E. OFFICE OF THE TREASURER

Chart of Accounts – Funds

Agency Funds

I. Purpose

To provide policies and procedures governing the establishment and use of agency cost centers by registered student organizations and other non-University activities, operations and programs for which the University serves as a fiscal agent.

II. Policy

A. Agency cost centers will only be established when the following criteria are met:

1) The purpose of the activity must not contradict the mission of the University.

2) Student organizations must be registered with the Office of Student Involvement prior to the establishment of an agency account and must re-register annually, preferably by the end of the spring semester. The registered organization must be directly affiliated with a University department and that department’s business officer must agree (by signature approval on the form) to act as a liaison between General Accounting and the student organization. Detailed responsibilities of the department are listed in section III.B below. Student organizations seeking application for an agency account must do so through their affiliated University department.

3) The responsible person (SAP contact person) must be a University student, faculty member, staff person, or the treasurer of a fraternity or sorority, depending on the type of organization. For example, an agency cost center for a student organization must have as its responsible person a student member (preferably an elected officer) of the organization. A professional organization would have a faculty person who is a member of that organization as the responsible person for its agency cost center. The detailed responsibilities of the designated responsible person (SAP contact person) are listed in section III-A below.

4) The activity must not be carried out as a part of a faculty or staff position's functions as a University employee.

5) Examples of valid agency activities are the American Student Dental Association, Cool Cats Ice Hockey Club, and a conference held by an external organization for which a University faculty member is responsible and for which any surplus balance will be returned to the organization.

NOTE: Any activity related to a program, function or activity of the University of Kentucky must be accounted for in a regular departmental cost...
center and be handled in accordance with all policies, procedures and regulations of the University.

For example, an agency cost center may not be established for a conference sponsored by a University unit or for revenue generated by services performed by University employees as a function of their jobs.

B. Checks deposited to the credit of an agency cost center must be made payable to the organization, not the University of Kentucky.

C. Funds deposited to agency cost centers do not belong to and are not controlled by the University, nor are they considered to be charitable contributions to the University. Funds deposited into an agency cost center are inherently discretionary in nature.

III. Responsibilities

A. Responsible person (See II.A.3 above.)

1. Approve disbursements. No paying documents will be processed by the University without the approval of the responsible person.

2. Reconcile the monthly ledgers to verify that no errors have occurred in the cost center and that the account does not have a deficit balance. The monthly ledgers should be obtained from the affiliated department’s business officer.

3. Maintain a positive cash balance. As the person responsible for the fiscal affairs of the agency, the responsible person will be liable for any overdrafts. Any agency cost center that becomes overdrafted will be "blocked" until sufficient cash is deposited to return the cost center to a positive balance. Repeated overdrafts will result in the closure of the cost center by General Accounting.

4. Pay any liabilities, fines or penalties incurred by the organization.

5. Use the cost center only for the purposes described on the current Agency Account Information Sheet/Reauthorization Form. Any revised purpose requires a new form that has been properly completed and approved.

6. Submit renewal requests annually before September 30th.
B. Department business officer
   In SAP, this person will be listed in the “responsible person” field.

1. Review and authorize organization’s request to create an agency account before forwarding the request for creation. This includes verifying that the organization has registered with the Office of Student Involvement. A real time list of registered organizations can be found at http://getinvolved.uky.edu.

2. Obtain a copy of the photo I.D. of the current responsible person to keep on file with each new agency account request or renewal.

3. Provide monthly ledger sheets to the organization’s responsible person(s) for review. Monthly statements in the form of University ledger sheets are available in the BEx Reporting Tool in SAP.

4. Inform the organization’s responsible person(s) of deficit balance status if/when notified of such by General Accounting.

5. Fund any deficit balance that is not handled in a timely manner by the organization. A discretionary account within the affiliated department must be provided in the event that the deficit has not been covered by the organization.

6. Ensure that the organization’s responsible person submits a renewal request each fiscal year before September 30th.

C. General Accounting

1. Audit Agency Cost Center Information Sheet/Authorization Forms after authorization by the department and the assigned area budget officer.

2. Establish and maintain agency cost center master data in SAP, including updating the organization’s responsible person and other fields as necessary during the annual renewal process.

3. Notify the department business officer, area budget officer and organization’s responsible person(s) when the agency cost center is established or renewed.

4. Block agency cost centers that have not been renewed within 90 days of each fiscal year (by September 30).

5. Distribute balances on any agency cost centers that are dormant for one year. The funds will be disbursed to the surplus funds recipient designated on the most recent establishment/renewal request.
6. Monitor agency cost centers for deficit balances monthly. Notify the department business officer (SAP-responsible person) if a deficit does occur and block the cost center from any further activity until the deficit is cleared.

