

REVOLVING ACCOUNT POLICIES

- I. A revolving account generally accounts for the income and expenditures of substantially self-supporting activities. The activities fall into two main categories as follows:
 - A. Designated (D) Fund - Unrestricted activities for specific purposes that are associated with academic programs; for example, Noncredit Instruction and Study Abroad Program.
 - B. Auxiliary (X) Fund - activities that perform a service for the University, but are not themselves educational, and general activities; for example, General Stores, Computer Store, and Food Stores.

- II. Major questions that must be answered for all new revolving account requests:
 - A. Is the activity appropriate with respect to University objectives and policies?
 - B. Does the activity duplicate an existing University activity or service or can this service be better provided by an off-campus source?
 - C. Can the activity be accounted for within an existing account?
 - D. Can the activity generate revenues sufficient to cover expenditures without charging excessive rates?
 - E. Are the proposed expenditures related to the sources of income?
 - F. Will the nature of the income jeopardize the University's tax-exempt status? Relates to Unrelated Business Income Tax (UBIT).
 - G. Could the activity be more properly accounted for in a gift or research account?

- III. All account e-docs automatically route to the Fiscal Officer and to the Controller's Office for approval. Additionally, for all revolving account e-docs, approval is required from one of the following: Vice-President, Asst Vice-President, Dean, Assoc/Asst Dean, or head financial officer within the College or Organizational unit. Fiscal Officers are required to "Ad-Hoc route" revolving account e-docs for this College or Organizational unit level approval.

- IV. Once an account has been approved and is operational, other concerns must be reviewed.
 - A. Billing Rates
 1. If products or services are provided to users on a recurring basis for a fee (including to federal grants administered through CGA), billing rates must be submitted to and approved by the Office of Financial Analysis and Reporting.
 2. Billing rates must be updated by departments and approved by the Office of Financial Analysis and Reporting every 2 years at a minimum.
 3. The [Service Center Billing Rate Policy](#) details these procedures.
 - B. Account balances:
 1. Accounting will periodically review account balances in order to ensure the account continues to be operational and active. Accounts with unusually high balances may be investigated for potential other uses of surplus funds (e.g., the establishment of a reserve account for future capital expenses).
 - C. Overdrafts
 1. University policy requires that revolving accounts do not become overdrawn (have an excess of expenditures over income). If this situation occurs,

Accounting may contact the account Fiscal Officer to discuss the cause of the overdraft and the method of its correction.

2. If the account maintains an inventory of resale items, has billings outstanding, or prepaid expenses, these items may be taken into consideration in evaluating an overdraft.
 3. If an account begins to have operational problems, the Controller's Office should be notified immediately. As stated in the bylaws of the Board of Trustees, "The Controller may refuse expenditures that would incur an overdraft in any fund or item in the annual budget or in special projects."
- D. In the event that a change occurs in the purpose for which the account was originally approved, the account must be amended/edited via the "Account" e-doc in the financial system. If it is noted through audit or other means that the account is not being utilized in accordance with the approved account request form, appropriate corrective action will be initiated.
- E. The Controller's Office may require the submission of periodic operating statements.
- F. All revolving accounts are subject to audit at the discretion of the Internal Audit Department.
- G. The Controller's Office will review account activity periodically to ensure eligible external cash receipts are being properly charged the University administrative fee in accordance with the current University policy. For additional information regarding the University administrative fee, please visit the Financial Analysis and Reporting website (<http://ctlr.msu.edu/COFA>).
- H. Inventories - In the normal course of business, revolving accounts may need to maintain an operational inventory of supplies or items for resale. Departments should develop and maintain an adequate inventory tracking system to account for purchases, sales, and other adjustments (e.g. shrinkage). An annual physical inventory (priced at cost, with total extended value) is required for all inventories greater than or equal to \$100,000.
- I. The department shall develop and maintain an adequate system to track accounts receivable and payable as well as any pre-paid assets or deferred revenues. During the preparation of any annual internal financial statements, the above items should be reflected in the statements.