Fund Transfers – General Ledger
University Policy

Applies to: Fund transfer initiators and approvers, fiscal staff, unit leaders, and units

Responsible Office
Office of Business and Finance

POLICY
Issued: 07/01/1985
Revised: 01/07/2021 (minor revision)

Transfers of cash and equity between funds in the university accounting system are necessary to conduct university business in certain instances. This policy is intended to provide flexibility to units to manage their finances, while ensuring effective stewardship of restricted funds and appropriate classifications of fund balances (equity) in university financial reports. University overhead is not charged on fund transfers.

Purpose of the Policy
To account for multiple funding sources and ensure that resources are used for their intended purpose in a manner that meets the university’s obligation of fiscal stewardship.

Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency funds FD900</td>
<td>Funds deposited with the university by an outside entity (such as a scholarly journal) to allow the entity to make expenditures within the university. The university does not “own” agency funds.</td>
</tr>
<tr>
<td>Annuity/life income funds FD700</td>
<td>Funds related to gift transactions, under which the university agrees to provide a stream of income to a beneficiary for some time period (such as the beneficiary’s lifespan). The remaining funds then typically become university endowments.</td>
</tr>
<tr>
<td>Current restricted funds FD5xx</td>
<td>Funds that, like unrestricted funds, are available to finance current operations, but are subject to purpose restrictions imposed by the donor, grantor, or other resource provider. Examples include current-use gift (development) funds, endowment income funds, and grant and contract funds.</td>
</tr>
<tr>
<td>Current unrestricted funds FD100-FD400</td>
<td>Funds available to finance current operations and may be used for any legal business purpose, subject to the approval of university management and the Board of Trustees. Examples include general funds, earnings funds, and Health System operating funds.</td>
</tr>
<tr>
<td>Endowment principal funds FD6xx</td>
<td>Funds generally invested “in perpetuity” and not available to fund current operations. Income distributions from these funds may be used for current operations but are generally subject to purpose restrictions imposed by the donor, grantor, or other resource provider. Board approval is required to establish or to modify the terms of an endowment fund. Endowment principal funds fall into two broad categories: gifted endowments and operating endowments.</td>
</tr>
<tr>
<td>Exception</td>
<td>Any violation of or noncompliance with a university policy issued by the Office of Business and Finance (Business and Finance).</td>
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<tr>
<td>Fund transfer</td>
<td>A transfer of cash or equity between funds in the general ledger system.</td>
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<tr>
<td>Gifted endowments</td>
<td>Include both “true” endowments whose principal cannot be expended for any purpose and “invadable” endowments whose principal may be expended under certain circumstances specified by the donor.</td>
</tr>
<tr>
<td>Health System</td>
<td>University Hospital, East Hospital, Brain and Spine Hospital, Richard M. Ross Heart Hospital, Harding Hospital, Dodd Rehabilitation Hospital, Ambulatory Clinics and Services, and Arthur G. James Cancer Hospital and Richard J. Solove Research Institute and Outreach Sites.</td>
</tr>
<tr>
<td>Loan funds FD75x</td>
<td>Funds that are generally restricted to student loans and are not available to finance current operations.</td>
</tr>
<tr>
<td>Operating endowments</td>
<td>Funds from unrestricted or current restricted sources that have been internally designated to function as if they were endowments; sometimes referred to as “quasi-endowments.”</td>
</tr>
<tr>
<td>Plant funds FD8xx</td>
<td>Funds set aside for capital improvements (buildings, major equipment, etc.) and include various central university funds used to account for property, plant, and equipment assets and associated debt.</td>
</tr>
<tr>
<td>Unit</td>
<td>College or administrative unit.</td>
</tr>
</tbody>
</table>
Applies to: Fund transfer initiators and approvers, vice presidents, deans, chairs, and directors

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<tr>
<td>Unit leader</td>
<td>Head of college or administrative unit (e.g., dean, senior vice president, president, provost).</td>
</tr>
<tr>
<td>Waiver</td>
<td>Permission granted to a unit to operate differently than specified or required by a university policy issued by Business and Finance.</td>
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**Policy Details**

I. **Unit leaders**, fiscal officers, and faculty/staff with approval authority over transactions are responsible for understanding and adhering to the purpose restrictions on the funds that are entrusted to their units.

II. The Controller’s Office:
   A. Reports transfer information annually to the senior vice president for business and finance, ensuring correct classification of funds and compliance with spending restrictions; and
   B. Approves fund transfers as appropriate.

III. The Office of Sponsored Programs approves transfers of OSP grant funds as appropriate.

IV. All fund transfers must be approved by the funds transfer accounting manager (assigned Workday role) through Workday prior to the posting of the transfer.

