

State of North Carolina

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS

Cash Management Plan

Statutory Policy

North Carolina law, Chapter 147-86.10 of the General Statutes, requires that “all agencies, institutions, departments, bureaus, boards, commissions and officers of the State...shall devise techniques and procedures for the receipt, deposit and disbursement of moneys coming into their control and custody which are designed to maximize interest-bearing investment of cash and to minimize idle and nonproductive cash balances”.

Plan Administration

The State Controller, with the advice and assistance of the State Treasurer, the State Budget Officer and the State Auditor, is charged with developing and implementing a uniform statewide plan to carry out the cash management policy for all State agencies, departments and institutions. This Statewide Cash Management Plan outlines the policies, duties, responsibilities and requirements for cash management within State Government on a broad basis. It is the responsibility of each agency, department and institution to prepare a cash management plan that meets both the requirements of the Statewide Plan and the unique cash management needs of the individual agency.

The Vice Chancellor for Finance and Administration has delegated to the Associate Vice Chancellor for Finance the responsibility for implementing the University’s plan to carry out cash management policies. The department primarily responsible for cash management is Financial Services, which includes cashiering and accounting services.

Plan Requirements

Cash Management Over Receipts:

The objectives of cash management over receipts are to use due diligence in collecting funds owed to the State, to provide internal control over cash and cash equivalents and to expedite the movement of monies collected into interest bearing accounts. To accomplish these objectives, the University of North Carolina School of the Arts adheres to the following rules:

1. Except as otherwise provided by law, all funds belonging to the State of North Carolina, and received by an employee of the University of North Carolina School of the Arts in the normal course of their employment shall be deposited as follows:
 - a. All monies received shall be deposited with the State Treasurer pursuant to G.S. 147-77 and G.S. 147-69.1.

- b. Monies received in trust for specific beneficiaries for which the employee-custodian has a duty to invest shall be deposited with the State Treasurer under the provisions of G.S. 147-69.3.
2. Monies received shall be deposited daily in the form and amounts received, except as otherwise provided by law. This will be accomplished as follows:
 - a. Monies received by 12:00 pm shall be deposited with the bank the next business day no later than 11:00 a.m., if the amount of cash on hand exceeds the daily cash limit. Funds received in the office after noon shall be placed in the safe in the Cashier's office during the evening hours and included in the next day's deposit. Cash deposit(s) are made with the bank prior to month-end or whenever the daily cash limit has been reached, whichever comes sooner.
 - b. Procedures for the receipt of monies (including departmental funds) received by mail or in person are as follows:
 - The cashier shall collect monies from all sources and prepare cash receipts by entering the required data into an automated cashiering system. Receipts will be generated with system-assigned receipt numbers in numerically ascending order. Data from the cashiering system will automatically feed and update general and subsidiary ledgers, on a daily basis.
 - The cashier will prepare a cash report of the day's activities, which will be reconciled to the cash receipts and cash drawer.
 - Using the cash report, deposits (including required forms) for Budget Code 16092, Budget Code 00712, Agency funds and funds for the Board of Trustees of the Endowment Fund of the University of North Carolina School of the Arts will be completed for transmittal to Wells Fargo Bank, a cash concentration bank designated by the State Treasurer. All checks shall be made in U.S. Dollars and be properly endorsed before being deposited. On days that require a cash deposit, Campus Police will courier the deposits to the bank no later than 11:00 AM to ensure same day credit by the banks. All monies will be locked in the vault at the end of each business day.
 - Each business day, employees in the Controller's Office will review the cash report prepared by the cashier. An actual count of cash and checks will be done and verified to the deposit information and a certification of deposit will be prepared on the North Carolina Financial System.
 - Accounting personnel shall process a cash receipt register listing the date of activity, description, account designation and deposit amount that will be updated within 24 hours of deposit. These registers will normally be printed at month-end but can be printed any time during the month.
 - Accounting personnel shall also verify cash receipts processing and posting to subsidiary ledgers and bank accounts on a daily basis. The general ledger will be reconciled to the North Carolina Financial System monthly.
 - c. If after thorough research, the University determines it is not entitled to an amount received and deposited on behalf of the University, that amount is

refunded to the entity that originally remitted the payment. All research is documented and maintained in the Cashier's office for review.

