



Centralized Cash Management Policy

Policy #:	CO003.1
Policy Type:	University
Responsible Executive:	VP for Business Affairs
Responsible Office:	Controller's Office
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I. Policy Statement

The University of Louisiana Monroe (ULM) conducts investment activities under the authority provided from R.S. 49:327. This statute provides institutions of higher education the legal authority to promulgate and implement standards and policies relative to cash management and investment activities. Under provisions granted by that legal authority, the University wishes to define its cash management and investment policies, as well as confer upon the Vice President for Business Affairs the power and responsibility for administering and interpreting this policy. The VP for Business Affairs may designate one or more staff members to directly coordinate the day-to-day investment and cash management activities. Said person shall report to the VP for Business Affairs. All policies and procedures for centralized cash management and investment activities are reviewed periodically and updated.

II. Purpose of Policy

ULM has developed a centralized cash management system to meet the objectives below. This policy serves to provide detailed information and procedures to follow in order to meet these objectives:

- 1) Provide funds as needed for operations of the University
- 2) Generate maximum investment income with complete safety of equipment
- 3) Centralize banking activities
- 4) Provide information to meet management needs of the University

The primary objective of our cash management system is to provide for day-to-day funding needs (liquidity) so that current transactional requirements and obligations can be met. To accomplish this objective, excess cash is reduced and made available to generate investment income. Accurate cash flow forecasts and implementation of our investment objectives are essential to our investment program. Safety of university assets is also a principal concern of our cash management and investment program. Every effort is made to mitigate both credit risk and interest rate risk for all funds deposited or invested.

The use of centralized bank accounts and electronic funds transfer (EFT), and use of the Automated Clearing House (ACH) has further enhanced our investment goals. University of Louisiana at Monroe has placed cash management as a major goal and has recognized the significant returns available from implementing our objectives.

The University utilizes short-term cash forecasts to: (1) determine cash needs for operations, (2) manage the investment of excess cash. The Associate Controller coordinates and directs the University's short-term cash management program under the supervision of the Controller.

Banking activities are reviewed daily and cash needs are anticipated based on recurring and/or expected transactions. The Associate Controller coordinates with the Accounts Payable Manager and the Assistant Controller for Payroll to forecast funds needed for weekly check writings and bi-weekly payroll expenses.

The cash forecasting information prepared for short-term cash needs is the basis for projecting funds available for longer-term investment opportunities. Time Certificates of Deposit with maturities not exceeding terms outlined in (R.S. 49:327B), money market funds, and direct United States Treasury Bills are the primary long-term investments used by the University. Additional investment options include United States government agency obligations and direct security repurchase agreements.

III. Applicability

This policy applies to Vice President for Business Affairs, Business Affairs Staff and any Controller's Office personnel responsible for the short-term management and long-term investing of the University's funds.

IV. Definitions

Automated Clearing House (ACH) – The electronic clearing and settlement system used for financial transactions by US commercial banks and other institutions.

Cash Disbursements – Cash payments which decreases the cash balance.

Centralized Cash Management System – The consolidation of cash flow decisions to a central authority for the purposes of achieving greater control of cash balances.

Cash Receipts – Collection of money which increases the cash balance.

Debt Service – The amount of money during a period of time (monthly, quarterly, annually) that it takes to pay on long-term debt, including both principal and interest.

Electronic Funds Transfer (EFT) – Electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff.

Interest Bearing Account – A bank account that earns interest on the daily cash balances.

Long-term Investments – Investments that last for a period of time longer than 90 days.

Short-term Cash Forecasts – Forecasts of cash needed for a period of time of 90 days or less.

Sweep Account – A bank account that automatically transfers amounts that exceed, or fall short of, a certain level into a higher interest-earning investment option at the close of each business day.

V. Policy Procedure

Short-Term Investments (less than 90 days)

The following information and procedures are taken into consideration when forecasting the University's cash flows on a weekly basis:

1. Cash receipts anticipated
 - a. Registration monies, State Appropriation funds, Other State Funds, Federal funds, maturing investments, invoice payments, and other larger receipts are monitored.
 - b. Each major cash receipt item is identified by source, projected date of arrival, and amount with information forwarded to the Associate Controller.
 - c. The Associate Controller monitors daily incoming receipts from EFT/ACH for investment and payment purposes.
2. Cash disbursements anticipated
 - a. Payrolls, financial aid, debt service, utilities, retirement contributions, taxes and insurance liabilities, and other large payments are identified.
 - b. Each major cash disbursement item is coordinated through Accounts Payable or Payroll as to wire date, mailing date, and float time.
3. Monthly calendars for payroll and accounts payable distributions list anticipated date of distribution for large distribution items with specified individuals responsible for each major item and its coordination for EFT transfer distributions.

