

BUSINESS & FINANCE

Search this site



Accounting & Budgeting

Buying & Contracts

Paying People

Travel

Equipment Management

Payments to the University

Policies & Procedures

» [Policies & Procedures](#) » [2 Custodial Funds](#) » 2.4 Comply with Unit Liaison Responsibilities for a Custodial Fund

Policies & Procedures

2 Custodial Funds

2.1 Policies for Managing Custodial Funds

2.2 Determine the Need for a Custodial Fund

2.3 Request Approval for a Custodial Fund

2.4 Comply with Unit Liaison Responsibilities for a Custodial Fund

2.5 Expend Custodial Funds on Behalf of Owner

2.6 Process a Transaction

2.4 Comply with Unit Liaison Responsibilities for a Custodial Funds

Policy Statement

A University of Illinois System unit must serve as liaison between the system and the owner of money held in a custodial fund. The liaison unit serves as the system's official contact with the owner and is responsible for oversight of the Banner fund that provides a record of the owner's financial transactions and balances. Consult [2.1 Policies for Managing Custodial Funds](#).

If the unit will receive cash as part of its liaison responsibilities, it must be a cash handling unit. For additional information, consult [10 Obtain Approval as a Cash Handling Unit](#).

Procedure

To comply with liaison responsibilities for a custodial fund:

1. Ensure that the owner understands what services the system does and does not provide.
2. Ensure the owner understands that it cannot present itself as being part of the system. For additional information on what to communicate to owners, consult [2.1 Policies for Managing Custodial Funds](#).
3. Obtain the owner's signature on the [Custodial Fund Agreement](#), which is part of the [Banner Fund, Program, Index Code Request](#) form required to establish a custodial fund and keep the signed statement in the unit for five years after the termination of the custodial relationship.

between the  
System and the  
Owner of a  
Custodial Fund

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2.7 Return  
Custodial Funds  
to the Owner

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4. Request a custodial fund. Consult [2.3 Request Approval for a Custodial Fund](#).
5. Ensure that the owner (or a responsible member of the owning entity) understands how to transfer money to and from the custodial fund, authorize payments, and obtain financial reports.
6. Receive, account for, and disburse money on behalf of the owner.
7. Provide the owner with regular access to reports of their custodial fund transactions and balances.
8. Perform the following tasks regularly and at fiscal year-end:
  - Review custodial fund transactions to ensure the activity remains appropriate for custodial funds according to guidelines provided in [2.2 Determine the Need for a Custodial Fund](#).
  - Review the custodial fund balance to verify it is not in overdraft. If an overdraft exists, do one of the following:
    - Work with the owner to eliminate the overdraft within 30 days.
    - Establish a receivable in Banner Accounts Receivable to charge the owner for the overdraft. Consult [5 Receivables](#) for further information.
    - Pursue termination of custodial fund relationship if the fund is consistently in unapproved overdraft status.
9. Ensure that custodial funds are reconciled and make reconciliations available to University Accounting and Financial Reporting (UAFR) when requested.
10. If the owner requests additional services, the system may provide additional services at its discretion under an agreement. Because the process for additional service agreements is currently under review, contact UAFR at [uas@uillinois.edu](mailto:uas@uillinois.edu) for information. For more information on basic bookkeeping services, consult "Role of the University of Illinois System" in [2.1 Policies for Managing Custodial Funds](#).
11. When the system's custodial relationship with the owner is terminated and the custodial fund is no longer needed:
  - Confirm there are no outstanding bills to pay.
  - Communicate to all units providing services to the owner that the relationship has been terminated.
  - Submit a [Disbursement to External Owner from a 9D Custodial Fund](#) form to remit any balance as directed by the owner, to eliminate the fund's cash balance.
  - When the Banner custodial fund shows no remaining balance, send an email to UAFR at [uas@uillinois.edu](mailto:uas@uillinois.edu) asking to terminate the fund in Banner.

# Forms Used in this Procedure

- [Custodial Fund Agreement](#)
- [Disbursement to External Owner from a 9D Custodial Fund](#)
- [Banner Fund, Program, Index Code Request](#)

## Related Policies and Procedures

- [2.1 Policies for Managing Custodial Funds](#)
- [2.2 Determine the Need for a Custodial Fund](#)
- [2.3 Request Approval for a Custodial Fund](#)
- [10 Obtain Approval as a Cash Handling Unit](#)

First published: December 2014 | Last Updated February 2024 | Last Reviewed February 2024

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