



Agency Fund Administrative Procedure

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Authority:	Associate Vice President for Finance and Controller

Purpose

The purpose of this administrative procedure is to clarify when an agency fund can be offered and when another sort of arrangement is necessary due to the complexity of the organization's needs and to provide University faculty and staff with comprehensive procedures for the handling of resources held on behalf of other organizations.

Policy Statement

Wake Forest University (WFU) acts as a custodian or fiscal [agent](#) of certain resources on behalf of other organizations. The resources are deposited with the institution for safekeeping, to be used or withdrawn by the depositor in accordance with agreed upon terms and conditions. The University does not own these funds, but does have a fiscal responsibility to manage the funds properly. The University accepts these resources only when the funds will be used by the organization for activities consistent with, in support of, or which enhance the mission of the University and where there is an agreement that the University will act as fiscal agent for the organization. It should be noted that because these funds are not owned by the University, Wake Forest University gift credit may generally not be received for gifts to Agency funds.

Responsibilities

Financial & Accounting Services (FAS) is responsible for establishing and communicating the administrative procedures concerning agency funds as well as determining the whether an agency fund relationship exists. FAS will review all [Agency Fund Request Forms](#) submitted and

make the necessary changes and updates to the accounting records. When new agency funds are requested, FAS will facilitate the process of creating the agreement between WFU and the organization ([Agency Fund Agreement](#)), set up the Fund in Banner, and provide the designated individuals with access to the account reports. FAS will also periodically review agency fund accounts within the University's general ledger for accuracy and inactivity.

The [Authorized Representative](#) (and any WFU employee with transaction authority on the agency fund) is responsible for the following:

- Coordinate the establishment and termination of the agency fund
- Follow terms and conditions established by the organization and set forth in the Agency Agreement Form, as well as ensure that only allowable charges are processed through the agency fund
- Manage and process transactions on behalf of the organization ensuring that sales taxes are paid on purchases when appropriate, and that sales taxes are collected on sales when appropriate
- Perform monthly reviews and reconcile agency fund activity
- Monitor the balance in the agency fund and notify the organization prior to the funds being depleted
- File the organization's annual tax return, maintain the organization's formation documents and exemption status, or review these items if another party outside the University has these responsibilities

If the Authorized Representative is paid through a **University Department**, then the Department is responsible for the following:

- Establish effective processes and controls to ensure compliance with this policy.
- Communicate the provisions of this policy to all faculty, staff, and students who are involved with agency funds
- Act as liaison between WFU, the [authorized representative](#), and the organization.
- Record, monitor, review, and report transactions to the organization and its authorized representative
- Follow established guidelines of the organization. Cover any deficits or uncollected amounts
- Ensure that existing employees have properly transferred authority over agency funds using the [Agency Fund Request Form](#) prior to their departure from the University

Primary Guidance

The AICPA Audit and Accounting Guide, *Not-for-Profit Organizations* (NFP Guide – AAG - NPO 5.11 & 10.11) states that if cash or financial assets are held under agency agreements, the institution should report a liability concurrently with its recognition of the assets held. [Other references: FASB 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, FASB 116 *Accounting for Contributions Received and Contributions Made* and APB Opinion No. 22 *Disclosure of Accounting Policies*]

Responsible University Office or Officer

Financial & Accounting Services – Associate Vice President for Finance & Controller

Who Is Governed By This Procedure

Compliance with this procedure defined herein is mandatory for all WFU faculty, staff, and students who are working for or on behalf of the University and are involved in agency relationships with external organizations. Full adherence will assist FAS personnel in accurately managing agency funds included in the University's financial statements and ensure compliance with federal and state laws.

Who Should Know This Procedure

All employees, including faculty, staff, and students, who are working for or on behalf of the University, have the use of or oversight of an agency fund must know this procedure, including but not limited to the following:

- All Finance Staff
- Department Financial Administrators and Business Managers
- Any employee who may be the [authorized representative](#) for an organization
- Employees with transaction authority on an agency fund

Exclusions & Special Situations

None

Highlights of Revisions by Date

None

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1. ESTABLISHING AN AGENCY FUND

1.1. Establishing an Agency Fund

- An organization that wishes to open an [agency fund](#) in WFU's general ledger must follow the process outlined in the flow chart in section 1.2 of this document to determine whether it is appropriate to establish such fund.
- A University employee or department that will [sponsor](#) the agency fund or act as authorized representative must submit an [Agency Fund Request Form](#), along with an [Agency Fund Agreement Form](#) (see appendix B – Forms) that outlines the responsibilities of all parties involved.
- Generally, an agency fund will not be established until all documentation has been completed and submitted to FAS.

