

# Procedures for a Custodial Fund

This reference document outlines the procedures for establishing, operating, reconciling, modifying, and closing a custodial fund. For comprehensive guidance and detailed information regarding custodial funds, please review IU accounting standard [UCO-AST-1.01 Custodial Funds](#) and IU policy [FIN-ACC-560 Custodial Funds](#) prior to initiating the processes outlined below.

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## Establishing a Custodial Fund

1. **Request Approval:** Obtain prior written approval from the respective Vice President, Provost, Chancellor, or designee (e.g. Vice Chancellor for Finance) to establish a custodial fund.
2. **Contact a Custodial Funds Coordinator:** Once approval is obtained, contact a Custodial Funds Coordinator to request the establishment of a custodial fund.

The following table lists the custodial fund account details and the Custodial Funds Coordinator contact information for each campus:

Campus	Campus Custodial Fund Account	Chart of Accounts Code	Custodial Funds Coordinator Contact
Bloomington	1008001	BL	custfund@iu.edu
International	1908001	UA	custfund@iu.edu
Indianapolis	1208001	IN	adaniels@iu.edu
Fort Wayne	1208001	IN	adaniels@iu.edu
Columbus	1208001	IN	adaniels@iu.edu
East	0308001	EA	custfund@iu.edu
Kokomo	0508001	KO	custfund@iu.edu
Northwest	0608001	NW	custfund@iu.edu
South Bend	0708001	SB	custfund@iu.edu
Southeast	0808001	SE	custfund@iu.edu

Please note, a custodial fund account should not be used to record department expenses for the custodial fund.

3. **Answer Screening Questions:** The Custodial Funds Coordinator will send a series of screening questions to the department about the desired fund. The screening questions may require consultation with the Indiana University tax, legal, and purchasing departments. The department must answer each question before receiving a New Custodial Fund Agreement form from the Custodial Funds Coordinator.
4. **Complete the New Custodial Fund Agreement:** The New Custodial Fund Agreement form **must** be completed by the designated fund custodian, with assistance from the fiscal officer or another staff member if necessary. The form must include the:
  - Type of fund being requested (revolving, change fund, etc.)
  - Purpose of the fund
  - Duration of the fund
  - Safeguarding measures for the fund
  - KFS account information
  - Amount being requested
  - Detailed campus address for mailing checks to the custodian
  - Copy of the written approval to establish a custodial fund from the department's respective Vice President, Provost, Chancellor, or designee

The agreement must be signed by the custodian, fiscal officer, and account manager. If the fund expenses will be charged to a grant account, the Contracts and Grants Analyst must also sign the agreement.

5. **Fund Setup:** Upon approval, the Custodial Funds Coordinator will create a supplier profile for the fund custodian in BUY.IU and initiate a check request for the requested amount to establish the fund.
  - The check will be sent to the custodian's campus address, as specified in the agreement form. The Supplier ID generated will be used for all future reimbursements to track fund activity.

## Operating a Custodial Fund

1. **Initial Disbursement:** The department will receive the initial disbursement check, which was created when the custodial fund was established.
  - If the requested payment method is a wire transfer ("W"), a wire transfer fee will be charged to the departmental account. A consent form may be required for wires sent outside of the United States.
2. **Cash the Check:** Cash the check via [IU Indianapolis Banking Services](#) or via a [Change Order Request form](#) with the Bloomington Office of the Bursar. Please note that it may take 7 to 10 business days to receive a change order after submitting the fireform. Cash Accounting generally no longer approves direct deposit setup for new custodial funds. Exceptions for ACH deposit for a custodial fund must be approved by the Office of the University Controller.

- For campuses other than Indianapolis and Bloomington, contact the campus bursar or finance office for cashing instructions.
3. **Fund Storage:** Store the funds on campus in a secure location. Funds should not be stored at the custodian's home or personal checking account without prior approval from a Custodial Funds Coordinator. Cash must be properly safeguarded. Please review IU accounting standard [UCO-AST-1.01 Custodial Funds](#) for detailed safeguarding requirements. Custodial funds of \$20,000 or more cannot be stored in a personal checking account and must utilize an IU account. If a checking account must be used, the fiscal officer must contact the Office of the Treasurer to open a checking account for the custodial fund.
  4. **Fund Usage:** Use the fund for its approved purpose. Consult IU accounting standard [UCO-AST-1.01 Custodial Funds](#) for guidelines on permissible fund usage.
  5. **Maintain Documentation for Purchases:** Maintain proper documentation for each purchase of supplies or services from a custodial fund. This documentation must follow the procedures outlined in IU policy [FIN-ACC-620 Reimbursement Under the Accountable Plan](#) and all related standards.
    - For further guidance, refer to the [IU Purchasing Policies](#).
  6. **Submit Receipts:** To replenish the fund, submit receipts for approved expenses to the fiscal officer or the department delegate for fund processing in BUY.IU.
    - Create a BUY.IU check request using the original BUY.IU Supplier ID number assigned when the custodial fund was established.
    - The payment reason should always be "Revolving Fund Reimbursement."
    - If multiple receipts are being processed within BUY.IU, enter the total amount. Each receipt must clearly show the payee or participant names, date of purchase/service, and a description of items purchased, or services performed. In the event a receipt is lost, the custodian must provide a signed explanation and the same information that is required for receipts. Continued submissions without receipts may result in an audit and/or termination of the fund.
    - For more guidance on submitting receipts for reimbursements, refer to [SOP-PURCH-17 Check Request](#) (Review the Revolving Fund Reimbursement form under Check Requests).
    - Expenses submitted for reimbursement must be broken down into the appropriate expenditure by object code. Do not use general, vague, or miscellaneous object codes if a more detailed one exists which will accurately reflect the nature of the expenditure being reimbursed. For further information about object codes, please review the [Object Code Dictionary](#).

