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2 Custodial Funds

2.1 Policies for Managing Custodial Funds

2.5 Expend Custodial Funds on Behalf of Owner

Policy Statement

University of Illinois System units serving as liaisons between the system and owners of money held in custodial funds are responsible for expending custodial funds at the request of the fund owner. They accomplish this by submitting transactions to initiate the expenditure and retaining documentation needed to support the expenditure.

Since these funds are not owned by the system:

- Expenditure limits, rates, and policies applicable to system funds do not apply to custodial funds unless otherwise stated in [2 Custodial Funds](#).
- State of Illinois procurement regulations do not apply to expenditure of custodial funds unless the owner is an agency, office, or unit of the State of Illinois.
- The system may not procure its own goods and services by expending custodial funds.

Invoice or other appropriate documentation of the nature and purpose of the expenditure must be obtained and retained by the liaison unit for all expenditure transactions.

To process a gift to the system from the owner of a custodial fund, see [2.6 Process a Transaction between the University and the Owner of a Custodial Fund](#).

To return funds to the owner, rather than expend them on the owner's behalf, see [2.7 Return Custodial Funds to the Owner](#).

2.5 Expend Custodial Funds on Behalf of Owner

2.6 Process a Transaction

between the
System and the
Owner of a
Custodial Fund

2.7 Return
Custodial Funds
to the Owner

Methods

Liaison units may not expend custodial funds using system purchase orders (Banner or iBuy) unless the owner and system have entered into a contract that provides for use of system purchase orders.

When the recipient of the expenditure is not a non-resident alien, liaison units may expend custodial funds using one of the following methods, provided the related steps outlined in this process are followed:

- Banner journal vouchers, when procuring goods and services from the system.
- PCards or TCards held by the liaison unit, provided system policies, dollar limits, and controls established for use of PCards/TCards are met. PCards/TCards will not be issued directly to owners of custodial funds, and physical possession of cards may not be transferred to non-system personnel. No modifications to system software, profiles, Merchant Category Code groupings, etc. will be made to accommodate card use on behalf of custodial fund owners. See [7.6 The University Purchasing Card \(PCard\)](#).
- Emburse Enterprise system.

Payments to non-resident aliens will not be processed unless liaison units first obtain needed documentation and confirm the recipient's legal eligibility to receive payment before agreeing to reimburse or procure services from the non-resident alien. Liaison units that do not wish to facilitate these payments must inform the owner prior to executing their [Custodial Fund Agreement](#) that:

- The owner may not arrange for services by or reimbursements to a non-resident alien that will be paid from their custodial fund, and
- The owner's custodial funds cannot be used to pay non-resident aliens.

Tax Exemption

A custodial fund owner cannot use the system sales tax exemption number to avoid paying sales tax on purchases with custodial funds. Sales tax must be included in all custodial fund expenditures for procurement of taxable goods unless the liaison unit has retained on file a copy of the owner's sales tax exemption letter. The liaison unit must provide the owner's sales tax exemption number (and letter if requested) to the vendor at the point of purchase.

System stores units may, but are not required to, sell goods to owners of custodial funds. Units that sell goods to owners of custodial funds must collect and remit sales tax according to [18.6 Sales and Use Tax/Goods and Services Tax](#) unless the owner or liaison provides a copy of the owner's sales tax exemption letter.

Procedure

To expend custodial funds on behalf of an owner, follow the procedures below.

When the recipient of the expenditure is not a non-resident alien:

1. Determine whether to make the expenditure using a journal voucher, PCard/TCard, or Emburse Enterprise.
 - o Use a journal voucher when:
 - Procuring goods or services from a system unit, or
 - Correcting an error in the original posting of a Banner transaction as described in [2.6 Process a Transaction between the University and the Owner of a Custodial Fund](#).
 - o Use a PCard/TCard when procuring goods or services from an external vendor.
 - o Use Emburse Enterprise when:
 - Procuring goods and services from an external vendor, or
 - Reimbursing an individual for payments made on behalf of the owner.

