



CREATION OF NEW ACCOUNT, CHANGES TO ACCOUNTS ALREADY ESTABLISHED, OR DELETION OF ACCOUNTS

I. CREATION OF NEW ACCOUNT

New accounts are set up in the accounting system (FRS and DMAS) to keep track of specific sources of revenues, track expenses for specific programs or projects, or because a donor or grantor has established restrictions on the use of the funds. The University has the following types of accounts to record receipt and expenditure of funds:

- *Unrestricted.* Funds received for the ongoing operations of the University. Includes funds received for tuition and fees, gifts that do not have donor stipulations or restrictions, and sales and services of auxiliary enterprises (residence halls, food services, athletics, etc.).
- *Designated.* Funds received for activities or programs segregated by the Board of Trustees or by management in order to better account for and report on operations. These funds include gifts for research, gifts designated to a particular school or college, patient care revenue, etc. Example of designated gift: donor states that the gift is for a School of Music scholarship (see restricted below).
- *Restricted.* Funds available for funding operations but which contain stipulations from donors or external agencies as to specific purpose. Funds whose purposes are internally designated by the Board and/or management cannot be classified as restricted. Only external sources can place restrictions. Example of a restricted gift: donor states that the gift is for a School of Music scholarship for a student from Michigan. Or for a student majoring in jazz guitar. The restriction must be specific. A general designation, such as scholarships or other activities regularly carried on by a department or school is not sufficient to set up a restricted account.
- For the above accounts, use an account create form for Unrestricted/Designated/Restricted account. Blank forms are at: <https://umshare.miami.edu/web/wda/controllers/unrestricted.doc>, go to Account Create, and click on Unrestricted/Designated/Restricted.
- *Sponsored,* funds received via an award mechanism that requires the expenditure to follow the sponsor or agency restrictions. Sponsored projects are not gifts as they require that the University complete a scope of work (deliverables), usually contain limitations as to what expenses can be charged to the project, have a set limit of time for completing the scope of work, have a budget and are subject to restrictions by an external body. Sponsored funds can be received from federal, state, local and private agencies. The Office of Research Administration in each of the three campuses sets up sponsored accounts upon receipt of an award notice from the sponsor.
- *Permanent Endowments,* are those for which donors or other external agencies have stipulated, under the terms of the gift instrument, that the principal of the fund not be

expendable - that is, it is to remain inviolate in perpetuity and is to be invested for the purpose of producing present and future income, which may be expended or added to principal, as stipulated in the gift instrument. Such funds are classified as permanently restricted for external financial reporting purposes. See policy E010 for additional information.

- Term endowment are similar to permanent endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a specified event, as stipulated in the gift instrument. These funds are classified as temporarily restricted for external financial reporting purposes.
- Quasi-endowment (also known as funds functioning as endowment) are unrestricted, designated or restricted funds that management has determined are not needed for current operations in the near future and are therefore moved to the endowment fund for investment purposes. Approval by the Board of Trustees is required before the quasi endowment account is established. The principal as well as the income may be utilized in its entirety, in accordance with any designations or restrictions originally stipulated by the donor. In other words, a restricted fund transferred to quasi endowment for investment purposes, upon withdrawal from quasi maintains the restrictions originally stipulated by the donor and can only be spent for the purposes so restricted. Quasi endowment funds are subject to withdrawal limitations. Quasi endowment funds are classified as unrestricted for external financial reporting purposes. See policies E005 and E010 for additional information.
- Annuities. Funds acquired under agreements whereby money or other property is made available to the University on condition that stipulated amounts (annuity payments) are paid periodically to the donor or other individuals designated by the donor. The annuity payments terminate at the time specified in the agreement.

To create an account for a permanent endowment, a term endowment, a quasi endowment, or an annuity please contact Ileana Nuñez in the Treasurer's Office.

- Plant. These accounts are created for one of two purposes:
 - The acquisition, construction and/or renovation of buildings (separate accounts are maintained for each plant project), or
 - to hold departmental reserves in separate accounts to be used for future commitments.

Real Estate/Facilities requests new plant accounts for acquisition, construction and/or renovation of buildings. Departments request plant accounts for reserves. Blank forms can be found at: <https://umshare.miami.edu/web/wda/controllers/plant.doc>, go to Account Create Forms and click on Plant

- Agency. These accounts are created to reflect resources held by the University as custodian or fiscal agent for certain organizations. These include student organizations, faculty organizations, and other organizations as approved by the Sr. Vice President for Business and Finance. Agency accounts for student organizations require the appointment of a faculty advisor who accepts responsibility for the account and the manner in which the funds are raised and expended.

For agency accounts, use an agency account create form. Blank forms are at: <https://umshare.miami.edu/web/wda/controllers/Agency.doc>, go to Account Create Forms and click on Agency.

Please note that all accounts originating at the School of Medicine require the signature of the Medical Finance Office prior to final approval by the Controller's Office.

II. CHANGES TO ACCOUNTS ALREADY ESTABLISHED

- a. Change of Purpose. The documenting of the purpose of an account is important when the account is initially established. Coding in the accounting system reflects the purpose for which the account was established. This is needed in order to properly report the University's revenues and expenditures in the financial statements according to purpose or function. Therefore, changes in account purpose cannot be approved because it would cause inconsistencies in external financial reports. If the original purpose for which the account was opened has been completed, or has significantly changed, a new account needs to be opened and the old account deleted. For new accounts, follow the process under I. For deletion of accounts, follow the process under III.
- b. Change of Name. Usually a change of name indicates a change in purpose. See IIa for change of purpose. However, if purpose stays the same and only the name is changing, send an email to David Salzburg at dsalzburg@miami.edu and he will obtain appropriate approvals in the Controller's Office. Please make sure the email specifically states that the account purpose is not changing, otherwise an email requesting information will be generated.
- c. Freezing accounts. Accounts can be frozen to stop receipts and charges from entering the account. Blank forms are at <https://umshare.miami.edu/web/wda/controllers/changes.doc> Please note that freezing accounts does not eliminate open encumbrances (purchase orders) already in the account. Payment of invoices for existing open encumbrances will occur even if the account is frozen.
- d. Deleting accounts. See item III.

III. DELETION OF ACCOUNTS

- Deleting accounts. Accounts are deleted by the Controller's Office when:
 - a. Requested by departments
 - b. The account is no longer needed
 - c. A renovation or construction project has been completed (requested by Real Estate/Facilities), or
 - d. The sponsored project has ended, the project has been reported to the sponsor and all funds have been received (deleted by the Sponsored Program's unit of the Controller's Office)

Blank forms are at <https://umshare.miami.edu/web/wda/controllers/changes.doc>