

State of North Carolina
University of North Carolina at Chapel Hill
Cash Management Plan
Dated June 1, 2016

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, department or institution.

At the University of North Carolina at Chapel Hill, the Cash Manager under the direction of the Senior Director of Accounting Services and the Executive Director of Enterprise Financial Accounting and University Controller has the responsibility for developing, revising and implementing the University's plan to carry out cash management policies. The departments primarily responsible for cash management are the Office of Assistant Vice Chancellor for Finance and Accounting and the Office of Sponsored Research. The cash management activities of other departments are subject to the established cash management policies. The plan, as outlined below, sets forth the basic policies, responsibilities and requirements for cash management within the University of North Carolina at Chapel Hill (the University).

The University submits its plan to the Office of the State Controller for approval and will maintain a copy of the approved plan. The State Auditor, as a part of the annual financial audit, will determine if the University is in compliance with the Statewide Cash Management Plan.

Plan Requirements

Cash Management over Receipts:

The objectives of cash management over receipts are to use 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, all plans adopted will include these rules:

1. Except as otherwise provided by law, all funds belonging to the State of North Carolina, and received by an employee of the State in the normal course of their employment shall be deposited as follows:

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- a. All monies received shall be deposited with the State Treasurer pursuant to G.S. 147-77 and G.S. 14769.1.
 - 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.
- The daily deposit cutoff time at local banks is 2 P.M. Any deposits to the State Treasurer’s accounts at a bank must be deposited by 2 P.M. and appropriately certified. Moneys received too late in the day to be deposited that day must be safeguarded overnight. Suggested methods of safeguarding are putting the money in a safe or in a cabinet or desk that is locked for the night.
 - Cash receipts received via the mail are processed within one business day. Cash receipts received onsite are processed immediately. The University Cashier’s Office is responsible for maintaining the student ledgers, acting as a central depository for the funds collected by schools, departments or agencies for the University and reporting cash receipt information to Accounting Services. A Daily Cash Transmittal Report is prepared to deposit funds daily with the University Cashier in order to comply with General Statute 147-77, the Daily Deposit Act. The State Treasurer has approved an exemption if receipts total less than \$250.00 and deposits are made at least weekly.
 - A processing fee of \$25.00 is charged and collected for checks on which payment has been refused by the payor bank because of insufficient funds or because the drawer did not have an account at that bank.
 - The University receives written notice from banks on all incoming wire transfers. From the information the bank provides, the appropriate department is contacted to determine the account to which the receipt is to be posted. If no information is available, it is recorded in a holding account.
 - The University Cashier’s Office has established a procedure in which a student loan borrower’s personal bank account can be automatically drafted for the borrower’s monthly loan payment. •
The University offers its employees the option of having certain fees and payments due to the University drafted directly from the employee’s paycheck. This includes such items as parking fees, gym privilege fees and employee gift contributions to the University through the Development Office.
3. Monies due to a State agency, department or institution from other governmental agencies or from private persons shall be promptly billed, collected and deposited. All agencies, departments and institutions will establish accounts receivable management policies and procedures. These policies and procedures will incorporate the statewide accounts receivable policies and procedures (http://www.ncosc.net/sigdocs/sig_docs/documentation/policies_procedures/sigAccounts_Receivable00001212.htm), in accordance with G.S. 147-86.21, and be included as a part of the agencies’, departments’ or institutions’ cash management plan.
- All accounts receivable should be billed monthly. A concerted effort should be made to collect accounts including the current amount due applicable to installment payments. Follow up notices should be sent on uncollected accounts.

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- Uncollected accounts will be turned over to the Attorney General of North Carolina for collection. Prior approval for the use of an authorized commercial collection agency must be obtained by the Attorney General. Currently, the Attorney General's Office has authorized six private collection agencies for Universities to collect delinquent accounts.
 - An account is considered delinquent if it is at least 60 days in arrears and no arrangements have been made by the debtor to satisfy the debt. Unpaid billings due to the University should be turned over to the Attorney General for collection no more than 60 days after the due date of the billing.
 - Assessment of late fees and interest charges for Student Accounts Receivable are addressed in Policy 501 – Student Accounts and related Procedure 501.3 – Late Payment Fee and Interest. This practice for Student Accounts Receivable is in place. Policy 503 – Accounts Receivable and Procedure 503.1 – Collecting Past Due Accounts Receivable address assessment of late fees and interest charges for University Accounts Receivable. This practice for University Accounts Receivable is in the planning phase and not yet in place. These policies and procedure are located at <http://financepolicy.unc.edu/section/billings-advances-receivables-collections/>.
 - The University utilizes the State of North Carolina's Setoff Debt Collection Act (SODCA) and the State Employee Debt Collection Act (SEDCA).
 - Receivables consist of tuition and fees charged to students and charges to patients for services provided by the UNC Faculty Physicians and the Dental Faculty Practices. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied, and notes receivables from loans to students. Students, patients, pledges, and notes receivables are recorded net of an allowance for doubtful accounts in the financial statements. The accounts and other receivables are shown at book value with no provision for doubtful accounts considered necessary.
 - When accounts are determined by the Attorney General to be uncollectible, they are to be written off. However, collections are still to be made, if at all possible.
4. Unpaid billings, of any dollar amount, due to the University shall be turned over to the Attorney General for collection no more than 60 days after the due date of the billing. Amounts owed by all patients which are less than the federally established deductible applicable to Part A of the Medicare program are exempt. The University may handle these unpaid bills pursuant to University debt collection procedures identified in the previous item. Receivables for sponsored research awards are administered consistent with the policies of the Office of Sponsored Research.
5. Federal funds received for major federal assistance programs that are governed by the Cash Management Improvement Act of 1990 must be drawn in accordance with the current State/Federal Agreement.
6. All federal fund draws should be timed to that the funds are on deposit with the State Treasurer no more than two business days prior to the disbursement.
- Drawing of Federal Funds Under Letters of Credit:

