

DEPARTMENT: Treasury	POLICY DESCRIPTION: Non-Facility Owned Funds
PAGE: 1 of 2	REPLACES POLICY DATED: 2/1/12
EFFECTIVE DATE: November 1, 2012	REFERENCE NUMBER: TRE.002
APPROVED BY: Ethics and Compliance Policy Committee	

<p>SCOPE: All Company-affiliated hospitals, ambulatory surgery centers and the Corporate Treasury Department.</p>
<p>PURPOSE: To establish internal control guidelines for employee involvement in non-facility owned funds. This would include volunteer funds, benevolence accounts, etc. See the Medical Staff Funds Policy, TRE.001, for the internal control procedures specifically related to Medical Staff Funds.</p>
<p>POLICY: Many facilities have volunteer or employee organizations that collect dues, fundraising proceeds, or other funds for the benefit of the organization and its beneficiaries. This could include a volunteer auxiliary operating the hospital's gift shop or any non-facility owned volunteer fundraising scholarship fund. For the purposes of this policy, however, this does not include any funds that may be held or collected by a labor organization that has a collective bargaining relationship with the employees of the hospital.</p> <p>In the case of volunteer and other non-facility owned funds, where an external organization and its members have ownership of the funds, it is strongly discouraged to involve facility employees in the custody and accounting functions of the funds. If organization leadership chooses to grant facility employees access to account information and have facility employees involved in fund custody and accounting, the facility and organization must agree to specific internal control guidelines as defined below. Note: Fund ownership is defined by the name and Taxpayer Identification Number (TIN) on the account.</p> <p>For employee organizations, such as local benevolence or employee emergency funds, it may be necessary for facility employees to be involved in the custody and accounting of these funds. Therefore, strict internal controls should be in place to prevent any potential misappropriation of these funds.</p>
<p>PROCEDURE:</p> <p><u>Independent Account (fund owned by external party)</u> If a volunteer auxiliary or other party establishes their own account, an independent account should be established using the name and TIN of the volunteer organization. The account must not be established using the facility's TIN.</p> <p>Regarding access to funds where the facility is not the owner:</p> <ol style="list-style-type: none"> 1. Facility employees should not have signature authority on any fund bank accounts. 2. Facility employees should not have electronic access to the accounts, including online/telephone banking functions or debit/credit cards issued on the accounts. It is permissible for employees to be granted inquiry access to online account information for purposes of account tracking and reconciliation. <p><u>Accounting and Reconciliation Controls</u> When employees have responsibilities around receipts or disbursements for non-facility owned funds, stringent controls must be in place. The following is a listing of the minimum controls required:</p> <ol style="list-style-type: none"> 1. A detailed transaction sub-ledger must be maintained. This ledger should include the balance from the previous month and list all current month cash receipts and disbursements, including dates and payee names. It should include any payments received or disbursements made on the account and also reflect any bank adjustments.

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2. Facility accounting personnel should be involved in the monthly reconciliation and review of the account.
3. Copies of deposit slips and disbursement records should be forwarded to facility accounting personnel routinely, and activity recorded to the general ledger.
4. When bank statements are received monthly, a copy should be forwarded to facility accounting personnel. A reconciliation should be performed monthly including the following components:
 - a. The bank statement should be compared to cash receipt and disbursement listings to ensure all deposits and disbursements agree.
 - b. Cancelled deposit slips/check images should be included as part of the review to help assess the completeness of deposit transactions and reasonableness of disbursements.
 - c. The bank balance should be reconciled to the ledger balance, with any outstanding and/or unusual items identified and researched timely.
 - d. The reconciliation process must be conducted by someone independent of the check/disbursement process.
5. Blank checks should be maintained in a secure location by someone independent of signature authority on the account.

General Ledger Accounts and Accounting Entries

The fund balance should be recorded on the facility's general ledger as follows:

1. A separate cash account should be established on the facility ledger. This account should reflect a debit balance and agree to the reconciled bank account balance.
2. An offsetting credit balance should be established to reflect the amount of cash in the account that is owed to the organization. This contra-cash account should reflect a credit balance equal to the debit balance in the cash account. The account balances should be recorded in the same financial statement code (typically the contra account being the next sequential account number).

Note that no revenue and/or expense accounts are used in accounting for these funds.

If the external party leadership will not grant facility accounting personnel access to the information and documentation required to perform the above controls, facility employees are prohibited from any involvement in the respective funds and the account should not be reflected on the facility general ledger.

Employee Organization Funds

For employee organizations such as local benevolence or employee emergency funds, a separate bank account is not to be utilized. Alternately, cash receipts are deposited to the facility's local depository bank account, and established internal control guidelines around facility cash receipts would apply. Similarly, disbursements are processed through the facility's Accounts Payable (AP) processes and require comparable approvals prior to payment. Detailed recordkeeping of receipts and disbursements from the fund must be maintained by facility accounting personnel. General ledger accounts must be established similar to the guidelines above, with offsetting cash and liability accounts to record cash receipt and AP transactions. The accounts must be reconciled monthly in conjunction with financial close processes.

REFERENCES:

Medical Staff Funds Policy, [TRE.001](#)