University of Louisiana Monroe has agreements with area banks for interest bearing demand accounts (super now, money-market, etc.) so that all funds on deposit other than “clearing” accounts are invested. Interest rates on demand accounts may vary from bank to bank and in accordance with account activity.

The University’s central cash account management allows efficient deposit, collection, transfer, and investment of funds. For its disbursement (federal) account, the University utilizes an interest bearing account with funds earning interest daily.

The payroll account utilizes a “Sweep account” where monies transfer from an interest bearing account to cover all checks clearing for that day. Transferring of funds electronically between accounts and banks has replaced checks for many large dollar transactions in the University’s cash management system.

Coordination of cash receipts and disbursements are a primary goal in effective management of short-term investments. The Controller is aware of the University’s investment objectives and the specific procedures required fulfilling them.

Investments allowed include money market funds, time certificates of deposit, direct security repurchase agreement, direct United States Treasury Obligations, and United States Government Agency Obligations.

Long-Term Investments (90 days or longer)

Once funds are determined to be available for long-term investment, the following procedures are utilized:

1. Certificates of Deposit are usually made or T-Bills or other securities are purchased to meet investment goals and are renewed by the University (Payroll, Debt Service, etc.) as necessary.

2. CD's, T-Bills, other investments are made in denominations of \$500,000 or more to effect better rates from banks.
3. Bank CD's are purchased for periods not greater than twelve months and are secured by appropriate pledging from respective banks authorized by the Treasurer of the State of Louisiana to receive such deposits. Each bank must be an approved fiscal agent depository for the state. All banks having deposits for the University of Louisiana Monroe shall have adequate collateral pledged to cover such deposits. The T-Bill and other security rates quoted by the banks are reviewed with the Wall Street Journal for comparison.
4. EFT is utilized to move cash to the bank acquiring the investment. Accounting entries are made to reflect the University accounts participating in the investment.

Asset Allocation and Investment Guidelines

Since the University's primary focus is short term cash management, available investment securities are limited to United States Treasury Bills, Bank Certificates of Deposit, United States Government Agency Securities, and repurchase agreements.

Bank Certificates of Deposit are purchased for periods not greater than twelve months and are secured by appropriate pledging from respective banks authorized by the Treasurer of the State of Louisiana to receive such deposits. All banks having deposits for University of Louisiana at Monroe University shall have adequate collateral pledged to cover such deposits including certificates of deposit as well as any other deposited funds. Banks are further required to meet the FIRREA regulations including a Security Agreement, (including a pledge of collateral for a deposit), and a Bank Board of Directors Resolution authorizing specific bank offers to execute these agreements. For U.S. Treasury Securities and Government Agency securities purchased by the University, banks must provide safekeeping receipts, collateral agreements, custodial agreements, and a listing of the correspondent bank actually holding the security.

Monthly collateral reports are sent to the University by each bank holding University funds. The Associate Controller prepares monthly reports showing each bank account, balance, interest rate, interest earnings, service charges and collateral pledged. This report is reviewed by the Controller and Vice President for Business Affairs.

Performance Evaluation and Safety

University employees having responsibilities for cash management and investment activities are bonded through the Office of Risk Management. Certain University cash wire transactions require verification and authentication through the assignment of unique PIN numbers by various financial institutions and may require second-person verification. A monthly reconciliation of interest income (part of the bank statement reconciliation) is done by a member of the Controller's Office who does not have direct day-to-day cash management responsibilities. The monthly reconciliation of all bank statements is verified by the Associate Controller or the Controller and by the University's Internal Auditor on a periodic basis. Investment policy and procedures are also reviewed by the Legislative Auditor as part of the University's audit.

Summary

Investment decisions and information are coordinated and communicated with the President and Vice President for Business Affairs and are periodically evaluated based on the University's investment objectives. The Controller will endeavor to make available appropriate professional training to University personnel in the performance of their cash management duties and responsibilities.

Cash management at University of Louisiana at Monroe will continue to develop with new methods and procedures adopted to meet changes in the banking system and to address University needs and objectives.

CASH MANAGEMENT PROCEDURES

University of Louisiana Monroe

1. Deposits

University of Louisiana Monroe makes a daily deposit of cash and checks received. Deposit information and bank funds collection information is communicated for investment analysis.

a. Mail Receipts

Incoming mail is delivered or picked up twice each day from the Post Office. Mail is sorted to remove all checks first; checks are logged and routed to appropriate area (General Accounting, Grants, and Student Account Services etc.) for photocopying, endorsement, processing, and subsequent daily deposit at La Capitol Federal Credit Union outlined in the University's Cash Handling Procedures.

b. Campus Receipts

Departments send their deposits daily or as received to La Capitol Federal Credit Union (LaCap). Checks are imaged and restrictively endorsed and then processed for subsequent daily deposit.

c. Federal Funds and State Grant Funds

For the major federally funded programs, and state funded programs, funds are electronically requested and received by ACH/Electronic Funds Transfer. This is an efficient system in obtaining prompt collection of funds needed and due the University for funding of federal and state programs.