V. All fund transfers must be recorded using the defined paired ledger accounts and revenue/spend categories as defined in the **Financial Foundation Data Model Management policy**.
   A. Validations are established in Workday to ensure transfer accounts balance on transactions.

VI. Allowable Fund Transfers
   A. The following transfers are allowable under most circumstances.
      1. Transfers among **current unrestricted funds** (FD100-FD400).
      2. Transfers from current unrestricted funds (FD100-FD400) to **plant funds** (FD800-820).
      3. Transfers from **current restricted funds** (FD5xx) to plant funds (FD800-820), if in accordance with purpose restrictions set forth by the donor or other resources provider.
         a. Unused endowment income can be returned to principal each year.
         b. The approval of the unit central fiscal office finance director is required.
         c. Some gifted endowment funds require that all unused distributions be reinvested in the endowment principal; others allow unused distribution amounts to be held for future use in the endowment income fund, or reinvested in endowment principal, at the discretion of the unit leader.
         d. An **Endowment Transfer Form** is completed by the unit and sent directly to the Controller’s Office.
      5. Residual funds in an Office of Sponsored Programs (OSP) fixed-price contract to an OSP unrestricted fund or to a departmental unrestricted fund.
      6. Transfers of current use gifts (FD112, FD500) to **endowment principal funds** (FD6xx), if the purpose and restrictions of those funds are not in conflict.
         a. Amounts transferred to endowment principal funds are invested in perpetuity and are unavailable for current use.
         b. The **Endowment Transfer Form** is completed and sent directly to the Controller’s Office.
      7. Consolidation of current restricted funds (FD5xx) that are similar in nature.
      8. Transfers between endowment distribution (FD113, FD510) funds, if the purpose and restrictions of those funds are not in conflict.
      9. Transfers between current unrestricted (FD100-400) and current restricted funds (FD5xx) that are intended to fund current-year expenditures. These transfers must be in accordance with the restricted purpose of the funds and cannot result in accumulations of unrestricted monies in restricted funds, or vice versa.
10. Transfers of current unrestricted funds (FD100-400) to current restricted funds (FD5xx) and transfers between similarly restricted funds are permissible to clear deficits in those funds.

VII. Unallowable Fund Transfers
   A. The following transfers are not allowed under most circumstances:
      1. Transfers between current unrestricted (FD100-400) and current restricted funds (FD5xx) that are not intended to provide funding for current-year expenditures. Accumulation of unrestricted monies in restricted funds (or accumulation of restricted monies in unrestricted funds) is not permitted to prevent misclassifications of university equity balances.
      2. Transfers of endowment principal (FD6xx) to any other funds, unless specifically stated in the descriptions approved by the Board of Trustees.
         a. The unit leader must approve all transfers from endowment principal in writing.
         b. The Endowment Transfer Form is completed and sent to the Controller’s Office.
      3. Transfers of endowment distribution (FD113, FD510) from any endowment gift that specifically states that unused income is reinvested to principal. Some donors make this condition explicit because they want additional income generated in future years.
      4. Transfers from or to OSP grants (FD520). If required, expenditures can be transferred with the approval of the OSP.
      5. Transfers to or from agency funds (FD900). If required, expenditures should be transferred.
      6. Residual funds from a fixed-price contract, usually managed by the OSP, cannot be transferred to restricted funds such as current use or another grant or contract. Residual funds are considered unrestricted and therefore must be transferred to an unrestricted fund.

PROCEDURE

I. Guiding Principles For Fund Transfers
   A. The most straightforward way to demonstrate compliance with purpose restrictions on funds is to charge all expenditures to the appropriate funds, even if that means charging portions of a transaction to several funds. In some cases, it is impractical to allocate detailed expenditures in this fashion. Used properly, fund transfers can allow expenditures to be funded from multiple sources, while retaining a clear “audit trail” of the ultimate use of restricted funds.
   B. Non-endowment transfers require approvals from all funds transfer accounting managers on the transaction. For gifted endowment funds, transfers of unused income to principal are generally allowable as described below. Any other transfers involving these funds must be coordinated with Gift Agreement and Endowment Services. Board approval is required to establish or to modify the terms of an endowment fund.
   C. Because the facts and circumstances that give rise to fund transfers are so varied, Business and Finance retains the authority to disallow any transfers that, in its judgment, negatively impact the university’s ability to account for the expenditure of restricted resources, result in the misclassification of equity balances, or conflict with university policies.

II. Assistance With Fund Transfers
   A. Due to the complexity of the financial system there may be circumstances when the appropriateness of a transfer is unclear. Whenever a question or concern arises the following offices will help a unit determine the best course of action.
      1. Appropriate unit fiscal office;
      2. Controller’s Office, for transfers affecting endowment income or principal, including Foundation endowments;
Applies to: Fund transfer initiators and approvers, vice presidents, deans, chairs, and directors

3. Office of Advancement, Gift Agreement and Endowment Services, for transfers affecting the original intent for the funds that will require coordination with the donor; and/or
4. Financial Planning and Analysis for all other transfers.

