

## **Policy and Procedures For Management of**

### **Restricted Special Purpose Accounts 0/6-3XXXX**

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#### **Overview**

Restricted special purpose accounts are occasionally established to record income and disburse expenses associated with limited duration externally funded activities that are generally held at the University and are for the benefit of the University community. Appropriate uses may include conferences, exhibits, student organizations, or other such projects that have combination of gift and/or non-gift sources.

#### **Purpose of Policy**

This policy sets forth the principles and procedures for managing restricted special purpose accounts to ensure that the University properly administers the funds and honors fiduciary responsibilities.

#### **Scope of Policy**

This policy applies to all units<sup>1</sup> that have restricted special purpose accounts and supersedes any previous policies related to the management of these accounts. Any gift component of these accounts is subject to the Restricted Current Use Gift Accounts Policy and Procedures.

This policy does not apply to federal financial aid programs or hospital contracts that are recorded in this account range.

The University reserves the right to implement more stringent requirements on certain transactions.

Intentional disregard for the University's policy and procedures on the administration of restricted special purpose accounts may be considered grounds for disciplinary action.

#### **Policy & Procedure Detail**

##### **Use:**

Unit heads are responsible for ensuring the proper expenditure of restricted special purpose accounts in accordance with the reason for which the account was created and University budgetary expectations.

It is the responsibility of each unit to understand how the account is to be used and any restrictions it may carry.

The Manager of Restricted Accounts in the Controller's Office can be contacted for information related to the restrictions. Academic units can also contact the Office of Academic Resources.

##### **Account Structure:**

Restricted special purpose activities are accounted for within the same account series as restricted current use gifts. With the exception of student activities accounts, any new special purpose accounts will be created in the 0/6-33xxx account number range. If you are unsure whether any old accounts are restricted current use gifts or special purpose, please contact the Manager of Restricted Accounts in the Controller's Office.

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<sup>1</sup> Unit encompasses all departments, divisions, centers, institutes, programs, and initiatives at the University.

There are two accounts related to each restricted special purpose fund. Unit heads are responsible for understanding how these accounts work.

The General Ledger account (0-3xxxx) reflects the assets, liabilities, fund balance, fund additions, fund deductions, and summarized transaction information.

- The cash balance can be obtained from the total in control code 1100 (cash)
- Deposits are booked to this account as fund additions and increase the cash balance. Generally the deposits would be booked to control code 4150 (other receipts). If there is a gift deposit, it would be processed by Advancement to control codes 4110 (cash gifts) or 4120 (stock gifts).
- The expenditures in the related subsidiary 6-3xxxx account are reflected in this account as a fund deduction in control code 9560 (Expend a 6-ledger) and reduce the cash balance.

The Subsidiary Ledger account (6-3xxxx) reflects detailed expense information and any University established budget (where applicable).

- Expenses should only be charged to the 6-3xxxx subsidiary ledger account. This account number should be used on PAFs, requisitions, check requests, interdepartmental invoices, and other disbursement documentation.

### **Receipts:**

All checks should be sent or delivered directly to the Cashier's Office at Box 1911, Brown Office Building 2<sup>nd</sup> Floor. Any gift receipts should be processed in accordance with the Restricted Current Use Gift Accounts Policy and Procedures.

If a check is sent directly to a unit, it must be deposited promptly with the Cashier's Office. If the University account number the check should be deposited into is known, it can be indicated on the paperwork.

### **Transactions:**

All transactions against restricted special purpose accounts must be authorized by an individual that is familiar with the use of the account and has appropriate signature authority. Each unit head is responsible for the implementation of this control within his/her area.

Expenses should be charged, whenever practical, directly to the applicable account.

In instances where expenses are charged to a different account and then transferred to a restricted special purpose account, it is the responsibility of the unit to submit an interdepartmental invoice (II) for the transfer as soon as possible, but no later than June 30<sup>th</sup> of the current fiscal year. The II must contain a clear explanation of the expenses being moved and all minimum data requirement as outlined in the instructions for the II form. Each unit is responsible for maintaining the back up for the transfer with the II in their records.