- d. Checks issued to the University of North Carolina School of the Arts that are returned by the bank for insufficient funds will be received by the Cashier's Office. If the check received was in payment of tuition and fees, the amount of the check plus a \$25.00 fee shall be placed on the student's account. Students will not be allowed to register for classes or receive a diploma until the insignificant check and fee have been paid.
 - e. For all other returned checks, the cashier will send a notification to the owner of the check notifying that the check returned for insufficient funds. The person shall be required to bring in a money order or a cashier's check in the amount of the check and the additional \$25.00 fee. If after two notifications, the person has not responded, all check payment privileges will be suspended. A hold will also be placed on the account.
3. Monies due to the University of North Carolina School of the Arts from other governmental agencies or from private persons shall be promptly billed, collected and deposited. The University of North Carolina School of the Arts follows the state accounts receivable management policies and procedures ([Account Receivable Collection Policy](#)) in accordance with G.S. 147-86.21, and is included as a part of the University's cash management plan.
- a. All student billings will be prepared and transmitted by mail or electronically at least 30 days prior to the start of a term. All students must register and pay in full or enroll in a qualifying payment plan prior to starting classes. Any exceptions must be approved by the Financial Aid Department or the Director of Student Accounts. Any outstanding miscellaneous charges incurred by students during a term (infirmity charges, room damage charges, etc.) will be billed and collected at the end of a term. Returning students must pay all miscellaneous charges prior to registering for the next term's classes. Non-returning students must pay all charges upon receipt of a bill. Student payments will be deposited in accordance with the procedures stated above.
 - b. The University will pursue all available collection methods. The University will also use credit bureaus to report past-due accounts and collection agencies to assist in the collection of past-due accounts.
 - c. The University will run reports to determine the age of past due accounts. Owners of accounts that are 1-30 days past due will be notified informing them that the account is past due and requesting a date for payment. A second correspondence will be sent if the account is 31-60 days past due. When the account becomes 61 days or more past due, the account will be turned over to the Attorney General's Office for collection.
 - d. Interest shall be charged at the rate established pursuant to G.S. 105-241.21 on a past due accounts receivable from the date it was due until it is paid. The current interest rate will be obtained from the Department of Revenue. A late payment penalty fee of 10% of the accounts receivable shall be charged on all past due accounts.

- e. The University will utilize the North Carolina Setoff Debt Collection Act. Debtors to the University with debts of \$50.00 or greater and past due for 61 days or more shall be listed with the North Carolina Department of Revenue for potential set off against their North Carolina individual income tax refunds. The Department of Revenue will place a hold on State income tax returns due debtors whose names have been submitted. The Department of Revenue will notify the taxpayer that the University has a claim against the income tax refund. The Debtor must contact the Controller (responsibility delegated to the Director of Student Accounts for delinquent student accounts and loans) for additional information and to contest the debt. If the debt is not forgiven, the Department of Revenue will forward to the University a check in the amount of the debt owed less a collection fee. The funds shall be distributed to the indebted University department. Student records will remain tagged until the financial obligation is satisfied.
- f. Any current student who owes money to the University will not be allowed to register for classes until the debt is satisfied.
- g. An account shall be considered delinquent if it is at least 60 days in arrears and no arrangement has been made by the debtor to satisfy the obligation. Uncollected accounts shall be turned over to the Attorney General's Office for collection if they are at least 60 days old. If it is determined within the first 60 days that an account is not collected, the account shall be forwarded immediately to the Attorney General's Office. Further collection activity on these accounts will be at the discretion of the Attorney General's Office.
- h. The University shall establish an allowance for doubtful accounts to reflect the number of receivables that are estimated to be uncollectible. The allowance account ensures that the receivables are not overstated for financial reporting purposes. The allowance for doubtful accounts is based on careful review of the Aged Receivables report of student accounts receivable and other receivables.
- i. When all collection procedures have been exhausted, including use of the Attorney General's Office and the Setoff Debt Collection procedure, and balances remain outstanding, the University shall write these uncollectible accounts off the financial accounting records. Accounts will be submitted to the Department of Revenue for setoff debt proceedings at least once prior to write-off. After write-off, these accounts shall continue to be submitted to the Department of Revenue for setoff debt proceedings. Reasons for the write-off will be documented. Writing off accounts does not release debtors from their legal obligation to pay the debts. Records of accounts written off of \$25.00 or less shall be retained for 2 years. All other records shall be retained until the debt is collected or discharged. Interagency accounts cannot be written off. The University will notify the Office of the State Controller if an interagency debt cannot be collected. Federally sponsored student loans will be written off and no longer considered a debt to the University when they are assigned to the U.S. Department of Education or another applicable federal agency.

