

System-wide Policy:	
FI0312 - Custody of Third-party Funds	
Version: 2	Effective Date: 05/15/2018

FI0312 – Custody of Third-party Funds

Topics:

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Objective:

To provide guidelines for University employees who handle third-party funds, funds that don't belong to the university.

Policy:

General Policy

1. University employees routinely handle third party (non university) funds for a variety of reasons, including as examples: federal direct loans, state scholarships, county extension funds, retainage on construction projects, national and international conference accounts, private scholarships, student organization accounts and fraternity and sorority maintenance and reserve accounts. The standard practice in these cases is to establish an agency fund in the university's accounting system. In addition, some campuses operate Student Activity Business Offices to perform banking and check writing services for affiliated student organizations totally outside of the university's banking relationships. Generally, university employees should not serve as custodians for the funds of outside organizations as part of their official duties unless the money is recorded in an agency fund with the university. However, it may be in the university's

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best interest for employees to routinely handle an outside organization's funds. In those situations, the campus or institute chief business officer is responsible for determining whether an employee should control third-party funds. The university assumes no liability for the loss or theft of such funds under an employee's control. All agency funds are detailed annually in The Report of the Treasurer, Supplemental Schedules and Appendices, appendix 11.

Approval Requirements

2. To establish an agency account, the department head should forward a written request to the campus or institute chief business officer specifying the scope of the university employee's duties in handling third-party funds, the time period this might occur, a statement indicating the amount involved, and the reason(s) it is in the university's best interest for the employee to serve as custodian for the funds. The chief business officer must provide written approval for each request before the employee may serve as custodian and will maintain a complete file of all approved custodians for such funds.

Written Procedures

3. Departments that control third-party funds **must** develop written procedures addressing documentation of expenditures, proper use of the funds, account reconciliation, separation of duties, etc. These procedures **must** be reviewed and approved by the campus or institute chief business officer and campus internal auditor before the employee accepts control of the funds. Employees who control such funds in accordance with this policy should adhere to the appropriate fiscal policies on receipting, safe keeping, and disbursing of funds.

Third-Party Funds Subject to University Bond and Audit

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4. Effective July 1, 2004, employees who handle third-party funds as part of their official duties are covered under the state's blanket bond policy only when a fund is established in IRIS. If a fund is not established, UT assumes no liability for losses.

PROCEDURES:

Knoxville:	http://web.utk.edu/~dfinance/fiscal-policy.shtml
Health Science Center:	https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&
Institute of Agriculture:	https://ag.tennessee.edu/Pages/UTIApolicies.aspx
Martin:	http://www.utm.edu/departments/finadmin/procedures.php
Chattanooga:	http://www.utc.edu/business-financial-affairs/fiscalpolicies.php

FOR MORE INFORMATION:

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