Agency Fund Accounting Decision Chart

Does the purpose of the fund meet the agency criteria?

- NO

Is the activity recorded in the agency fund consistent with its purpose?

- NO

If there is salary expense recorded in the agency fund, does it relate to a Penn employee?

- YES

The salary and benefits of Penn employees must be reported on Penn’s books. Any services provided by a Penn employee to a third party should be billed through a consulting arrangement.

- Dr 9xxxxx-5319
- Cr 0xxxxx-4399

Activity qualifies for agency treatment

Activity that does not qualify for agency treatment should be moved to an operating fund in the school/center org.

Is the agency fund in a deficit position, have a significant surplus or have a zero balance?

- YES

Deficit: When do we expect to receive additional funds? Why have we spent more than received?

Surplus: Are we spending funds as directed?

Zero balance: Consider closing the fund

Activity that qualifies for agency treatment

NO

NO
Agency Fund Accounting Decision Chart

The University can act as an agent, trustee or intermediary for another party. The University acts as a go-between, passing assets from the third party through the University to specified entities. The third party has complete control over the funds held by the University. As transactions are charged to the agency fund and simultaneously money is spent by the University on the agency’s behalf, the liability and cash are reduced. Expenses and revenues charged to an agency fund are not recorded in the statement of activities, rather as a net liability on the statement of position.

AGENCY CRITERIA:

- Third party retains rights to the assets transferred to or held by the University
- Third party has discretion over the use of the assets
- Third party can decide which assets should be sold, returned, or given to a specified beneficiary at any time
- University is not responsible for providing product or service to the customer
- University has no title to inventory or assets, not yet sold to a customer
- University does not change the product or perform part of the service delivered to a customer
- University does not establish price charges to customers
- University does not have discretion to select suppliers that will provide products or services to customers
- University is not involved in determining specifications of product or service ordered by customer
- University does not assume credit risk for amounts billed to customers

ACCOUNTING FOR SERVICES AND SUPPLIES PROVIDED BY THE UNIVERSITY TO AN AGENCY:

Services:

- If Penn has entered into an agreement to subcontract or lease the services of its employees to a third party as part of the agency relationship, such salaries and benefits must be recorded as a debit to External: Other Professional services expense (Object code 5319) in the agency fund and a corresponding credit to Sales & Services Other revenue (Object code 4399) in the school/center general purpose fund...i.e. Dr 9xxxxx 5319, Cr 0xxxxx 4399

Supplies and other expenses:

- To charge an agency for supplies or other expenses provided/incurred by Penn, a school/center must create a journal using the same object code for both the expense charged to the agency fund and for the reimbursement credited to the school/center.

Activity that should never be recorded in an agency fund:

- University expenditures exceeding cash received from third party, without right of reimbursement
- Service fees earned by the University for services rendered relating to the agency agreement
- Penn employee salary and benefits:
  - Salaries and wages of Penn employees are the responsibility of Penn and cannot be transferred to a third party
  - If reportable on a W-2 as Penn employee salaries and benefits, such should be reported in general operating funds of the University