4. Federal funds received for major federal assistance programs must be drawn in accordance with the current State/Federal Agreement.
 - a. Requests for payments for federally funded programs shall be made through the G5/G6 System. G5/G6 provides on-line capabilities to request payments from the Department of Education and provides continuous access to current grant and payment information. Since federal guidelines state that cash on hand must not exceed immediate disbursement needs for each program, the cash drawdown must be for funds needed over the next three business days.
 - b. The amount of funds to be drawn down shall be determined by calculating the funds needed to pay for scholarships that have been applied to the student's account and/or invoices received. A payment request will be prepared on G5/G6. When the request has been validated, the funds shall be processed and transmitted to the Federal Reserve Bank for deposit into the state cash concentration account at Wells Fargo Bank. This deposit will occur within one to two days of the request being made. The University will verify that the transfer is complete by accessing Wells Fargo on-line. The deposit will be certified with the State Treasurer via the North Carolina Financial System. A master receipt shall be prepared in the University's cashing system. No later than the second day after certification of the deposit, the federal funds will be disbursed to the student accounts and/or vendors. For payments between budget codes, an electronic transfer shall be done using the North Carolina Financial System. For payments to vendors, a check shall be prepared and mailed.
 - c. If refunds of expenditures occur from any Federal program, the next draw down shall be reduced by the amount of the refund.
5. All federal fund draws should be timed so that the funds are on deposit with the State Treasurer no more than two business days prior to the disbursement.
6. The University shall accept electronic payments (credit cards and electronic funds transfer), in accordance with G.S. 147-86.22, to the maximum extent possible and in a manner consistent with sound business practices. The University utilizes the Master Settlement Agreement (MSA) for electronic payment processing. The University follows the electronic commerce policies and procedures which can be found at [eCommerce Policy](#).
 - a. The University uses the intra-governmental transfer feature of the Office of State Controller's (OSC) North Carolina Financial System (NFCS) when receiving or making payments to other universities and state agencies. In addition, the University uses the Treasurer's Core Banking System (Funds Transfer Feature), for both external and intra-governmental payments when remitting payments that meet the time-sensitive criteria established by the State Treasurer.

- b. The University utilizes the Master Settlement Agreement (MSA) for electronic payment processing.
- c. Various University departments receive credit cards payments in person or electronically. Each night data from the credit card terminals used at these locations will be transmitted to Wells Fargo Bank and then to the State Treasurer's Office. The areas accepting credit cards will print reports from the terminals showing that day's activity. These reports will be hand-carried or submitted electronically to the Cashier's Office each day and a certification of deposit shall be prepared on the North Carolina Financial System. A master receipt shall be prepared in the cashiering system from this report. If a discrepancy occurs between the amount certified and the amount transferred to the State Treasurer, every effort shall be made to correct the error as soon as notification is received from the State Treasurer's Office.
- d. Currently the University is not imposing transaction fees on credit card sales.
- e. Institutional trust funds may be used in regard to funding for electronic payment costs.
- f. The University will adhere to appropriate security and privacy requirements with reference to Merchant card services as follows:
 - Adherence to all applicable merchant card associations' operating rules (Visa, MasterCard, etc.).
 - Participate in any security assessments and security scans required by the associations and/or OSC, in order to be and to remain compliant with Payment Card Industry Security Standards and be responsible for any fines levied as the result of not being compliant.
 - Utilize a third-party service provider that is compliant with Payment Card Industry Security Standards.
 - For point-of-sale transactions, adhere to the requirements of both applicable State law (G.S.14-113.24) and the Payment Card Industry Security Standards pertaining to the printing of account numbers and expiration dates of cards on the cardholder's copy of the receipt. While the statutory requirements and the industry standards differ, the requirements of both can be met by printing the last 4 digits. The merchant's copy of the receipt must contain the last four digits of the card number and expiration date. are stored electronically. Receipts should be disposed of after 18 months.
 - Maintain records of transactions for security and audit in accordance with the University's retention schedule, but at a minimum of 18 months.
- g. Confirmations of the transaction are generated at the time of order.
- h. Customer transaction disputes will be resolved by the University and the customer with the assistance of the respective transaction Merchant Card Services Provider (merchant card processor). The Provider may process the