IV Procedures:

A. Establishing an agency cost center

1. The organization’s responsible person(s) must carefully read the policies and procedures concerning the duties and liabilities of the responsible person to determine if they are willing to be held accountable for the agency cost center. Each person listed as a “responsible person” on the establishment/renewal request MUST sign the form.

2. With the exception of the cost center number, fund and cost center create date which will be entered by General Accounting, completely fill out the Agency Cost Center Information Sheet/Authorization Form located at http://www.uky.edu/eForms/forms/AgencyCostCntrReqFrm.pdf.

   a. Surplus funds in a professional agency account will usually be given to a national organization of which the UK chapter is a member. Organizations should address this question in their by-laws and may decide that any remaining funds left in the cost center if the group disbands will be donated to another organization with similar objectives, given towards a scholarship account, etc.

   b. Surplus funds may normally not be disbursed to a University of Kentucky department, employee or student. However, student organizations may designate in their by-laws that surplus funds should be transferred to a specific departmental restricted account as a gift.

3. Obtain signature approval from the department business officer with whom the organization is affiliated, provide a copy of a photo I.D. belonging to the organization’s responsible person(s) to the department business officer and forward the completed form to the appropriate area budget officer. The area budget officer will review and approve the request then forward it to General Accounting, 371 Peterson Service Building, 0005. The completed form may be submitted electronically.

B. Deposit of funds

1. Deposits of funds must be made through Treasury Services, Office of the Treasurer, Room 356 Peterson Service Building using a University cash transmittal form. Instructions on making deposits, using the form and general information on internal controls may be found in the University of Kentucky Cash Operations Manual, Business Procedure E.2.
2. Journal vouchers (JV’s) may not be used to credit agency cost centers without prior approval by General Accounting although they can be used to charge a cost center as noted below.

C. Expenditure of funds

1. Disbursements are generally made using the University's Departmental Authorization Voucher (DAV) and must be approved by the responsible person (contact person in SAP).

2. State sales taxes must be paid on all purchases through the agency cost center unless the organization has obtained its own Kentucky sales tax exemption.

3. The DAV form can be used only as a payment document and not as an ordering device.

4. Organizations may use some University services such as food services or printing, and in these instances a JV will be used to charge the cost center. The agency responsible person (contact person in SAP) must verify that sufficient funds are available and approve all of these expenditures prior to requesting the service.

5. Payments through the University system for payroll are allowed with special approval. This approval is granted only after the organization has signed a contract with the University Payroll Department. This contract must be reviewed and approved by the legal office. If the organization requires payroll validity on their agency account, the organization’s responsible person should contact the Payroll Office to begin the approval process.

D. Reauthorization

1. Prior to the ending date listed on the cost center, the Agency Cost Center Information Sheet/Authorization Form must be completed, signed, approved, and forwarded to the area budget officer who will forward the request, if approved, to General Accounting. This requirement is a condition for the continued usage of the cost center.

2. At any time during the year when there is a change in the responsible person or any other information, the Agency Cost Center Information Sheet/Authorization Form must be used. Complete only the sections that are changing then sign, approve and forward to General Accounting via the area fiscal officer.

Revision Date: June 1, 2010
E. Termination of an agency cost center

1. By the organization or contact person
   a. Bring the balance of the cost center to zero by either spending all the funds in the account or preparing a DAV payable to the organization specified under the description on the Agency Cost Center Information Sheet/Authorization Form.
   b. Complete the Agency Cost Center Information Sheet/Authorization Form and indicate the Delete box at the top of the form. Submit the completed form to General Accounting via the area fiscal officer.

2. By General Accounting
   a. Reasons for termination
      1) Misuse of cost center - an example would be a deposit of University funds into the agency account.
      2) Repeated overdrafts of the cost center.
      3) Failure by the agency to have the cost center reauthorized annually.
   b. Procedure
      1) A cost center will be blocked immediately when one of the events listed above occurs. This prevents any further activity on the cost center.
      2) If a surplus exists in the cost center, General Accounting will create and authorize a DAV payable to the organization specified on the Agency Cost Center Information Sheet/Authorization Form.
      3) If the cost center is overdrafted, the responsible person (contact person in SAP) will be contacted and will be expected to fund the deficit.
      4) When a cost center has been blocked because the reauthorization form has not been received by General Accounting, there will be a 90-day grace period (September 30th) before it is terminated.