7. **Replenish Fund:** The request for reimbursement will be processed and the department will receive a check for the submitted receipts. This process must be followed each time a custodial fund needs to be replenished.

## Reconciling a Custodial Fund

1. **Complete the Custodial Fund Reconciliation Form:** Review and complete the appropriate Custodial Fund Reconciliation form. Different forms exist based on the campus and whether the custodial fund is linked to a bank account. Completing this documentation ensures a record is maintained, confirming the security of the funds under the custodian's stewardship. Below is the list of Custodial Fund Reconciliation forms for reference:
  - [IUFW, IU Indy, and IUC Custodial Fund with a Bank Account Reconciliation Form](#)
  - [IUFW, IU Indy, and IUC Custodial Fund without a Bank Account Reconciliation Form](#)
  - [Custodial Fund with a Bank Account Reconciliation Form- all other campuses](#)
  - [Custodial Fund without a Bank Account Reconciliation Form- all other campuses](#)
2. **Cash Count Verification:** Conduct daily cash counting for custodial funds that utilize currency. This practice involves counting all physical cash on hand at the close of each business day to verify the amounts against recorded transactions.
  - To maintain transparency and prevent errors or fraud, it is an expectation that at least two witnesses are present during the count, ensuring an additional layer of oversight. UCO would recommend these individuals each verify the process and sign off on the final count each business day, creating a clear record of the procedure.
    - In order to complete the Custodial Fund Reconciliation form, a separate individual must witness the cash count from the individual conducting the cash count. Reconciliations that do not include two distinct individuals in the "Cash Counted By" and "Cash Witnessed By" sections of the Custodial Fund Reconciliation form will not be accepted.
  - It is best practice to maintain detailed records of the daily counts, providing an audit trail that helps with financial reporting and compliance with regulatory standards.
3. **Review Fund Activity:** Ensure that the total amount of paid receipts, reimbursement invoice vouchers in transit, and cash on hand matches the authorized fund amount. This helps ensure that all transactions and balances are accurately accounted for, and that the account is properly balanced at any given time.
  - Additional supporting documentation is required for custodial funds with a bank account. The Custodial Fund Reconciliation form must be accompanied by a list of cancelled checks and a detailed record of outstanding checks, including the check date, check number, amount, and payee information. For custodial funds utilizing an Indiana University bank account, a copy of the corresponding bank statement must also be included with the reconciliation submission. Bank statements should **never** be sent via

email. Any other necessary backup documentation must be provided to support the reconciliation process.

- Do not provide bank statements for personal bank accounts.
  - For custodial funds that operate only during the summer months (outside of the fall and spring semesters), the reconciliation submission must include bank statements for **all** months the program operated. Additionally, the reconciliation should provide details on the amount of money spent and the remaining balance in the account.
4. **Investigate Discrepancies:** If a discrepancy arises and the amounts do not reconcile, it is essential that the difference be thoroughly investigated. The discrepancy must be explained in detail and properly documented. This can be done either by providing an explanation directly on the Custodial Fund Reconciliation form or by submitting a written explanation via email to the Custodial Funds Coordinator. Timely and clear documentation of any discrepancies is critical to maintaining the integrity and accuracy of the fund's financial records. It is the responsibility of both the custodial and fiscal officer to report discrepancies promptly.
- If the discrepancy is due to a shortage, the shortage must be reported to a Custodial Funds Coordinator and Internal Audit ([iuaudit@iu.edu](mailto:iuaudit@iu.edu)). Provide details about the shortage including the amount and an explanation of how the shortage may have occurred.
  - Fraud, whether suspected or confirmed, must be reported immediately to a Custodial Fund Coordinator, Internal Audit, and the [Indiana University Police Department \(IUPD\)](#) for the campus.
    - Losses resulting from fraud must be replaced by the custodian using their personal funds unless an investigation by the IUPD absolves the custodian of negligence.
5. **Submit the Custodial Fund Reconciliation Form:** Submit the completed Custodial Fund Reconciliation form to the Custodial Funds Coordinator. Submission instructions are located on all Custodial Fund Reconciliation forms. Reconciliations must fall within the applicable month. For example, completing a reconciliation on November 1<sup>st</sup> would be considered a reconciliation for November, not October.
- Custodial Fund Reconciliation form submissions must adhere to specific timelines based on the type of fund:
    - Custodians of domestic funds must submit the Custodian Fund Reconciliation form on a monthly basis.
    - Custodians of custodial funds with international activity are required to submit the Custodian Fund Reconciliation form every 3 to 5 months.
    - Custodians of funds that operate only during the summer months (outside of the fall and spring semesters) must submit the Custodian Fund Reconciliation form once per year. The form must be submitted **no more than 60 days** after the activity has concluded. Once the summer activity has ended and the

reconciliation is submitted, the custodian must follow proper closing procedures to return the funds to the university.

