Custodial Funds
The What, When, Why, and How

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Topics

• What are Custodial Funds?
• When and Why will I need one?
• When can a Custodial Funds NOT be used?
• How is it setup and disbursed?
• Reconciliation, Reimbursement, Revalidation.
• Closure
What are Custodial Funds?

- Change Funds
  - Continuous Use
- Revolving Funds
  - Ongoing Project or Study
  - Expenses Incurred
  - One-Time Use, Multiple, or Continuous Use
- Petty Cash*
  - Special Circumstances
When and Why Will I Need a Custodial Fund?

• Change Fund
  • Department takes in currency and coin and gives out change on a regular basis to customers. Net sales are recorded via cash receipt.
  • Temporary need can be fulfilled by a bursar advance.
  • What about our cash box?
    • This is not an authorized custodial fund please contact coordinator.
When and Why Will I Need a Custodial Fund, cont?

• Revolving Fund
  • Small dollar/large volume participant payments
  • When the total yearly payments for a single individual reaches $400 collection of tax information for University Tax is required.
  • Single payments greater than $100 are not permitted.
  • Geographic separation where normal payment methods are not viable.
  • Foreign Source Independent Contractor payments and supplies.
  • The purchasing contract limit of $1000 still applies and is sometimes lowered.
  • Identical payments that require a quick turnaround.**
  • Special Circumstances
When can a custodial fund NOT be used?

- I don’t want to open new custodial funds.
- Minimum Amount
  - Soft limit of the maximum out of pocket reimbursement amount of $500.
- Maximum Amount
  - Enough cash to fund the change drawers with a portion being sent to the bursar as needed for change request.
  - Approximately two months expenses and/or the length of the trip.
When can a custodial fund NOT be used, cont?

- Employee Travel.
- Not a Travel Advance replacement.
- Contractor Travel
  - Pay a flat rate.
- Replacing Purchase Orders and Wire Payments.
- Replacing P-Card Payments.
- Gift Card Purchases
  - Shop Catalog
- Domestic Salaries and Services.
When can a custodial fund NOT be used, cont?

- OFAC countries, sanctions lists, government officials.
- *Petty Cash
  - Out of pocket reimbursement plus employee disbursement ACH.
- **Payments that require a quick turnaround.
  - When proper procedure is followed vendors will be paid per the terms of the purchase order.
- I don’t want this on a tax form.
  - We work directly with University Tax.
How do I setup a Custodial Fund?

• Contact Custodial Fund Coordinator
  • Coordinator will ask:
    • Study Participants
      • How much?
      • How many times?
      • How long is the study?
    • Foreign Project
      • What are you paying for?
      • Who are you paying?
      • What can’t purchase order, DV, or p-card be used?
      • What is your budget?
      • When will the funds be needed and for how long?
How do I setup a Custodial Fund, cont?

• **Contact Custodial Fund Coordinator**
  • FAQ from Departments:
    • How long does it take to setup?
      • At least as long as regular DV routing.
      • More complex situations require more approvals.
    • What kind of receipt documentation do I need?
      • Revolving Fund Reimbursements have almost the same documentation requirements as normal DVs.
    • When will you charge my account?
      • Expenses are not incurred until reimbursed on a second DV to the appropriate object codes.

• **Certification**
How is a custodial fund disbursed?

- Initiated by FMS.
- Revolving Fund Vendor Type
  - Approval controlled.
- DV disbursement
  - Reason K-Revolving Fund Reimbursement.
  - Object code 8001.
    - Total 8001 balanced to total custodial fund balances.
    - Considered a receivable.
  - Non- auxiliary funds are disbursed from balance sheet account 10-080-01.
Reconciliation

• Count of cash on hand + receipts + in-process reimbursements = authorized balance.

• Required monthly
  • SharePoint upload
  • Monthly E-Mail from Mailing List
    • New Process
  • Relaxed for international funds and other circumstances up to five months or the length of the project.
Reimbursement

- DV to revolving fund vendor reason

K-Revolving Fund Reimbursement.

- Account number is the grant, research, or departmental account given when opening the account.
- Object is NOT 8001 again. It is the object code that represents the expenses.
- Upload DV documentation using the upload tool.
  - Do NOT send this to coordinator.
  - Include calculations for international currencies.
- Coordinator will see FYI.
  - An FYI does not stop a document from being approved.
Closure

• Contact Custodial Fund Coordinator
• Final expenses must be recorded via the same reimbursement DV.
  • Leftover funds can be immediately deposited to the receivable account.
    • Example: 10-080-01, 8001 with a negative accounting line to reduce the balance of 8001.
    • Cash on hand plus check written to Indiana University.
    • Do not adhoc route the CR to coordinator for approval.
    • New checks created from this final reimbursement can also be deposited immediately.
• A closed fund is considered reconciled.
Revalidation

- Statement of how the fund is used and safeguarded.
- Yearly in the Spring/Summer.
  - Will start again in April or May.
Questions

• Coordinator BL and Regionals
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    https://fms.iu.edu/cash-control/custodial-funds/
      • Do not feel bad about emailing twice.