

## Cash Management Procedure

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Revised: February 2019

### BACKGROUND

California State University, Dominguez Hills Foundation (“CSUDH Foundation”) receives external funding from various sources for sponsored programs, with the largest funding source being the Federal government. CSUDH Foundation must comply with Federal regulations including those from the Office of Management and Budget (OMB). OMB’s 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires recipients of Federal funds to maintain a system of internal controls that documents and supports the individual distribution of activities and associated costs charged to sponsored programs.

CSUDH Foundation requires all individuals who receive sponsored funding to comply with CSUDH and Foundation’s policies and procedures, the sponsor’s terms and conditions, and any regulations regarding the charging, and reports of costs on sponsored awards.

CSUDH Foundation is required to provide accurate, timely and complete disclosure of the financial results of sponsored awards. Timely recording of transactions to awards is critically important, especially as an award’s end date approaches, and CSUDH Foundation must adhere to final reporting, cash management/collection, and sponsor closeout requirements.

### Purpose

The purpose of this policy is to provide guidance for the monitoring and collection of cash and accounts receivable on sponsored awards in accordance with Federal and other non-Federal sponsor requirements. The objective is to ensure consistent and timely processing of sponsored revenues as well as reducing CSUDH Foundation’s exposure to delinquent or uncollected funds.

### Scope

This policy is applicable to all sponsored awards and must be followed by schools, departments and personnel of CSUDH and CSUDH Foundation involved with sponsored awards.

### Definitions

Accounts Receivable are funds owed to CSUDH Foundation by another entity based on invoices for goods supplied and services rendered.

Invoice is a document issued by CSUDH Foundation to another entity based upon goods supplied and services rendered.

Letter-Of-Credit is a payment method specified by a sponsor in their award agreement which guarantees CSUDH Foundation will receive payment in full provided that the sponsor’s terms and conditions of the award have been met.

Cost Reimbursable is a payment method specified by a sponsor in their award agreement. CSUDH Foundation will receive funds from the sponsor after CSUDH Foundation provides the sponsor with documentation (e.g. invoice) evidencing costs/expenses have been incurred.

Fixed Price Agreement is an agreement with a pre-designated fee for service. Payments are typically sent on a set schedule contained in the agreement and are sent when the agreement is executed as well as completed, with one or two payments as tasks are completed over the course of the agreement.

Drawdown is the process for receiving funds from a Letter-Of-Credit.

Aging is the tracking of days since an invoice has been issued (the accounts receivable was created) and payment has not been received from the sponsor.

Refund is a remittance of funds from CSUDH Foundation to a sponsor.

Write-off is the removal of Accounts Receivable from a sponsored award by Post Award Management Services.

Over-expenditure is when costs charged to an award exceed the amount of funds from the sponsor (a negative balance).

Under-expenditure is when costs charged to an award are less than the amount of funds available from the sponsor (surplus or a positive balance).

Sponsored awards or sponsored programs are any agreement, contract or grant that is funded by a source other than CSUDH and/or Foundation.

## **PROCEDURES**

The responsibility for cash and accounts receivable management for sponsored awards is shared by the Project Director, Post Award Analyst, Post Award Accountant, and CSUDH Foundation Controller. OSRP Post Award performs many of the duties associated with cash and accounts receivable management, including:

- Performing letter of credit drawdowns;
- Submission of invoices to sponsors for payment;
- Following up on outstanding receivables and delinquent accounts (monitoring accounts receivable by reviewing system generated account balance aging reports);
- Identifying issues causing delays in payment and working to correct such issues;
- Recording payments to sponsored awards;
- Preparing and submitting financial reports to sponsors detailing payments/revenues and expenses; and
- Scheduling and tracking of payment terms.

An Accounts Receivable and/or Drawdown is generated based on the cash management requirements of the award. Typically, the Accounts Receivable is generated through the Foundation's Finance Receivable module. Upon receipt of payment, the Cash Receipt module is used to record the payment and reduce the Accounts Receivable.