NOTE: Accepting responsibility for these funds may add to the administrative burden and financial exposure within a department because all transactions processed through the University must be processed by a WFU employee. You are strongly encouraged to consider the added duties when making a request as the representative of an organization.

NOTE: The University encourages organizations to obtain guidance from an outside professional, to assist in identifying insurance issues, tax filing requirements, and other business concerns.

1.2. Agency Fund Decision Flow Chart

- Click on this link for flowchart to be used in determining whether an agency fund is appropriate for handling certain funds.

[Agency Fund Decision Flow Chart](#)

1.3. Use of an Agency Fund

- The University does not own the funds in an agency fund and they are not part of the university's resources.
- All transactions in an agency fund must be made on behalf of the designated organization and under the laws, contracts, and relationships of that organization, including all applicable regulations governing the organization and its activities. Therefore, although the agency fund is set up on WFU's general ledger, neither the organization, nor any of its representatives, may use WFU's tax-exempt status, or hold themselves out as being part of, controlled by, or acting on behalf of the University.
- The organization and [authorized representative](#) must take affirmative steps in all of their business and other dealings with third parties, to explain the relationship with the University.

- Responsibility to follow the organization's policy or procedures rests with the organization and its authorized representative, not WFU.
- The University's responsibility to an organization under this procedure is limited to acting as the fiscal [agent](#).

1.4. Agency Funds are generally established for:

1. Fraternities and Sororities – for organizations, usually on campus, that are closely connected to the University;
2. WFU alumni clubs or associations – funds deposited to promote participation and communication among various groups of alumni;
3. WFU student groups – funds deposited for recognized student organizations;
4. Faculty or staff trade, professional, or academic organizations – funds deposited for faculty and staff organizations and activities, such as professional or scientific organizations in which faculty and staff are officers, editors, or in charge of some of the operations of the organization;
5. Externally sponsored events – such as the ACC International Conference or ACC Fiscal Officers Conference, if the activities are consistent with or in support of the mission of the University;
6. Affiliates or community members – funds deposited for the operation of entities that are closely affiliated with the University, but legally separate (i.e. separate tax identification number).

1.5. Approvals

- Fund establishment requires the following approvals on the Agency Fund Request Form:
 1. Fund [authorized representative](#);
 2. Department chair or director;
 3. Associate Vice President for Finance & Controller or designee.

1.6. [WFU Services](#) Available to an Agency Fund

1. Depositing cash receipts through Student Financial Services cashiers window located in room 107 of Reynolda Hall
2. Disbursements to vendors and individuals made through Accounts Payable including 1099 reporting, if applicable
3. Journal entry input to general ledger through General Accounting
4. Financial Reporting of agency fund activity and balances through General Accounting
5. Purchasing goods/services through Procurement Services
6. Use of campus service departments (e.g. Copy Center, Mail Services, Facilities Management, etc.) at established rates

NOTE: The authorized representative has two responsibilities regarding sales tax:

1. The individual must make sure that any required sales taxes are collected on the sale of goods and services.

2. The individual must make sure that sales taxes are paid on all purchases.
3. Any use tax must be paid by the agency.

1.7. Examples of WFU Services Not Available to Agency Funds:

1. WFU employees cannot be appointed to and directly paid through University payroll on an agency fund; this would have to be handled via journal entry as a transfer from an agency fund to the department/org that incurs the payroll and related fringe expense;
2. Risk Management and Insurance
3. University Audit
4. University Counsel/Legal
5. Investment Management Services
6. Tax Services