- Custodians who fail to submit reconciliations within the required timeline may be subject to more detailed review by the Office of the University Controller and/or Internal Audit. Repeated noncompliance will result in termination of the custodial fund.

## Procedures for a Custodial Fund with a Bank Account

In addition to the expectations outlined above, custodial funds with a bank account must adhere to the following procedures:

1. **Monitor the Bank Account:** The custodian must monitor the custodial fund with a university bank account on a daily basis.
2. **Retain Bank Account Records:** Retain all bank records in case the fund's activities are audited.
3. **Reconcile the Bank Account Monthly:** Bank account reconciliations must be prepared on a monthly basis.
4. **File an FBAR Report:** Custodians using a personal foreign bank account to store custodial funds with a balance of \$10,000 or more at any time during the year must file a [Report of Foreign Bank and Financial Accounts \(FBAR\)](#) to the Internal Revenue Service. This filing is the custodian's personal responsibility, not the responsibility of Indiana University.
5. **Track Outstanding Checks:** If an approved custodial fund checking account is used to write checks for the fund's activities, the custodian and the fiscal officer must track outstanding checks. If any checks remain outstanding for 6 months or longer, the stale check(s) must be transferred to Cash Accounting by June 15<sup>th</sup> of each year for timely reporting of unclaimed property to the relevant state(s).
  - Stop payments will NOT be processed for these checks, as the cost of placing an annual stop payment will likely exceed the value of the stale checks. In the unlikely event the checks are cashed after being reported as unclaimed property, the department will need to recognize the payment as an expense. Please contact [custfund@iu.edu](mailto:custfund@iu.edu) for instructions on how to transfer the stale funds.

## Modifying a Custodial Fund

Please refer to IU accounting standard [UCO-AST-1.01 Custodial Funds](#) for examples of changes that would require a modification to a custodial fund.

1. **Initiate Modification Request:** Email the appropriate Custodial Funds Coordinator to request a Modify Custodial Fund Agreement form.
  - This amended agreement will serve as documentation of the applicable change to the custodial fund.
2. **Complete the Modify Custodial Fund Form:** Once the form has been received from the Custodial Funds Coordinator, complete it in full and return the form to a Custodial Fund Coordinator to process the modification.

3. **Provide Requested Information:** Respond promptly to any follow-up questions from the Custodial Funds Coordinator. The Custodial Funds Coordinator will complete the modification request if appropriate after all questions have been answered.

## Closing a Custodial Fund

Below are the general steps to properly close a custodial fund. Please note that specific closing instructions are required if a custodial fund was created from a departmental account. Contact a Custodial Funds Coordinator for guidance on closing a custodial fund associated with a department account.

1. **Initiate Fund Closure:** To begin the fund closure process, the custodian must contact a Custodial Funds Coordinator to obtain a Modify Custodial Fund Agreement form.
2. **Return Remaining Funds:** The procedures for returning funds depend upon their form.
  - For remaining funds in the form of currency, the custodian must send the currency to the campus bursar or finance office for deposit into the applicable custodial fund account. Refer to the campus-specific custodial fund information in the “Establishing a Custodial Fund” section of this document for the relevant account number. Contact the applicable Custodial Funds Coordinator for specific deposit instructions and Cash Receipt document procedures.
    - Include a copy of the cash receipt voucher with the cash/check deposit.
    - If the campus requires IUPD transportation for currency, coordinate transportation with the campus IUPD before returning the currency.
  - For funds remaining in a checking account, write a check payable to Indiana University for the unspent funds and deposit it to the applicable custodial fund account. Contact the Custodial Funds Coordinator for specific deposit instructions and Cash Receipt document procedures.
    - Include a copy of the cash receipt voucher with the cash/check deposit.
  - For funds that have been spent but not reimbursed, process a check request in BUY.IU for the appropriate amount. The account used in the check request should be the department’s fund expense account. The check must include **special handling** instructions to ensure it reaches the appropriate campus finance personnel.
3. **Submit CR Documentation:** Complete a cash receipt (CR) document for the return of funds and provide the document number(s) to the Custodial Funds Coordinator.
  - Use the applicable receivable account and object code 8001.
  - Include the custodial fund’s Supplier ID in the document description.
4. **Complete the Modify Custodial Fund Form:** Return the completed and signed Modify Custodial Fund form to the appropriate Custodial Funds Coordinator to complete the closure process.