III. Transfers Of Unrestricted Funds To Endowment
   A. Special considerations apply to requests to transfer unrestricted operating funds to endowment. See Fund Transfers-Unrestricted to Endowment policy for guidance on these transfers.

IV. Waivers to this policy must be approved in advance and documented by the Office of Business and Finance, using the Business and Finance University Policy Waiver Request.

V. Policy Violations
   A. All policy violations must be tracked as an exception in accordance with the Fiscal Stewardship policy.
   B. The university may require successful completion of training.
   C. The university may enforce corrective action, up to and including termination, in accordance with applicable policies or rules.
   D. The university may seek restitution, as appropriate.
   E. Criminal charges may be filed, as appropriate.

Responsibilities

<table>
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<tr>
<th>Position or Office</th>
<th>Responsibilities</th>
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| Controller’s Office                                    | 1. Report transfer information annually to the senior vice president for business and finance.  
2. Consult on the appropriateness of fund transfers affecting endowment income or principal, including Foundation endowments.  
3. Approve fund transfers as appropriate.               |
| Financial Planning and Analysis                        | Consult on the appropriateness of fund transfers as appropriate.                                                                                  |
| Funds transfer accounting manager                     | 1. Approve all funds transfers through Workday prior to the posting of the transfer.  
2. Approve non-endowment transfers as appropriate.      |
| Gift Agreement and Endowment Services, Office of Advancement | 1. Coordinate transfers of unused income to principal as appropriate.  
2. Consult on the appropriateness of fund transfers affecting the original intent for the funds that will require coordination with the donor. |
| Individuals with fund transfer approval authority       | 1. Understand and adhere to the purpose restrictions on funds entrusted to your unit.  
2. Complete and submit Endowment Transfer Forms to the Controller’s Office as appropriate.  
3. Ensure transfers are in accordance with restricted purposes of funds and do not inappropriately mix restricted and unrestricted funds. |
| Office of Business and Finance                        | Disallow any transfer that negatively impact the university’s ability to account for the expenditure of restricted resources, result in the misclassification of equity balances, or conflict with university policies. |
| Office of Sponsored Programs                           | Approve expenditure transfers of OSP grant funds as appropriate.                                                                                  |
| Unit                                                  | 1. Complete and submit Endowment Transfer Forms as needed.  
2. Consult on the appropriateness of fund transfers.    |
| Unit central fiscal office finance director           | Approve unused endowment distribution transfers to endowment principal.                                                                           |
| Unit leader                                           | 1. Approve transfers of funds as appropriate.  
2. Approve in writing all transfers from endowment principal as appropriate.  
3. Determine if unused distribution amounts will be held for future use in the endowment income fund or reinvested in endowment principal, if allowed. |
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Resources

University Policies, policies.osu.edu
  Fiscal Stewardship, go.osu.edu/fiscal-stewardship-policy
  Fund Transfers – Unrestricted to Endowment, go.osu.edu/ftue-policy

Forms and Other Resources
  Business and Finance University Policy Waiver Request,
  docusign.net/Member/PowerFormSigning.aspx?PowerFormId=fd68959a-4af8-48bb-a0ac-
  67521b9ad821&env=na1&acct=387d1013-fb1c-4705-9bd9-7cf575f484ce&v=2
  Endowment Transfer Form, busfin.osu.edu/sites/default/files/updated_endowment_transfer_formv2_wfields.pdf

Contacts

<table>
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<th>Subject</th>
<th>Office</th>
<th>Telephone</th>
<th>E-mail/URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriateness of fund transfers</td>
<td>Controller’s Office, Office of Business and Finance</td>
<td>614-292-6220</td>
<td>busfin.osu.edu/endowment-administration</td>
</tr>
<tr>
<td>Fund transfers, appropriateness of fund transfers</td>
<td>Financial Planning and Analysis, Office of Business and Finance</td>
<td>614-292-6220</td>
<td><a href="mailto:bf-fpa@osu.edu">bf-fpa@osu.edu</a> busfin.osu.edu/financial-planning</td>
</tr>
<tr>
<td>Gifted endowment funds; appropriateness of fund transfers</td>
<td>Gift Agreement and Endowment Services, Office of Advancement</td>
<td>614-292-2441</td>
<td>advancement.osu.edu/</td>
</tr>
<tr>
<td>OSP fund transfers</td>
<td>Office of Sponsored Programs</td>
<td>614-292-3815</td>
<td>osp.osu.edu/contact/</td>
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History

Issued: 07/01/1985
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Edited: 08/15/2018
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