



Cornell University Policy Office

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Policy 3.16

External Organization Accounts

Policy Introduction

Cornell acts as a fiscal agent of certain external funds for external organizations (EO) only in limited circumstances as described in this policy. Cornell will authorize EO accounts and act as a fiscal agent only when there is a clear and reasonable justification. The EO must support Cornell-related activity, or the account otherwise serves a mission-related purpose, as endorsed by the college or division and approved by the Executive Vice President/Chief Financial Officer or their delegate.

To Whom This Policy Applies

The External Organization Accounts Policy applies to all units of the University, including Weill Cornell Medicine.

1 Policy Principles

1.1 Minimum Criteria for Opening New External Organization Accounts:

The EO is approved by the Executive Vice President/Chief Financial Officer or their delegate to conduct business with Cornell.

The EO exists solely to support Cornell-related activity, or the account otherwise serves a mission-related purpose, as endorsed by the college or division and approved by the Executive Vice President/Chief Financial Officer or their delegate.

The EO is unable to open a bank account, lacks dedicated staff, or is otherwise unable to provide financial stewardship of the funds.

The EO executes the University's template agreement detailing Cornell's financial stewardship support for EO funds.

1.2 Cornell as the Agent for Payment: The EO remains the owner of its EO account funds and is solely responsible for how it spends its funds. Cornell holds the EO account funds and acts as an agent for payment as directed by the EO. All EO account transactions undertaken by Cornell must be made on behalf of the EO. Cornell reserves the right to decline to provide service or transaction processing at any time and at its sole discretion.

1.3 Administrative Burden: Before opening an EO account, units should consider and be prepared for their own administrative burden associated with processing EO transactions and complying with these policy requirements.

1.4 Sales Tax: EOs are strictly prohibited from using Cornell's tax-exempt status to claim an exemption from state or local sales or use tax. Accordingly, EO account transactions may not use the University's New York State or other state sales tax exemption certificates.

The Cornell Authorized Representative(s) ensures that sales taxes are collected and remitted on all sales of taxable goods and services transacted through the EO account in the appropriate states in

which Cornell is registered to collect such tax. The only exception to this requirement is where the EO's customer provides to Cornell a properly completed sales tax exemption certificate for the state in which the taxable sale occurred. If a taxable sale is made, but no tax is collected, the EO will be charged for the appropriate amount of sales tax as determined by Cornell. Further, the Cornell Authorized Representative must ensure that an EO pays sales tax on all taxable purchases or, in its absence, remits use tax. If a taxable purchase is made, but the EO's vendor does not charge sales tax, the EO will be charged for the appropriate amount of use tax as determined by Cornell.

1.5. Contracts: EO account transactions may not use University contracts. Contracts used in EO account transactions must identify the EO as the contracting party and the University as the agent for payment only. Cornell assumes no responsibility or liability for any act or omission of the EO under such contracts.

1.6. Closing External Organization Accounts: Formal account closing procedures must be followed when closing external organization accounts.

2 Responsibilities

2.1 Associated College/Unit (College/Unit Requesting EO Account): Ensure compliance with this policy. Ensure fiscal integrity and that no financial conflict of interest exists as a result of establishing an EO account. Designate an authorized representative within the college, unit, or department who can accept funds from an EO and serve as an agent for payment on its behalf (the "authorized representative").

2.2 Authorized Representative and any Cornell Employee with Transaction Authority on the External Organization Account: Follow terms and conditions established by the EO and ensure that only allowable costs, as defined by the EO, are processed against the EO account. Do not use EO accounts for Workday costing allocations or KFS salary distributions. Document to all vendors the independent status of the EO. Ensure that contracts clearly identify Cornell's limited role as an agent for payment only and do not require Cornell to assume responsibility or liability for any act or omission of the EO. Process transactions on behalf of external organizations but do not sign contracts on behalf of the EO. Ensure that sales taxes are collected on EO transactions when appropriate and are remitted to New York State. Ensure that EO transactions do not use the University's tax-exempt status. Perform a monthly review and reconciliation of EO account activity. Monitor the balance in the EO account on a consistent basis and notify the EO before the funds are depleted.

