PROCEDURE NUMBER:	FINA 1.23 Procedure
SECTION:	Administration and Finance
SUBJECT:	Internal Funds (N funds)
DATE:	April 1, 2024
REVISION DATE:	January 1, 2026
Procedure for:	All Campuses
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Issued by:	Administration and Finance – Controller's Office

Procedure

The following procedure outlines the required steps to establish, maintain, monitor, and deactivate an internal N fund project. Refer to **FINA 1.23** – Internal Funds (N funds) policy to determine the criteria needed to be classified as an internal (N) fund.

A. Requesting and Establishing Internal N Fund Projects

All N Fund Projects must be requested by completing the Chartfield Request Form and submitting it directly to the Controller's Office via email to CFMAINT@mailbox.sc.edu. The request must include the:

1. Purpose of the project.
2. Term of the project.
3. Amount of funding and source.
4. Principal Investigator (PI).

The Controller's Office will review the request and assign it an internal project number. The internal project number is used to track the financial activities of the project.

Once an internal N fund project is approved and established, the committed funds must be immediately transferred to the newly created Internal N fund project by the department requesting the project. Balances in these funds shall carry forward from one year to the next for the purpose designated for the project.

B. Use of Internal N Fund Projects and Terms:

Once an internal N project is established, it must be used in accordance with the following terms:

1. Internal N projects must be spent in accordance with any established research guidelines for the project.
2. Internal N projects must maintain a positive cash balance and may not be over- expended at any time. The internal project's designated administrator will be notified if there is a deficit. If the deficit balance has not been resolved within 30 days, the entire amount of the deficit will be charged to the department's operating funds and the project will be inactivated.
3. The Controller's Office will perform reviews of all internal N projects. The periodic review will include a review of project end dates, account balances, and principal investigators assigned. All internal projects must have an active employee assigned as the PI; updates or closure of the project are required if a PI terminates employment. The Controller's Office will provide each operating unit with a list of the internal N projects within their purview for review and immediate action. Failure to act may result in the deactivation of the internal project and deficits/active employee payroll charges (as applicable) charged to the operating unit's departmental account.

C. <u>Accounting Principles for Revenues and Expenses:</u>

Once an internal N fund project is established, the following accounting principles must be followed:

1. Transactions must be recorded using the University's established revenue and expense account codes for day-to-day transactions.
2. These funds will be included in the University's revenues and expenses for the purposes of financial reporting.

D. <u>Common N Fund Projects:</u>

Examples of activities using N Fund projects include, but are not limited to, the following:

- N1100* – Magellan – Faculty mentored undergraduate research projects awarded by the Office of Undergraduate Research.
- N1200 – Internal Research Projects established by departments, the Office of the Vice President for Research, or the Provost's Office for specific internal faculty research.
- N1250* – Internal Research Projects by the Office of the Vice President for Research.
- N1300 – Startups – Funds awarded to new faculty to enhance their research career at the University.
- N1400* – SPARC – Funds awarded by the Office of the Vice President for Research to graduate students to prepare them to seek national fellowship and grant awards.

- N1600* – ASPIRE – Funds awarded by the Office of the Vice President for Research to University faculty to develop collaborative interdisciplinary research or invest in the University's research infrastructure.
- N1700 – Incentives – Funds earned by the faculty member, such as a University designated portion of indirect cost revenues or unspent residual grant awards, while conducting external research.
- N1800 – Excellence Initiatives – Established to support a range of projects including recruiting faculty, ensuring excellence in the classroom, and creating new experiential learning opportunities for students across academic disciplines.
- N2100 – Departmental Projects – Established to assist departments with setting aside funds for long-term goals such as equipment purchases or tracking certain internal initiatives.
- N2200 – Strategic Initiatives – Used to track certain tasks specifically related to the University's strategic plan.
- N3000 – Program Income – N funds established to track income and expenses associated with a specific sponsored activity. For example, if the University receives a sponsored award that requires a conference to be held; a Program Income N fund will be established to record income received from conference registration fees and related expenses to host the conference.

*Note – Internal projects using these funds are created, monitored, and closed by the VPR's Office.

E. Closure or Inactivation of N Fund Projects:

To inactivate or close a N Fund Project, a request must be submitted to the directly to the Controller's Office via email to the CFMAINT@mailbox.sc.edu mailbox. The following procedures must be completed (as applicable) prior to requesting closure:

- Payroll Account Changes – ensure necessary payroll account changes have been processed along with any payroll retro request forms (if applicable).
- Expense Reports – ensure any outstanding purchasing or travel card expense reports are submitted related to the project.
- Internal Charges – ensure all outstanding charges have posted for any internal charges (postage, motor pool, printing, etc.) and notify those respective areas of the project inactivation.
- Payment Requests – ensure all payment requests related to the project have been completed and processed.
- Journal Entries and Journal Vouchers – ensure all journal entries and/or journal vouchers are completed prior to inactivation; including any needed entries to move or clear balances.
- Purchase Orders and Travel Advances – all purchase orders or travel advances

with outstanding encumbrances must be closed and liquidated prior to project closure.

- Tuition – ensure tuition supplements for any subsequent semesters are updated so future charges do not default to the closed project.
- Cash Advances/Participant Cards – any cash advances or participant cards issued must be closed prior to inactivation.

History of Revisions:

DATE OF REVISION	REASON FOR REVISION
April 1, 2024	New Procedure
February 1, 2025	Updated the definition of N2200
July 1, 2025	Added History of Revisions section and small revisions to language (e.g., internal account to internal project)
January 1, 2026	Added closure section and small revisions to language.