2. Process the transaction:

If using a journal voucher:

- o Verify that the transaction is adequately supported as an expenditure made on behalf of the owner and that adequate invoice documentation to explain the purpose of the expenditure is retained in unit files.
- o Verify that the expenditure (in conjunction with any other pending expenditures) will not create an overdraft in the custodial fund. If an overdraft will be created, obtain additional funding from the owner or discuss with University Accounting and Financial Reporting (UAFR) prior to processing the expenditure.
- o If procurement of goods are from a system storeroom, assure that sales tax is included in the payment unless the owner's sales tax exemption documentation (not the University of Illinois System sales tax exempt identification number) is provided to the storeroom as required in the Policy Statement above.
- o Process the journal voucher in Banner.

If using a PCard or TCard

- o Verify that the transaction is adequately supported as an expenditure made on behalf of the owner and that adequate invoice documentation to explain the purpose of the expenditure is retained in unit files.

- Verify that the transaction will not violate any system limits or policies for card usage.
- Verify that the expenditure (in conjunction with any other pending expenditures) will not create an overdraft in the custodial fund. If an overdraft will be created, obtain additional funding from the owner or discuss with UAFR prior to processing the expenditure.
- When procuring goods, assure that sales tax is included in the payment unless the owner's sales tax exemption documentation (not the system's sales tax exempt identification number) is provided to the vendor as required in Before You Begin above. Caution: When using a PCard or TCard for web purchases, make sure that any system sales tax exemption defaults are **not** applied.
- Process the card transaction with the vendor.

If using the Emburse Enterprise System:

- Obtain a completed [Expenditure from 9D Custodial Funds](#) form from the owner or an authorized representative of the owner organization.
- Verify that adequate invoice documentation to explain the purpose of the expenditure is retained in unit files.
- Verify that the expenditure (in conjunction with any other pending expenditures) will not create an overdraft in the custodial fund. If an overdraft will be created, obtain additional funding from the owner or discuss with UAFR prior to processing the expenditure.
- Verify the payee is not a non-resident alien. If the payee is a non-resident alien, follow the appropriate process in the section below.
- Determine payee vendor identification number in the Accounts Payable system and enter it on the [Expenditure from 9D Custodial Funds](#) form. If the payee does not have a vendor identification number, request one. To determine how to identify or request a vendor identification number, consult [Vendor Setup](#).
- Sign the liaison attestation on the authorization form.
- When procuring goods, assure that sales tax is included in the payment unless the owner's sales tax exemption documentation (not the system's sales tax exempt identification number) is provided to the vendor as required in Before You Begin above.
- Process the disbursement transaction in the Emburse Enterprise system, attaching the fully completed [Expenditure from 9D Custodial Funds](#) form and any other documentation needed to support the transaction.

3. Verify that the expenditure is accurately recorded in the custodial fund.

When the recipient of the expenditure is a non-resident alien:

1. Verify that payments to the individual are permissible prior to contracting for services from or agreeing to reimburse the individual by following these steps:

- Obtain payee visa status.
- See [Payments to Foreign Nationals](#) to determine payment eligibility and required documentation.
- Consult with the Office of University Payroll and Benefits (UPB) to address any questions not resolved by referring to the website.
- When required documents and information have been obtained, submit them to UPB to verify that the payment is permissible.

2. After confirming the payment is permissible, inform the individual that they may provide services or acquire goods or services for reimbursement.

3. After the individual has performed the service or acquired the goods or services:

- Verify that adequate invoice documentation to explain the purpose of the expenditure is retained in unit files.
- Complete the [Expenditure from 9D Custodial Funds](#) form and forward it to UPB to generate the payment.

4. Verify that the expenditure is accurately recorded in the custodial fund.

Forms Used in this Procedure

- [Expenditure from 9D Custodial Funds](#)

Related Policies and Procedures

- [2 Custodial Funds](#)
- [2.6 Process a Transaction between the University and the Owner of a Custodial Fund](#)
- [7 Purchasing](#)
- [8 Payments and Reimbursements](#)
- [8.1.3 Determine the Allowability of Specific Expenditures—Financial Assistance and Sponsorship Payments to Outside Organizations](#)
- [11.3 Campus Processing of Gifts](#)

Additional Resources

- [Emburse Enterprise Resource Page](#)
- [Vendor Setup](#)
- [Payments to Foreign Nationals](#)

- [Restricted Items and Purchases Requiring Special Approval](#)
- [Restricted TCard Purchases](#)
- [Prohibited TCard Purchases](#)

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