appropriate correcting transactions, is necessary, subsequent to the resolution of the dispute.

- i. The University will comply with the Processor's operating guide regarding the obtaining of an authorization approval code from the processor prior to the finalization of the transaction. If approval is denied, the sale shall be terminated, or the cardholder may purchase using an alternative method of payment (cash or check). Another form of identification may be asked for to prevent unauthorized card use. Charge backs will be handled on a case-by-case basis.
- j. The University will comply with all NACHA Operating Rules when utilizing Electronic Funds Transfer (EFT).
- k. Any electronic payment program implemented by the University should not have any significant negative impact on the University's current accounts receivable or cash management plan. The receiving of a payment electronically should not result in the availability of the funds being any longer than if the payment were to be received by check.

In addition to adhering to these guidelines, the University employs proven techniques, which improve cash handling, to include:

- Receiving federal grant payments by wire transfers when possible.
- Reassignment of personnel, or the hiring of temporary personnel, when this proves cost effective, to accelerate the processing of remittances during peak periods.
- Depositing funds with cash concentration banks designated by the State Treasurer.
- Establishing billing schedules which are both efficient and lead to earlier receipt of monies due to the State.
- Timing deposits in order to receive current day credit in accordance with schedules available from the State Treasurer.

Cash Management over Disbursements:

The objective of managing disbursements is to maintain funds in interest-bearing accounts for the longest appropriate period of time. This allows the State to recognize the maximum earning potential on its funds. This is not intended to encourage late payment or have a negative impact on relationships with firms who, in good faith, supply goods and services to the State.

1. Monies deposited with the State Treasurer remain on deposit with the State Treasurer until final disbursement to the ultimate payee.
 - a. The Accounts Payable department, a division of the Controller's Office, shall be responsible for monitoring, controlling, and processing all expense transactions of the University. Accounts Payable will generate payment to vendors and individuals in response to the following approved forms:
 - Regular Purchase Orders: The vendor invoice must agree with the corresponding purchase order by line-item description, quantity, unit price, and terms of sale before payment is made. A department receives items via the University ERP indicating receipt of the items on the invoice. Vendor invoices will not be paid without an authorized receipt.

- Direct Pay Requests are for services/orders that do not require a purchase order. Examples include membership fees, independent contractors, subscriptions, bank fees, registration fees, honorariums, legal fees, audit services, and payroll/garnishments. The direct pay request form is sent directly to Accounts Payable with proper documentation and approvals.
 - Utility bills: These charges will be paid upon receipt of invoices from the vendor.
- b. Encumbrances are memorandum entries that reserve funds for some specific intended purpose. A department will encumber funds with purchase requisitions that generate purchase orders. A requisition will not be completed if budgeted funds are not sufficient. Direct Pay requests do not encumber funds. Campus departments are responsible for monitoring budgets to make sure that funds exist before using direct pay requests. Departments are also responsible for monitoring the liquidation of encumbrances.
- c. The Accounts Payable office is responsible for answering inquiries from vendors regarding the status of unpaid invoices and for reviewing monthly statements received from vendors. These responsibilities, which are most important in maintaining and promoting satisfactory credit standing with suppliers, frequently require the cooperation of departments in identifying purchases, determining status and location of materials or documents, and preparing or approving invoices for payment. All vendor invoices should be mailed directly to Accounts Payable. If a department receives an invoice, it should be promptly forwarded to Accounts Payable.
- d. Discount terms offered by suppliers for prompt payment are a consideration in the awarding of Purchase Orders. Such terms result in substantial savings for the University. It is imperative that invoices be processed immediately after satisfactory receipt of merchandise to take advantage of the discounts offered by the vendor. Departments must execute receiving reports promptly reflecting the actual date of receipt by the University of the goods or services purchased. This will enable Accounts Payable to make timely payments and realize allowable cash discounts.
- e. State law requires that materials, goods, supplies, or services must be received before payment can be made. Therefore, advance payment cannot be made except on orders placed with governmental agencies such as the U.S. Government Printing Office, travel registrations, and orders for subscriptions where it is mandatory that payments accompany the order. If advance payment is required, the purchase order or direct pay request must be accompanied by either an invoice or an order form from the vendor.
- f. Check registers will be prepared with each check run listing the date of the check, check number, payee, and amount. These registers can be prepared any time during the month. All bank accounts will be reconciled to the general ledger at the end of each month. Discrepancies found in disbursing accounts held with the State Treasurer will be noted and returned to the State Treasurer's office for review and action by the deadline established by that

