

Pending and Clearing

Account Management Procedure

September 2002

Introduction

Pending and clearing accounts are used as a temporary depository of funds until a clear designation for the funds can be determined within the University general ledger. Effective cash management and cash handling mandates the need for pending and clearing accounts to avoid misplacing funds and to facilitate the management review and follow up process for these deposits. Issues associated with the assignment of a pending and clearing account to a deposit include the identification and establishment of a new account number, matching a vendor credit to a specific transaction, or development of an agreement associated with the deposit. Although there are many different pending and clearing accounts at Purdue University, the three specifically affected by these procedures are:

Sponsored Program Services (SPS) (005 1963-0000) - Managed by SPS and used to deposit funds that are received in SPS.

Development Services (005 1965-0000) – Managed by Development Services and used to deposit funds that are either received in Development Services or another department but forwarded to Development Services for deposits related to gifts.

General University (005 1967-0000) – Managed by Accounting Services and used by departments to deposit funds that are not associated with SPS or gift transactions.

General Guidelines for Pending and Clearing Account Management

All pending and clearing accounts must be reconciled monthly by the department managing the account.

- A listing of entries that comprise the balance recorded on the general ledger must be prepared and reconciled monthly.
- Auditable records of the reconciliation process shall be maintained at the department level in accordance with the University's records retention policy.

The following periodic and regular reports related to pending and clearing accounts will be completed.

Monthly

Development Services, SPS and Accounting Services will prepare and forward to Accounting Services for retention:

- A reconciliation of their pending and clearing account.
- A listing of the entries equaling or exceeding \$50,000.
- A listing of entries older than 90 days from date of deposit, indicating the reason the amount remains in pending and clearing.

Quarterly

The following information will be provided to the Comptroller:

- A summary of the pending and clearing account ending balances for the last quarter and the current quarter.
- A certification that the pending and clearing account has been reconciled each of the preceding three months.
- An aging summary of items in the account at the end of the quarter for items ≤ 90 days.
- An itemized listing with explanatory statement on all items over 90 days old, or $\geq \$50,000$, aged in quarterly increments.

Annually at Fiscal Year End

- An inventory of all items in the Pending and Clearing account, including name, amount, date received and an aged summary line will be provided to the Comptroller.

University Gift Pending and Clearing Account Management Guidelines

To facilitate the timely recording of gifts made to the University, additional guidelines are required for gift deposits.

Monthly

- Transactions in the account will be reviewed by the Gift Funds Accountant, who will also reconcile the account.
- Reconciled reports will be given to Business Managers and Development Officers.
- Transactions will be reviewed by the Business Manager and Development Officer to determine status of the gift.
- Individuals entering gifts into the account should notify the department and/or school and the Gift Funds Accountant. An individual will be assigned the responsibility for resolving the issue and responding to the Gift Funds Accountant with an estimated resolution time.

Quarterly

- Quarterly reports identified above will be provided to the Senior Directors of Development.
- The Senior Directors of Development will review and discuss items > 90 days with the responsible unit (School, Department). At that time, a “reasonable date” will be set to have the gift moved to a permanent account. The Senior Directors will communicate the resolution to the Gift Funds Accountant for follow-up.
- Deposits remaining in the pending and clearing account nine months or longer will be reviewed by the Senior Vice President for Advancement, Senior Business Managers and Comptroller. The Senior Vice President will follow-up with the Development Officer and/or Dean of the unit.

At Fiscal Year End

- A listing of deposits remaining in the pending and clearing account for twelve months or longer will be reviewed jointly by the Senior Vice President for Advancement and the Comptroller.
- The appropriate disposition of the deposit will be determined.
 - Donor intent will be reviewed prior to final movement of deposit out of the pending and clearing account.
 - Some deposits, due to facts and circumstances, may remain in pending and clearing.
- The Gift Funds Accountant will be responsible for recording and documenting movement of the gift deposit, maintaining documentation with the gift records.
- Memorial gifts deposited in pending and clearing in excess of twelve months without a clear designation will be reviewed.

Management Transfer of Funds

Accounting Services is authorized to determine if a deposit of ninety days or older should be transferred to the University general income account for the SPS and University pending and clearing accounts. This determination will be made after conferring with the responsible department. All factors will be considered prior to final resolution of the outstanding deposit.

Other Provisions

Monitoring

Accounting Services will have the responsibility to: monitor compliance and training needs; to analyze, review and recommend changes to these procedures when necessary, with appropriate feedback. All audit reports from the Internal Audit Office related to the management or review of pending and clearing accounts will be copied to Accounting Services to assist in managing this process.

Records Retention

Accounting Services is responsible for keeping regular periodic reports that are made available to the University Comptroller along with the supporting information sent to Accounting Services by departments responsible for managing pending and clearing accounts. Accounting Services will retain these reports for a period of time determined appropriate by the University Comptroller for management reporting and policy compliance.

Administration

The University Comptroller must approve all changes to these procedures.