**Custodial Funds** **UPPS No. 03.01.15**

 **Issue No. 3**

 **Effective Date: 04/30/2021**

 **Next Review Date: 04/01/2026 (E5Y)**

**Sr. Reviewer: Associate Vice President for Financial Services**

**01. POLICY STATEMENT**

01.01 This policy establishes guidelines regarding custodial funds held by Texas State University, and applies to the establishment, maintenance, and use of custodial funds by Texas State.

**02. BACKGROUND INFORMATION**

02.01 This policy establishes guidelines regarding custodial funds held by Texas State University, and applies to the establishment, maintenance, and use of custodial funds by Texas State. From time-to-time, Texas State may, if determined to be in its best interest, choose to accept fiduciary responsibility for funds belonging to an external party. When Texas State chooses to accept these funds, Texas State acts solely as a custodian and does not own these funds.

02.02 Approval to establish a custodial fund is only granted when the funds will be used by the external party for activities consistent with, or in support of, the mission of Texas State (refer to Section 03. for procedures regarding obtaining approval for establishing a custodial fund).

02.03 The financial activities of the custodial fund may not be complex or voluminous. The associate vice president for Financial Services (AVPFS) will work in conjunction with the vice president for Finance and Support Services (VPFSS) to determine when an activity is too complex or voluminous to justify acceptance of the custodial funds (refer to Section 04. for limitations on the financial activities of custodial funds).

02.04 Texas State will file any required IRS Forms 1099 associated with payments made by Texas State as a third-party processor on behalf of the external party. The external party is otherwise entirely responsible for any tax and regulatory compliance and filings.

02.05 Deposits made to custodial funds are not tax-deductible gifts to the university (for additional guidance, consult with Advancement Services in the University Advancement division). Expenditures from a custodial fund are generally not entitled to the university’s state sales tax exemption. Student Organizations should refer to [UPPS No. 03.01.10](https://policies.txstate.edu/university-policies/03-01-10.html), Student Organization Accounting System.

02.06 Texas State will report the cash held for the external party and related activity on Texas State’s general ledger and financial statements. All assets and liabilities related to the operations of the independent organization belong to and are the responsibility of the external party. Any additional financial reporting or audit requirements of the independent organization are entirely the responsibility of the independent organization.

02.07 The external party may not act as nor present themselves as a component of or an agent of Texas State.

02.08 The external party may not utilize Texas State’s federal tax identification number, other than as outlined in Section 02.05.

**03. DEFINITIONS**

03.01 Custodial Funds – resources held by Texas State as a custodian or fiscal agent for others, such as student organizations, professional associations, faculty or staff organizations, or individual faculty or staff members. Although these funds are spent consistent with or in support of the mission of Texas State, they are not available to support Texas State’s programs.

03.02 Custodial Fund Transactions – charges or credits to the individual accounts, which are reported separately from the revenues and expenses of Texas State.

03.03 External Party – an entity that is legally separate from Texas State, acts on its own behalf, is not controlled by Texas State, and is funded from sources other than Texas State. The entity may or may not have a taxpayer identification number.

03.04 Third-Party Scholarship – a scholarship awarded to a Texas State student by an external entity. Texas State has no control over the award process and will only receive the funds on behalf of the student and disburse to the student.

 **04.** **PROCEDURES FOR ESTABLISHING A CUSTODIAL FUND**

04.01 Requests for a new custodial fund are processed through Financial Reporting & Analysis. [Account maintenance forms](http://www.txstate.edu/gao/reporting/forms.html) may be found on the Financial Reporting & Analysis website. Questions may be directed to financialreporting@txstate.edu.

04.02 The completed form and supporting documentation, including means of disposition of residual balances, must be approved by one of the following:

 a. the requestor’s divisional cabinet officer;

b. an academic dean;

c. or the dean of Students.

Additionally, the director of Accounting, the AVPFS, and the VPFSS must approve the request. However, new account requests for third-party scholarships do not require approval by AVPFS and VPFSS.

04.03 In no case should the funds of an external party be co-mingled with funds in another Texas State account.

04.04 An account manager will be assigned to each custodial fund account. The account manager must be a faculty or staff employee of Texas State. The account manager must approve each request for payment made from the custodial account and will be responsible for ensuring that all expenditures are made in accordance with the policies or guidelines established by the external party.

**05.** **FINANCIAL ACTIVITIES OF CUSTODIAL FUNDS**

05.01 The financial activities of custodial funds should be limited to occasional deposits and occasional disbursements.

05.02 Custodial funds may be used to process reimbursements of expenditures made on behalf of the external party or payments to a vendor on behalf of the external party. Disbursements are requested on [Form AP-10](http://www.txstate.edu/gao/ap/forms.html).

05.03 External parties may not use Texas State’s purchasing systems. No SAP requisitions, TSUS Marketplace orders, TRAVELTracks authorizations or reimbursements, purchasing card (P-card) transactions, or these systems’ successors will be processed for the external party.

05.04 External parties may not obtain a P-card from Texas State.

05.05 External parties may not make payment of salaries or benefits.

05.06 Transfers between Texas State accounts and custodial funds, other than internal transfers (e-IDTs) to record payment for goods or services and internal transfers to record donations from the external parties to a university account, are prohibited. Donations from external parties become university funds and are subject to university policy and procedure regarding the expenditure of the funds.

**06. REVIEWERS OF THIS UPPS**

06.01 Reviewers of this UPPS include the following:

Position Date

Associate Vice President for Financial April 1 E5Y

Services

Director, General Accounting Office April 1 E5Y

Director, Payroll and Tax Compliance April 1 E5Y

Office

Director, Procurement and Strategic April 1 E5Y

Sourcing

Director, Student Business Services April 1 E5Y

**07.** **CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Financial Services; senior reviewer of this UPPS

Vice President for Finance and Support Services

 President