

NUMBER: FINA 3.30 (Formerly BUSF 3.30)

SECTION: Administration and Finance

SUBJECT: Other Educational and General Program Accounts
(‘E’ Funds)

DATE: October 10, 2016

REVISED: June 14, 2017

Policy for: All Campuses
Procedure for: All Campuses
Authorized by: Vice President for Finance and Chief Financial Officer
Issued by: University Finance – Controller’s Office

I. Purpose of the Policy

The Controller’s Office is responsible for coordinating all financial activities associated with ‘Other Educational and General Program Accounts’ (‘E’ funds). The Controller’s Office is responsible for establishing, deactivating and making changes to ‘E’ fund accounts at the unit’s request, monitoring all ‘E’ fund financial activity to ensure that a positive fund balance is maintained, and notifying the appropriate unit of actions needed to address accounts with excessive or deficit funding levels.

II. Policy Statements

‘E’ fund accounts are typically used to track the unrestricted, self-sustaining, and on-going activities of university units such as a college, department, institute, center, or other organizational element. These units retain the revenues generated through these activities to cover the costs of operations. Balances in these accounts shall carry forward from one year to the next for the purpose of expanding or improving the services provided by the unit. Centers and Institutes are established according to the procedures delineated in ACAF 2.01. Rates established by units for services are designed to recover actual costs of operations. When the unit charges Federal grants, the service rate must comply with the Cost Accounting standards within OMB 21. Units should contact Contract and Grant Accounting for assistance in determining these rates. Units should maintain the financial information necessary for computing rates. If a unit does not comply with charging all direct costs to the ‘E’ fund account, then the account is subject to closure and will not be reopened. Examples of activities using ‘E’ fund accounts include, but are not limited, to the following:

- A. Continuing Education – The university’s division of continuing education provides academic credit (CEU) and non-credit programs. Academic credit programs are designed for students who need courses at convenient sites and times compatible with

- their family and occupational schedules. Non-credit programs incorporate university resources in sponsoring conferences, workshops, short courses, and summer programs to provide instruction and/or professional certification. If the continuing education workshop is primarily for the benefit of current students, then the account should be established as an 'A' fund account. The revenues generated for this activity are based on the user fees charged by the unit for each program offering.
- B. Department Operating Accounts – Units of the university use 'E' fund accounts to track self-supporting activities associated with providing services to other university units and external organizations. The revenues generated for activities are fees and contractual agreements. If the account is primarily a service providing function within a responsibility unit, then the account should be established as an 'A' fund account.
 - C. Departmental Recharge Centers - 'E' fund accounts are used to segregate financial transactions for services provided for other units of the university on a cost-reimbursement basis. In order to qualify as a recharge center, the unit must provide services to the university as a whole. Providing services for several units outside the responsibility unit level will not qualify as a departmental recharge center. Revenues should equal or exceed \$25,000 annually to be established as a departmental recharge center. These activities include printing, central supply centers, copy centers, computer services and other such activities where the department would have multiple users of a common service. Activities are required to be priced to recover full costs, in accordance with the federal regulations on costing principles (See OMB Circular A-21) that are applicable to the university. Rates assessed by these recharge centers must be consistently applied to all University users. All rates established by these units are subject to review at any time by appropriate university or other external authorities.
 - D. Endowment Income Accounts – A limited number of 'E' fund accounts exist to track the quasi-endowment funding provided by university endowment accounts. (Board of Trustees' use only)
 - E. Technology Fee Revenues – All students of the university pay a technology fee. These funds are designated to improve access to technology for students, faculty, and staff at all system campuses. Transfer of these funds to other activities is internally restricted by the university. On the Columbia campus, technology funds are transferred to the academic units, based on direction from the Provost's Office, to improve access to technology for students.
 - F. Facility Renovation Fees – The university uses 'E' fund accounts to track the allocation of student fees collected for facility renovation projects.
 - G. Research Based Allocations – The university uses 'E' fund accounts to track the allocation of research-related institutional costs. The funding includes indirect cost recovery and research office funding.

- H. Educational Foundation – These ‘E’ fund accounts are used to track expenses which are reimbursed by the Educational Foundation.
- I. Study Abroad – ‘E’ funds are established to support programs offered in foreign countries in which a degree can be obtained.
- J. Special Accounts – With the approval of the Vice President for Finance and Chief Financial Officer, an ‘E’ fund may be established to maintain segregation from ‘A’ or other funds.
- K. Campus Contract Courses – ‘E’ funds are used to track revenues and expenses associated with instructional services delivered on behalf of other governmental entities – State or local.

‘E’ fund accounts classified as continuing education, department operating accounts and campus contract courses are subject to a general administrative fee. Requests for special exemptions to the fee should be sent to the Vice President for Finance and Chief Financial Officer. The user fees established by these units should cover, at a minimum, all the direct costs of operations, as well as the general administrative fee charged by the university. Under the direction of the Vice President for Finance and Chief Financial Officer, all ‘E’ fund accounts which are not assessed the general administrative fee are subject to review and confirmation of exempt status. The administrative fee is 8% for FY 2016, but will incrementally increase to 10% by FY 2020.

III. Procedures

A. Establishing ‘E’ fund Accounts

Units wishing to establish a Department Operating, Departmental Recharge Center, Study abroad or Continuing Education ‘E’ fund account must submit a completed [“Request to Establish an ‘E’ fund Account”](#) and an [University of South Carolina Account Memorandum](#) form to the Controller’s Office. If the requested account is designated as a departmental recharge center, the unit must maintain the financial information necessary for computing rates. All accounts designated as a continuing education, department operating account, or campus contract course account will be charged the general administrative fee unless the unit has been granted a waiver of the fee by the Vice President for Finance and Chief Financial Officer. ‘E’ fund accounts funded by indirect cost recovery and research office funding can be established by completing an [University of South Carolina Account Memorandum](#) form. These accounts will not be subject to the administrative fee. All other ‘E’ fund accounts can be established by submitting a [“Request to Establish an ‘E’ fund Account](#) form. All ‘E’ fund account request forms should be sent to the Controller’s Office.