office. Discrepancies found in checking accounts outside the State Treasurer will be resolved with the bank involved in a timely manner.

- g. When the University has outstanding certificates of participation and/or bond obligations for capital improvements, payment of principal and interest will be made according to the schedule provided in the certificates of participation and/or bond agreement.
2. As provided in Section 147-86.10, the order in which appropriations and other available resources are expended shall be subject to the provisions of the executive Budget Act, G.S. 143-27.
3. Federal and other reimbursements of expenditures paid from State funds shall be paid immediately to the source of the State funds.
4. Billings to the State for goods received or services rendered shall be paid neither early nor late but on the discount date or the due date to the extent practicable.
5. Disbursement cycles shall be established to the extent practicable so that the overall efficiency of the State's warrant disbursement system is maximized while maintaining prompt payment of bills due. In order to avoid disbursing account overdrafts, warrants will not be released before adequate funds have been requisitioned by the University and approved and deposited to the applicable disbursing account by the Office of the State Controller.
 - a. After completion of the check preparation cycle, check registers, by bank account, will be given to the Disbursement's Office. These reports will list the payee, amount, check number, and a total amount of checks to be disbursed. If a report indicates that disbursements are to be made from appropriated funds (including capital improvement funds), a requisition for funds will be done on the North Carolina Financial System. Every effort will be made to enter this requisition so that funds can be approved and deposited into the disbursing account that day. However, checks will not be released until the approval and deposit have been made. For disbursements being made from other checking accounts, a review of the bank balances for available funds will be made prior to releasing the checks.
 - b. All checks will be reviewed for accuracy (vendor name, address, amount, and account designation) prior to releasing the checks. This review will be done by the Disbursement's Supervisor or accounting personnel who have not had direct input in the Accounts Payable process.
 - c. Checks will normally be distributed according to the terms on the invoice or as soon as possible if no terms are given. Checks will be sent to the payee at the address indicated on the requesting document. If the check is to be delivered to someone other than the payee, special instructions should be attached to the requesting document. No checks will be released until sufficient funds are available.
 - d. All checks must be sent to the Positive Pay Program before being released.

6. Electronic Funds Transfer (EFT) should be used to the greatest extent possible for certain payments between State and local units, vendors and employees when it is determined to be mutually beneficial to both parties. Payments made to State agencies for workers compensation claim paid, workers compensation administration fees, various benefits, and other such expenditures are made electronically using the North Carolina Financial System. Electronic transfers are also done when transferring funds between budget codes held by the University.
7. For University items purchased with the procurement VISA card (p-card), the monthly University bill is paid to the procurement card company without further documentation. An electronic download of the billing file is fed to the accounting system to spread charges to their appropriate departmental accounts. On a weekly basis, each department is required to upload receipts, reconcile expenses, and approve transactions on the procurement card system. Credits and rebates are recouped in subsequent periods. The Purchasing Department Office audits the reconciliations. In emergency situations, the procurement card will be used only by essential personnel to provide employees with food, lodging and other applicable subsistence.
8. The Delegation of Disbursing Authority must be kept current.