support agency fund activities. Sponsors must provide for cash needs, in advance.
- D. An agency account responsible person may not process expenditures against an agency account in a deficit cash position. However, with the Director of Business and Financial Services' approval, a group of related accounts may be considered a single unit for determining whether there is a deficit cash balance.
- E. Agency funds may not be used as a petty cash fund or as a change fund.
- F. Equipment can be purchased in the agency fund accounts only if the equipment will be owned and used by a governmental agency. Agency funds cannot be used to purchase equipment for students or other individuals. This prevents avoidance of applicable sales taxes on purchases that would be otherwise taxable.

If the agreement provides that the sponsored individual can purchase equipment, (e.g. a computer), software, textbooks, or other non-consumable supplies which will be titled in the sponsored individual's name, a check will be issued to the sponsored individual to purchase these items. The sponsored individual can then purchase the items directly from the appropriate vendor and pay all applicable sales taxes.

- G. An agency fund account cannot be used to pay salary or wages, unless approval is obtained from the Director of Business and Financial Services.
- H. An agency account that will be disbursing funds to an individual who is not a United States citizen may have special reporting requirements. This must be noted on the New Agency Account Request so that the account can be brought to the attention of the University Foreign National Tax Specialist.
- I. The sponsored individual cannot have signature authority over the agency fund account.
- J. An agency fund account does not earn interest income and fees are not charged for account maintenance.

V. **PROCEDURES**

- A. **Establishing an agency fund account (99 fund).** An agency fund account is established through the home department or host administrative unit at CSU. Only upon receipt of the funds from the sponsor, accompanied with instructions for their dispersal, can an agency fund account be opened. To request an agency fund account, a New Agency Account Request - <http://www.colostate.edu/Depts/BusFin/fm.html> should be completed and forwarded to the Manager of General Accounting. Copies of translated agreements and associated correspondence from the sponsor, which clearly show that an agency relationship exists, must be attached to the application. The original agreements must be kept on file within the requesting department.
- B. **Agency fund accounts for designated scholarships.** The office of Student Financial Services (SFS) processes all scholarships designated by a sponsor for

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a specific student. SFS will retain, in its files, documentation that establishes an agency relationship for all designated scholarship funds. SFS will submit only the account request form to the Manager of General Accounting. SFS will deposit funds received into the appropriate agency fund account via CASHNet. Funds are disbursed from the agency fund account via the SAM and SARS systems into the student accounts.

- C. **Agency fund accounts for sponsored students.** Sponsors of certain graduate students, visiting scholars and scientists may provide funds for direct support of their research activities. A separate agency account (99-fund) must be established for these students, scholars, or scientists.
- D. **Records required on an agency fund account.** Agency fund accounts are shown as 0-9XXXX in the University FRS General Ledger and as 9-9XXXX in the Subsidiary Ledger. Standard University reports are produced by the FRS for these accounts.