## **LETTERS-OF-CREDIT**

Most federally funded sponsored awards received by CSUDH Foundation are cost reimbursable. Post Award is responsible for preparing and performing Letter-of-Credit (LOC) drawdowns, which are processed through the respective Federal agencies' online payment system (s). The Federal agencies authorize a line of credit for CSUDH Foundation to utilize for the purpose of drawing down funds. Funds drawn must agree to the aggregate expenditure activity of the sponsor's award (s). Post Award submits a drawdown request on a weekly basis for reimbursement of expenditures made on the award(s). Typically, payments from federal sponsors are made to CSUDH Foundation via direct deposit within a few days.

For drawdowns, accounting entries are made to a) generate the receivable and b) record the receipt of cash and clear the receivable.

## **NON-FEDERAL PAYMENT METHODS**

For non-federal sponsors, and Federal sponsors for whom CSUDH Foundation does not have a LOC relationship, OSRP Post Award submits invoices for an award. The invoice frequency is based upon the billing terms established by the sponsor and are documented in the sponsor's award agreement. OSRP Post monitors sponsors' payments to ensure they are received and processed timely and accurately.

Other payment methods for an award may exist and are based upon the terms and conditions noted in the award agreement (such as milestones, deliverables or scheduled periodic payments). These types of payments do not usually require a monthly invoice be submitted to the sponsor. OSRP Post Award will monitor the award and funding on an on-going basis to ensure that payments are received from the sponsor in a timely fashion, and in accordance with the terms of the award agreement.

## **PAYMENTS**

### **Electronic Payments**

On a daily basis, Post Award logs into the bank's system to look for any wires and/or ACH transactions for sponsored awards. Post Award reviews the data and identifies any applicable wires and/or ACH transactions with the award (project/grant number). Post Award then works with the Accounting Manager to record such payments.

### **Physical Payments**

CSUDH Foundation may receive payment from sponsors in the form of a physical check which is mailed to CSUDH Foundation. Post Award will identify the check with the award (project/grant number) and makes deposits into CSUDH Foundation's bank account. Deposits must be made timely and if an account cannot be readily identified deposits should be made to a holding account.

### **Documentation of Bank Deposits**

Post Award maintains documentation of bank deposits that are processed. A copy of the wire/ACH and/or check is attached within the financial system to the transaction. Deposits are made on a regular basis (daily).

### **Refunds**

When award closeout procedures are being performed, it may be determined by OSRP Post Award that there are funds remaining that will not be spent (under- expenditure).

When a no-cost extension is not an option and there are funds remaining, OSRP Post Award will review the terms of the award to determine the sponsor's policy on the disposition of the remaining funds. If the terms specify that the remaining funds must be returned to the sponsor, then OSRP Post Award will process a refund.

If the award terms do not specify disposition, then OSRP Post Award will apply the following rules:

- Remaining funds that total greater than \$200.00 will be refunded by OSRP Post Award to the sponsor
- Remaining funds that total \$200.00 or less will be removed from the award by OSRP Post Award and transferred to the write-off account

If an award is a fixed price agreement, then the remaining funds are not refundable to the sponsor. Funds will be deposited in to the PI's IDC/Discretionary account.

If CSUDH Foundation is not entitled to retain funds received in excess of expenditures/costs incurred per the terms of the awards, OSRP Post Award will remit a refund to the sponsor for the excess amount.

### **Write-Off**

As noted above in the Refund section of this policy, there may be circumstances when funds are removed from a sponsored award and go to the write-off account. Write-off decisions are made on a case-by-case basis by the OSRP Post Award Accountant and the Controller.

When award closeout procedures are being performed, it may be determined that funds have been overspent. OSRP Post Award will discuss the situation with the Project Director and/or financial contact. It may be determined that the over-expenditure should be removed from the sponsored award and charged to a non-sponsored programs account. Once the award is at a zero balance, then OSRP Post Award can continue the award closeout process.