

PROCEDURE NUMBER: FINA 1.23 Procedure
SECTION: Administration and Finance
SUBJECT: Internal Funds (N funds)
DATE: April 1, 2024
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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 account. 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 Accounts

All N Fund Accounts 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 account.
2. Term of the account.
3. Amount of funding and source.

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 account.

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

B. Use of Internal N Funds and Terms:

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

1. Internal 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 an annual review of all internal N projects to identify any that have limited activity, excessive fund balances, or operating in deficit. 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 account and deficits (as applicable) charged to the operating unit's departmental account.

C. Accounting Principles for Revenues and Expenses:

Once an internal fund 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. Common N Funds:

Examples of activities using N Fund accounts 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.