



14.0 Agency Funds

Introduction

Agency funds are used to account for resources held by an institution as custodian or fiscal agent for individual students, faculty, staff members, or other organizations.

This section describes the details of agency funds for the University System of Georgia (USG).

Topics in this section include:

- ❑ Use of Agency Funds
- ❑ Agency Fund Groups
- ❑ Accounting Principles



14.1 Use of Agency Funds

Before establishing an agency account, each institution should ensure that its relationship with the third party is that of custodian or fiscal agent. Agency agreements should be completed by the institution and signed by the donor(s). Each agreement should contain complete information on the terms and conditions of the agency relationship, the purpose of the funds being placed, and their ultimate disposition (including unused balances). A signed letter from the donor with all required information will suffice as an agency agreement.

After five (5) years without activity, unused balances must be forwarded to the state as mandated by escheat laws, unless the disposition of unused balances is covered in the agency agreement. Complete files should be maintained for all agreements, letters, or other documents, for guidance in the proper handling of the funds. Please refer to Section 19.2, Unclaimed Property, for additional information.

The status of each agency fund should be reviewed periodically, at least once a year, for the purpose of making necessary adjustments and properly disposing of unused balances. Inactive balances should not be carried forward indefinitely from year to year, but should be disposed of in accordance with the agency agreement.

Individual agency funds should not carry a negative balance outside of short-term timing differences in payroll processing, but under no circumstances should the agency fund groups as a whole have a deficit balance. At the end of the fiscal year, accounts receivables should be set up and donors should be billed for any applicable deficit balances.



14.2 Agency Fund Groups

Agency funds are accounted for using the following fund groups.

14.2.1 Fund 60000 – Funds Held on Deposit

These are funds that have been deposited by students, student organizations, faculty organizations, employee organizations, or others. The funds are disbursed in accordance with specific instructions from the owners or in accordance with the terms of the agency agreements.

In addition to traditional agency funds described above, institutions may elect to establish an agency fund for fees charged for meetings, seminars, training sessions, and workshops to cover incidental costs such as meals, use of facilities, training materials, and refreshments. Fee rates must be established to cover only the costs of the particular event. The account balance should be kept to a minimum, and current balances should be considered when establishing fees for future events. Any balance on hand at June 30th, considered by audit judgment to be inordinately large, may be transferred to general funds.

An agency agreement, as discussed in the previous section, should be made for each activity fee account.

14.2.2 Fund 61000 – Agency - Designated Scholarships

These are funds provided by individuals, companies, civic organizations, church groups, other groups, state government, and the federal government for the purpose of awarding scholarships to students. The determination of which students receive scholarships is made by the external agency or in accordance with the agency agreement. Agency scholarships shall not be treated as gifts to the institution.

14.2.3 Fund 62000 – Payroll Operations

These are funds consisting of state and federal income taxes, social security taxes, retirement deductions, annuity premiums, and various other amounts withheld from the payroll checks of employees. These payroll deductions are transferred to the appropriate agency accounts when the payroll is recorded and are held in trust by the institution until routine remittances are made to the appropriate agencies.

Accruals of employer liabilities are also accumulated in this fund group.



14.3 Accounting Principles

The assets of the agency fund group include cash, temporary investments, and amounts due from other fund groups. Balances for this fund group will be carried as a liability on the Statement of Net Assets. Receipts and disbursements of these funds are accordingly classified as additions to, and deductions from, the fund balances rather than as revenue and expenditures.

Unique accounts should be established in each agency fund in order that transactions related to a specific fund balance may be recorded in one account*. Each fund can then be properly analyzed for purposes of accounting control and for the preparation of necessary reports.

*** Note:** Institutions using the Georgia *FIRST* Financials software use a separate department number in fund 60000, Funds Held on Deposit, to differentiate between agency fund balances. Such department numbers should begin with the letter A to distinguish these departments from others not classified as agency funds.

For fund 60000, the account number used will always be 241XXX - Funds Held for Others. For fund 61000, the account number used should be 251XXX - Designated Scholarships (separate numbers). For fund 62000 - Payroll Operations, the account numbers used should be the appropriate Liabilities - Payroll accounts.

The accounting for agency funds must conform to the standards required of a fiscal agent. Funds should be disbursed only for properly designated and approved purposes.