2. Billing and Collection

University of Louisiana at Monroe collects the major portion of self-generated revenue from student fees during each payment period, which are two semesters and two short summer sessions. Student fees are assessed, collected, and deposited each day. Other receivables due the University are billed when due or as soon as practical.

a. Collection of Receivables

Most all monies due University of Louisiana at Monroe are collected when due or within 30 days or less of billing period. For accounts not collected within 30 days, the following procedures are used:

- 1) A bill is emailed to all students who still owe a balance after the semester begins.

- 2) If no response from second notice, a telephone follow-up is initiated.
- 3) For student indebtedness (usually returned checks, unpaid fee charges, mandated return of Federal Financial Aid Funds and NDSL loans) not satisfactorily cleared, the student's registration at the University may be canceled. Academic transcripts are "held" until all indebtedness to the University has been cleared. See Accounts Receivable Policy for more detailed information.
- 4) Before registration for the next semester/session, a computer program is run to identify any student who has a balance due. A "hold" is put on the student's account so they cannot register. They must pay their debt or set up a satisfactory payment arrangement in order for the "hold" to be removed.
- 5) A student with a debt cannot return, a registration/transcript hold is put on their account and they are transferred to the Collections Department and loaded into the ECSI system for further collections. The only exception is an account with a balance of twenty-five dollars or less per student fund. i.e.... tuition, meals, dorms, and tickets because they will automatically be written off by ECSI. Two letters are sent and then the account is turned over to the Attorney General's Office if no response from the student and no payment arrangement has been initiated. The University uses the Attorney General's Office collection services with all collection costs including legal fees are charged to the student. All debtors submitted to the Attorney General's Office submit payments to the Attorney General's Office directly and a check is remitted to the University monthly with a detailed report on payment activity. Also, payments from the debtor not at the Attorney General's Office can be made in person by mail or over the phone. Debtors paying in person are directed to make their payment at La Capitol Bank. Receipts are sent to our office and posted immediately.
- 6) After due process and local collection efforts have been exhausted, past due indebtedness for Perkins (NDSL) loans are turned over to an outside collection service specializing in student loan collections. Three separate collection services are used (Coast Professional, Louisiana State Attorney General's Office and Conserve) for handling secondary collection efforts for the University. Loan accounts deemed non-collectible are assigned under the federal regulations to the U.S. Department of Education and removed as active accounts with the University.

3. Disbursements

- a. Disbursements for large payments such as payrolls, tax deposits, bond payments, retirement and insurance payments, and other large payments are assigned to specific individuals within the Controller's Office and noted where applicable on the office calendar.
- b. Disbursements for payrolls are processed by ACH transfer and check with distribution to payees.
- c. Disbursements for student refunds and student payroll are made by ACH transfer and check. Students may have their refund or payroll check directly deposited into their bank account.

- d. Positive Pay is utilized for all Accounts Payable checks issued where the bank is notified of each check payee and amount as a security measure.
- e. All check disbursements of \$50,000 and greater require an individual review and additional signature (or initials) of the Controller prior to the check's release as an added control and review step. The Associate Controller can perform this function in the Controller's absence.

VI. Enforcement

The Vice President for Business Affairs is responsible for enforcement of the policy.

VII. Policy Management

Upon adoption, the Vice President for Business Affairs shall be the Responsible Executive for the management of this Policy. The responsible officer is the Controller and the Office of the Controller is the office that is responsible for implementing and administering the policy.

VIII. Exclusions

Any unusual circumstances or special projects not fully covered under this policy should be addressed to the Controller's Office.

IX. Effective Date

This policy will be in effect upon the date it is adopted and signed by the President and approved by the Cash Management and Review Board – July 16, 2020.

X. Adoption

This policy is hereby adopted on this 24th day of April 2020.

Recommended for Approval by:

Approved by:



Dr. Bill Graves, VP for Business Affairs



Dr. Nick J. Bruno, President

XI. Appendices, References and Related Materials

N/A

XII. Revision History

Revised May 23, 2018: Revisions include corrections throughout for appropriate titles of those positions conducting specific tasks. Substantial revisions were made in the collection of receivables section and an adoption date and signature line were added.

Revised April 24, 2020: Revisions include placing the policy into the official policy template, changing position titles to reflect individuals responsible for specific actions and small changes in processes. The denomination amount for long term investments was changed from \$1,000,000.00 to \$500,000.00.