2.3 Department where Authorized Representative is Employed: Establish effective processes and controls to ensure compliance with this policy. Communicate the provisions of this policy to all faculty and staff members involved with EO accounts. Act as liaison between Cornell, the authorized representative, and the EO. Record, monitor, review, and report transactions to the EO and its authorized representative. Oversee and implement the University's obligations under the EO agreement. Cover any EO account deficits, instances where expenses exceed income in the fiscal year, or uncollected amounts (must document an explanation and a description of what funds are being used to cover the deficit). Include in the department's exit checklist a question regarding existing EO accounts.

2.4 Departments that Sell Goods or Services to an External Organization: Record income from sales to EOs as external sales and collect all applicable sales taxes. Reference [University Policy 3.10, Recharge Entities, Ithaca Campus Units](#), for tax on external activity.

2.5 Office of the University Controller: Review the Application to Open an External Organization Account with Cornell for new EO accounts, and when appropriate, facilitate the process of creating the agreement between Cornell University and the EO. Periodically review EO accounts, including reconciliations and the relationship of the EO to the University. Report tax issues on vouchers and invoices.

3 How to Report a Concern

The [Cornell Ethics and Compliance Hotline](#) is the primary mechanism to confidentially or anonymously report ethics, integrity, or compliance concerns to the University. [Other reporting options](#) are also available.

4 Record Retention

Records associated with this policy shall be maintained by the individual or Unit engaging in the activity. Records shall be retained or disposed of in accordance with [University Policy 4.7, Retention of University Records](#).

5 Compliance

The University Compliance Office, University Audit Office, and others may audit or investigate to assess compliance with this policy. Non-compliance with university policies is addressed in accordance with applicable policies and procedures and is subject to progressive disciplinary action up to and including termination.

6 Related University Policies and Resources

Description	URL	WCM-Specific URL
Classification of Organizations	https://scl.cornell.edu/RSOClassification	
University Policy 3.10, Recharge Entities, Ithaca Campus Units (cornell.edu)	https://policy.cornell.edu/sites/default/files/policy/vol3_10.pdf	
Application to Open an External Organization Account	https://www.dfa.cornell.edu/	
Reconciliation Guidelines	https://www.dfa.cornell.edu/	

7 Definitions

Term	Definition
Authorized Representative	A Cornell University employee authorized by an EO organization to open an EO account on the EO's behalf. The authorized representative or designee will have signature authority on the external organization account and, therefore, can process transactions on behalf of the external organization (see the "Responsibilities" section of this document). The authorized representative should be directly knowledgeable of the relationship of the university as fiscal agent, transactions made by the authorized representative on the behalf of the external organization are at the direction of the external organization.
Fiscal Agent	The University when acting in its capacity as an agent for payment for an external organization's resources.
External Organization	An organization not legally part of the University that acts on its own behalf, is not controlled by the University, and generally has a separate taxpayer identification number.
External Organization Funds	Funds that are held by the University as custodian or fiscal agent for external organizations but are not owned by Cornell.
Agent for Payment/ Payment Agent	Cornell's role acting only as a custodian of external funds, providing a means to distribute payments at the direction of the EO.

8 Policy Administration and Responsible Office

Policy Clarification and Interpretation	Contact	Phone	Email/Web Address
Office of the University Controller	Office of the University Controller	(607)255-9359	controller@cornell.edu www.dfa.cornell.edu/accounting/

9 Responsible Executive

Unit	Title
Responsible Executive	Chief Financial Officer
Responsible Office	Office of the University Controller

10 Revision History

	Summary of Revisions
Date Issued	April 1, 2001
Date of Full Review	April 24, 2023
Date Last Updated	May 9, 2023