State of South Carolina Statewide Cash Transfer Policy

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Purpose

The following Statewide Accounting Policy has been established by the Comptroller General's Office to reduce errors, improve consistency and reporting. This policy addresses the use of Transfer Account(s).

Guidance and Use of Transfer Accounts:

Governmental Accounting Standards Board (GASB) Statement Number 34 (GASB 34), *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments,* indicates that transactions to be reflected as transfers include: Operating Transfers, Debt Service Transfers, Investment Income Transfers and Forgiveness of Interfund Debt. (For definitions see attachment.)

With the release and implementation of GASB 61, Universities and Colleges (including foundations), Housing Authority, Patriots Point and Tuition Prepayments funds are no longer considered Business Type activities of the primary government. They are now considered and reported as component units. Therefore, transfer accounts cannot be used for these entities and business areas, except for internal purposes only. Cash being exchanged between the primary government and these entities will be reported as revenue within the receiving fund and expense within the paying fund.

Consistent recording of the transfer transactions (61* and 62* general ledger accounts) and inclusion of supporting documentation is required. Transfer accounts should only be used for permanent cash transfers. Revenues that are being transferred per specific Provisos / Code Sections should not use the 61* and 62* accounts. The agency transferring the revenue should record a debit to the same revenue G/L where the revenue was initially received and credit revenue for the agency receiving that revenue. Inter-fund loans should not be processed using a transfer account (these should be recorded using the loan receivable (1390010000) and loan payable (2090010000) accounts). Please refer to the Statewide Journal Entry Policy for additional information.

In general, 62* Transfer Accounts should be **debited** (cash is moved OUT) and 61* Transfer Accounts should be **credited** (cash is moved IN). **The 61* and 62* transfer accounts must balance and should net to zero at the state level.** The TEXT field of each line in the entry must include a reference to the agency/fund being transferred to/from and a brief purpose for the transfer. Description Example: Fm E16 to F01 capital rsv fund tsf proviso 90.20.

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When using the transfer accounts, the impact on the cash accounts should be considered. To see the effect on the cash accounts, the document should be viewed using the Simulate General Ledger selection (located under the Document in the Menu bar).

Documentation to be attached with each transfer entry should include the following information in order for the activity to be properly reflected in accordance with GAAP (See attachment for documentation example):

a. Amounts transferred.
b. A general description of the principal purpose of the transfers.
c. The intended purpose and amount of significant transfers of the following:
    1. Non-recurring transfers.
    2. Transfers inconsistent with the activities of the fund making the transfer.
d. For cross-Agency transfer, include copies of communication with the transferring to/from agency regarding agreement on the accounts and amounts recorded.
e. When the transfer is mandated by a proviso or law, the agency must provide the proviso or law relevant to the transfer in the documentation.

Internal Controls: Month-end procedures should be established to determine that transfer accounts are properly balancing within each agency. Agencies recording transfer activity with other agencies need to obtain documentation from the other agency to determine that the transfer transactions are balancing across the state. This control should be implemented by agencies as they deem fit. This has been implemented at one agency as they send an e-mail requesting approval from the agency that will be affected by the transfer. This documentation is included as support with the JE prior to review and approval.

The Comptroller General's office Accounting Department will reject any transfer journal entries that do not have the text line completed or if the proper account numbers are not used. If at year end the Comptroller General's Office identifies an agency where the balance of 61* and 62* accounts do not net to zero and the agency has not submitted a reconciliation, they will request a reconciliation be performed as part of year end reporting.

Additional Information/Definitions:

GASB 34 Transfer Definitions:

(1) **Operating Transfers** – the delivery of resources from one accounting fund to another accounting fund or from one agency to another agency in order to facilitate the continuation of programs and services required to be conducted by that fund or agency.
(2) **Debt Service Transfers** – the delivery of resources from the agency/fund responsible for funding repayment of debt to the agency/fund responsible for delivering payment to the debt holders.
(3) **Investment Income Transfers** – Income from investments held by one fund for which the income is to be used by another fund. The transfer of the income to the recipient fund should be reported as an interfund transfer. (GASB 34 ¶3,15, and 112)
(4) **Forgiveness of Interfund Debt** – action taken by an agency/fund which recognized the lack of collectability of the outstanding balance on an interfund loan. If repayment of the loan is not expected within a reasonable time, the interfund loan balance should be reduced in order to affect the reporting of a transfer. This is extremely rare in occurrence. Contact the Comptroller General's Office for assistance.

Proper Documentation Example:

$1,000,000 is transferred under the joint administration agreement between EIP and the SC Retiree Health Insurance Trust. This represents the fees collected for administration of the Trust for the period from March XX to June XX. It has been agreed to by J Jones of SC Retiree Health Insurance Trust that the most appropriate recognition is an Operating Transfer. The offsetting transfer is expected to be reflected by the recipient entity before month-end close out for Period 12.

The example above would need to be customized to the transaction being recorded. If monthly collections are transferred, supporting documentation might include a list of the collection by month, etc. The amount and sufficiency of supporting documentation will vary based on the complexity of the transaction. As a general guide – the more support provided, the fewer questions by other users of the information.

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Most Commonly Used Transfer Accounts

6100010000	**Operating Transfer In (CR)** Offset for Cash received from another grant, funded program, fund, or agency.	**CR Balance**
6200010000	**Operating Transfer Out (DR)** Offset for Cash provided to another grant, funded program, fund, or agency.	**DR Balance**

Less Commonly Used Transfer Accounts

6100010001	**EQC Admin Rate Transfer In** Used by agencies for cost sharing activities. Cannot be used to cross business areas. Must be balanced to zero with 6200010001 by monthly close.	**Currently used by:** DHEC Higher Ed. Commission
6200010001	**EQC Admin Rate Transfer Out** Used by agencies for cost sharing activities. Cannot be used to cross business areas. Must be balanced to zero with 6100010001 by monthly close.	**Currently used by:** DHEC Higher Ed. Commission
6100010004	**Misc Transfer-Boardwide Alloc In** Used by agencies for administrative allocations. Must be balanced to zero with 6200010004 by monthly close.	**Currently used by:** Department of Administration
6200010004	**Misc Transfer-Boardwide Alloc Out** Used by agencies for administrative allocations. Must be balanced to zero with 6100010004 by monthly close.	**Currently used by:** Department of Administration
6100020000	**FY10 Prov 90.21 Inc Enforc In** To reflect cash received from another agency or fund relative to Increased Enforcement Collections.	**CR Balance**
6200020000	**FY10 Prov 90.21 Inc Enforc Out** To reflect cash provided to another agency or fund relative to Increased Enforcement Collections.	**DR Balance**