It is recommended that the expenses be transferred by subcode. The entry would be to charge (debit) the restricted special purpose subsidiary ledger 6-3xxxx account and credit the account the expense(s) were originally charged to. The same subcode must be used for the debit and the credit. Transfers of wage and benefit dollars must be done on a Salary Reallocation form.

If specific expenses cannot be easily identified by subcode, they can be reallocated in total using the transaction logic below:

If the expenses are being transferred from a 2-ledger, the entry would be:

Charge 6-3xxxx-9760

Credit 2-xxxxx-9760

If the expenses are being transferred from another restricted special purpose account for the same purpose or one that is for general use, the entry would be:

Charge 6-3xxxx-9630

Credit 6-3xxxx-9630

If expenses are being transferred from another type of account, please contact the Controller's Office Data Control area ([datacntl@brown.edu](mailto:datacntl@brown.edu)).

It is not appropriate to move funds into a restricted special purpose account from other ledgers. See Account Deficit section for guidance on funding deficits.

All transactions are subject to review by the Controller's Office. All transactions must be properly prepared, approved, and where applicable include sufficient explanation to support the use of the funds. Use of restricted special purpose accounts must be in compliance with all University policies.

### **Authorized Spending Levels:**

As part of the University's budget process, senior officers may specify what portion of a restricted special purpose account may be used in a given fiscal year. If such a determination has been made, the senior officer should enter a budget into the accounting system for the account. If there is no budget in the accounting system, the unit may spend the balance available.

### **Account Deficits and/or Over Expenditures:**

Each unit is responsible for monitoring their restricted special purpose accounts to ensure the balance does not fall into deficit and/or is over spent.

### ***Identifying Deficits and/or Over Expenditures***

If a budget has been entered in a subsidiary ledger 6-3xxxx account, the balance available to the unit can be obtained from the last column on the ledger sheet, which is appropriately titled "Balance Available." If the grand total of this column is negative, the account is overspent.

If no budget has been entered, the available balance for the accounts is determined by the cash balance in the general ledger 0-3xxxx account. If the cash balance falls below \$0, the account is in deficit.

### ***Clearing Deficits and/or Over Expenditures***

If additional funds are not expected to be received by June 30th to cover the deficit, expenses must be transferred from the subsidiary ledger 6-3xxxx account to another account by submitting an interdepartmental invoice (II), which can be obtained from the Controller's Office Forms webpage.

It is recommended that expenses be transferred by subcode. The entry would be to charge (debit) the account the expense(s) will be moved to and credit the special purpose subsidiary ledger 6-3xxxx account. The same subcode must be used for the debit and the credit. Transfers of wage and benefit dollars must be done on a Salary Reallocation form. If there are too many subcodes involved, the expenses can be reallocated in total using the transaction logic below:

If the expenses are going to be moved to a 2-ledger, the entry would be:

Charge 2-xxxxx-9760

Credit 6-3xxxx-9760

If the expenses are going to be moved to another restricted special purpose account for the same purpose or one that is for general use, the entry would be:

Charge 6-3xxxx-9630

Credit 6-3xxxx-9630

If expenses should be moved to another type of account, please contact the Controller's Office Data Control Area ([datcntl@brown.edu](mailto:datcntl@brown.edu)).

*All deficits should be cleared in a timely manner, but no later than June 30<sup>th</sup>.*

**Account Maintenance:**

Restricted special purpose University account numbers must be requested from the Controller's Office Data Control Area using the Account Create form on the Controller's Office forms webpage. Requests for new accounts are subject to the approval of the Controller's Office. Units should minimize the number of special purpose accounts established.

It is the responsibility of each unit to notify the Controller's Office Data Control area ([datcntl@brown.edu](mailto:datcntl@brown.edu)) when there is a change in responsible person and when funds are fully expended and no future funding is expected into the account so that it may be closed out. The account should have a zero cash balance before sending the closure notification.