2. TERMS AND CONDITIONS and OTHER INFORMATION

2.1 Terms and Conditions

- Cash and cash equivalents accepted for deposit in agency funds are not considered tax-deductible gifts to the University. Gifts-in-kind received for fundraising activities may receive gift credit through University Advancement.
- Agency funds must have a positive cash balance at all times. Accounting may enforce this provision by not processing a disbursement that will create an overdraft.
- Checks for deposit to the agency fund must be made payable to the Agency fund c/o Wake Forest University and deposited at the cashier's window in Reynolda Hall, room 107. Deposits should be made using the fund number assigned to your organization by FAS (i.e. Axxxxx) and account number 21507.
- The agency fund authorized representative must adhere to applicable federal, state, and local laws and University policies and procedures.
- The resources of the University will not be used in support of the organization without appropriate reimbursement for direct costs.
- [Departmental / Student Organization Expenditure Authorization Forms](#), bearing the specimen signatures of the sponsor and authorized signatory for the agency fund must be filed with Accounts Payable in FAS.
- All non-payroll disbursements require the appropriate purchasing authorization. FAS will issue University payments against the agency fund based on an [Expenditure Voucher, Travel and Entertainment Form](#), or vendor invoice that cites the agency fund number (i.e. Axxxxx), account number 21507, and bears the payment approval signature of authorized representatives of the organization.

- Campus service department allocations for goods and services ordered by and rendered to the authorized representative will be directly charged to the agency fund.
- The agency fund must be closed at the completion of the project or activity. Any credit balance remaining in the fund will be refunded to the organization or, if the organization no longer exists, transferred to the university's general fund.
- Occasional direct cash payments for consulting and honoraria to individuals who are not University employees are permitted from agency funds and are to be requested on an [Expenditure Voucher](#). Payments of honoraria are subject to WFU policies governing such payments.
- Additional representations are noted on the [Agency Fund Agreement](#).

2.2 University Financial Reporting

- Agency funds do not have income and expense activity recorded on the University's general ledger, as all activity flows through the University's balance sheet (Account 21507) within each individual agency fund. The agency funds remaining cash balance is carried as a liability on the WFU balance sheet, that is, as monies that are due to another entity (e.g., payable to the independent organization). The prior year activity will be reflected in the beginning available balance the following year.

2.3 Tax Reporting

- The organization, not the University, is responsible for tax reporting requirements of all financial activities. As stated herein, payroll expenses for WFU employees cannot be charged to agency funds directly.

2.4 Exceptions

- Exceptions to the terms and conditions of agency funds can only be granted by the Associate Vice President and Controller of the University or designee.

Appendix A - DEFINITIONS

These definitions apply to these terms as they are used in this procedure.

Agency fund – a fund established by the University to record the administration of monies for which the University acts as custodian or fiscal agent for others (e.g. independent organization). Agency funds are not considered University monies or charitable contributions to the University. WFU policy is to accept agency funds only when they help to fulfill the mission of the University.

Agency Fund Request Form – Form requesting that a new account be established in the WFU accounting system. Information about the nature of the organization, how and when it will be funded, who will be authorized to expend its funds, and other tax and governance information which must be collected and forwarded to FAS prior to approval (see appendix B – Forms).

Agent – for the purposes of this policy, WFU is always the agent.

Authorized Representative – a WFU employee authorized by an organization to request that an agency fund be opened on the organizations behalf. The authorized representative or designee may have signature authority on the agency fund and, therefore, would be able to process transactions on behalf of the organization (see the “*Responsibilities*” Section of this document).

GAAP – in the U.S., generally accepted accounting principles, commonly known as GAAP, are the accounting rules used to prepare, present, and report financial statements for non-profit organizations.

General Ledger – official repository or books of record for all of the financial transactions of the University, including agency transactions recorded for others.

Governing Board – a group of individual’s having decisive influence over the making of and administration of policies for a particular entity, such as a corporation or other organization.

Agency Fund Agreement – Contractual agreement between WFU and an organization that outlines the responsibilities of all parties involved in opening and managing an agency fund. The agreement also articulates the limits of the relationship, and cannot be amended except by written document executed by both parties. If WFU does not approve the agency relationship, the Manager, General Accounting will work with the requestor to assist in determining the proper accounting treatment, if any (see appendix B – Forms).

Signatory – a WFU employee granted signature approval authority for financial transactions of an agency fund. Only the following specific duties may be delegated to a signatory: requesting cash from the principal to cover estimated expenses, depositing cash, verifying that a credit balance remains in the fund at all times, and authorizing disbursements.

Sponsor – a WFU faculty or staff employee authorized by the principal to act on its behalf and who assumes responsibility for the proper administration and monitoring of the agency fund. The sponsor may designate a signatory to whom to delegate approval authority for the various forms

necessary to initiate transactions on the agency fund. The monitoring responsibilities of the sponsor cannot be delegated.

Appendix B – FORMS

[Agency Fund Request Form](#)

[Agency Fund Agreement](#)