The Controller’s Office will review the unit’s request to determine if the use of an ‘E’ fund account is appropriate. If the Controller’s Office determines that the activity does not meet ‘E’ fund account criteria, the Controller’s Office will contact the requesting unit to discuss alternatives.

If the unit's request for an 'E' fund account is approved, the Controller's Office will process the Account Memorandum form to establish the account in the financial systems of the university. In the process of completing this form, the Controller's Office will assign a grant type code to identify the activity.

If the 'E' fund account is determined to be subject to the general administrative fee, the fee shall be treated as an expense and tracked using the 52001 account code (Contractual Services, Direct Charge for Services). The fee will be applied at 8% of actual expenditures charged to the account, excluding the administrative fee itself for the 2016 fiscal year. The administrative fee will increase incrementally to 10% by the beginning of the 2020 fiscal year. The Controller's Office processes a journal entry at the end of each month to calculate the amount of the direct charges to be applied to each account based on the actual expenditures for the prior month. All system campuses are excluded from the general administrative fee, as each campus pays direct charges to the Columbia campus.

The Controller's Office will notify the requesting unit when the account has been established.

B. Maintaining 'E' fund Accounts

Each unit is responsible for maintaining the 'E' fund account in a positive fund balance status and in accordance with the general record keeping requirements of the university. In addition, units should maintain detailed records supporting charges to other university units, students, and external customers. The unit's records must document how these charges were developed and should include at a minimum the following information:

- Name of person and department responsible for the service.
- General ledger account numbers for internal customers being charged for the service.
- Description and cost of the services being performed.
- Names and addresses of the external customers being billed for services.
- Total volume of activity for university customers, including federal grants and contracts, and for external customers.
- Financial information necessary for computing billing rates. Where user fees are designated as the revenue for an 'E' fund account, these fees must be established at a minimal level that is sufficient to cover the entire cost of operations, including the general administrative fee.

If an activity cannot generate sufficient revenue to cover all costs, it should be budgeted in a general 'A' fund account. Units are expected to annually review 'E' fund accounts for inactivity and take appropriate steps to deactivate accounts.

'E' fund accounts should not experience continuing deficits. If substantial year-end deficit balances exist, the unit will be asked to submit a plan of action to resolve the deficit with specific timelines for doing so.

Cash collected from outside sources should be deposited on a timely basis into the proper revenue classification code. A unit may not apply revenue as a credit to reduce expenditures within the same unit. See FINA 2.06 for internal business transactions.

University units should process expenditures for 'E' fund accounts in the same manner as any other expenditure. Special care should be taken to ensure that all costs are recorded as expenditures in the proper accounts based on function. All direct costs of operations of the 'E' fund program should be charged to the account. This should include payments to instructors, travel expenditures, contractual services, and other expenditures clearly associated with the program. The salary of an employee providing administrative support to the program should be charged to the program if the employee spends 20% or more of his or her time on the program.

C. Monitoring all 'E' fund Financial Activity

The Controller's Office is responsible for monitoring all 'E' fund financial activity to ensure that a positive fund balance is maintained by the unit. The Controller's Office will conduct a quarterly review of all 'E' fund accounts to identify:

- Accounts that may indicate deficit spending.
- Accounts operating in a continuing deficit status.
- Accounts with limited activity over a year.
- Account with excessive fund balances.

In each case, the Controller's Office will seek to resolve concerns on a case-by-case basis by contacting the unit. Following the fiscal year end review, the Controller's Office will provide each unit with a list of the 'E' fund accounts within their responsibility area that have continuing excessive or deficit funding levels for their review and action. The Controller's Office will provide a copy of that list to the Budget Office.

D. Deactivating Accounts

Units wishing to close out an 'E' fund account must submit a written request to the Controller's Office after taking appropriate action to ensure that no charges will be incurred during deactivation or after the account has been closed. To this end, the unit will need to complete the following activities prior to issuing the deactivation notice to the Controller's Office:

- For any payroll expenditures charged to the account, prepare personnel documents to transfer these expenditures to other accounts.
- Issue written notices to service departments of the university (telephone, postal, computer services, etc.) that charges to the account are not appropriate after a closing date to be set by the unit. This action may include disconnecting telephone services and throwing away preprinted postal charge slips.
- Cancel or transfer to another account all outstanding commitments indicated on the general ledger for materials or services that will not be received and paid prior to the closing date selected by the unit.

- Supply the necessary documents needed to clear the commitment and initiate payment for materials or services shown as outstanding commitments and received prior to the closing date selected by the unit.
- The unit will prepare and forward to the Controller's Office for processing a journal entry to transfer any residual funds to the account of their choosing.

After all financial obligations have been satisfied in the account as demonstrated by no active commitment balances and 30 days of expense inactivity, the unit will issue a written request to the Controller's Office to deactivate the account. The Controller's Office will verify the account's status, and prepare the appropriate forms needed to deactivate the account and forward this request to accounting services for processing.

IV. Resources

Word document for: [Request to Establish an 'E' fund Account](#)

PDF view of: [University of South Carolina Account Memorandum](#)

[Excel version](#) of Other Education and General Programs Budget Worksheet

V. Reasons for Revision

Addition of contract course accounts to those subject to administrative fees.