

PROCEDURE NUMBER: FINA 1.21 Procedure (NEW)

SECTION: Administration and Finance

SUBJECT: Sales & Services Funds (E funds)

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REVISION:

Procedure for: All Campuses

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Procedure

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 1.21. This procedure is applicable to campuses, units, and departments utilizing E Funds. The following procedure outlines the required steps to establish, maintain, monitor, and deactivate an E fund account.

A. Types of E Fund Activities

Common 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. Documentation of how the fees were derived must be kept on file and available upon request.
- 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 solely within their operating 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. 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 costs, in accordance with the federal regulations on costing principles (See 2 CFR, Part 200) 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. Documentation of how the rates were derived must be kept on file and available upon request.

- d. **Endowment Income Accounts** – A limited number of E fund accounts exist to track the spendable portion of quasi-endowment funding provided by University endowment accounts.
- 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.
- 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.

B. Establishing E Fund Accounts

Units wishing to establish an E fund account must submit a completed [Chartfield Request Form](#) 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 create the needed chartfields within the financial system and will notify the requesting unit when the account has been established. All E Fund requests are evaluated on a case-by-case basis as they are approved for creation by the Controller's Office.

The general administrative fee applicable to E Fund accounts is 10%. Requests for special exemptions to the fee should be sent to the Associate Vice President for Finance and University Controller. If the E fund account is subject to the fee, it will be treated as an expense and tracked using Account 52001 (Contractual Services, Direct Charge for Services). The 10% fee will be applied to actual expenditures charged to the account, excluding the fee itself. The Controller's Office will process a journal entry at the end of each month to calculate the amount 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.

C. Maintaining E Fund Accounts

Each unit is responsible for maintaining the E fund account in a positive cash 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:

- a. Name of person and department responsible for the service.
- b. Description and cost of the services being performed.
- c. Names and addresses of the external customers being billed for services.
- d. Total volume of activity for University customers, including federal grants and contracts, and for external customers.
- e. 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 review E fund accounts quarterly for inactivity and take appropriate steps to deactivate accounts as necessary.

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 – Internal Charges** 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 based on the level of effort expended.

D. Monitoring E Fund Activity

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

- a. Accounts that may indicate deficit spending.
- b. Accounts operating in a continuing deficit status.
- c. Accounts with limited activity over a year.
- d. 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 operating unit that have continuing excessive or deficit funding levels for their review and action.

E. Deactivating E Fund Accounts

A written request must be submitted to the Controller's Office to close or deactivate an E fund account. The requesting unit must complete the following activities prior to submitting the request to ensure no charges will be incurred during deactivation. When the request is submitted, the balance of the E fund should be zero and the following should be completed:

- a. For any payroll expenditures, appropriate account change forms should be prepared to move the employee to an alternate funding source.
- b. Service units should be notified to cancel services or update chartfield strings for continuing services.
- c. Coordinate with the Purchasing Department to cancel or transfer to another account all outstanding encumbrances for materials or services that will not be received and paid prior to the closing date selected by the unit.
- d. Once these steps have been complete, the Controller's Office will deactivate the account accordingly.