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The cash needs for federal awards funded by letters of credit are determined by the PeopleSoft Grants LOC billing process. This process calculates LOC draws using billable information in PeopleSoft and then summarizing the information by LOC draw and sponsor document number. The process then generates a report that is that is used to request the draw-down of funds. Once these funds are received, they are applied in PeopleSoft.

- Receiving of Federal Funds Under Letters of Credit:

Bank of America faxes payment confirmations to OSR and Cash Manager uses this to apply payment to the LOC numbers associated with each draw. After a verification of deposit is made, Accounting Services certifies the deposit to the State Treasurer.

- Depositing of Federal Funds Under Letters of Credit:

Institutional Trust Funds, which includes federal funds, are defined in GS 116-36.1. Institutional Trust Funds are required to be on deposit with the State Treasurer who shall hold the funds in trust in a separate account in the name of the University. The State Treasurer invests these funds and returns a portion of the income to the University for distribution to the participants. The University money market system provides a control account to track the federal funds participation.

7. State agencies shall accept electronic payments (credit/debit cards [merchant cards] and electronic fund transfer [EFT]), in accordance with G.S. 147-86.22, to the maximum extent possible and consistent with sound business practices. The agency must submit a business plan to the State Controller for evaluation prior to the acceptance of electronic payments. All agencies will utilize the Master Service Agreement (MSA) for electronic payment processing. All agencies will establish policies and procedures necessary to facilitate the use of electronic payments. These policies and procedures will incorporate the statewide electronic payment policies and procedures (http://www.ncosc.net/SECP/SECP_Policies.html) and be included as a part of the agencies', departments' or institutions' cash management plan. To ensure compliance, please include the following:

- The University uses the Cash Management Control System (CMCS) to receive electronic payments from other UNC System schools and from other state agencies. The University receives ACH payments and wire transfers through the banking system. In addition, various University departments receive credit card payments in person, via the telephone or via the internet.
- The Office of the State Controller has approved the exemption request of the University vendor and payroll payments from the statewide Master Service Agreement for EFT services.
- The University will pay from non-state funds for the EFT services obtained from the service provider.
- Transaction fees may be charged to cover the cost of permitting a person to complete a transaction using a web application or other means of electronic access. The fee imposed must be approved by UNC General Administration and then submitted to the Office of State Budget and Management for approval, in consultation with the State Chief Information Officer and the Joint Legislative Commission on Governmental Operations. The transaction fees charged must be for the conducting of an electronic transaction, not for the use of a merchant card. The revenues from the transaction fee and expenditures funded by the fee must be accounted for separately to provide an audit trail on

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the collection and use of the fees. Expenditures may only be made for e-commerce initiatives and projects, to include any third-party related fees and merchant card processing services.

- The University policies and procedures for Credit Card Merchant Services provide standards to manage merchant accounts for credit card receipts; to ensure proper control, integrity, and security of credit card data; and to ensure compliance with State and industry standards. The University Credit Card Merchant Services policy is located at: <http://financepolicy.unc.edu/308>
- All credit card merchants must be compliant with the Payment Card Industry (PCI) Data Security Standard. Based upon the merchant level determination, the PCI SSC (Security Standards Council) has defined the compliance validation requirements. However, the Office of the State Controller is requiring designated merchants to complete the annual self-assessment questionnaire and to perform the required network scans for all externally-facing IP addresses. University departments that provide merchant services shall participate in the completion of the PCI requirements as well as the necessary follow-up for issues.
- Departments compare and reconcile transaction reports from the service provider to the settlement report, both individual transactions and in the aggregate; research variances; and make appropriate adjustments to the settlement reports. The departments then reconcile on a daily basis the confirmation of deposits from the bank download to their settlement reports.
- University departments and units that have been approved as merchants shall adhere to the ECommerce policies of the Statewide Electronic Commerce Program.
- The departments review and resolve any disputes between the customer and their credit card merchant account in a timely manner.

In addition to adhering to these guidelines, agency plans shall employ proven techniques, which improve cash handling. Some of those techniques include:

- Receipt of federal grant payments by ACH or wire transfer when possible.
- Special post office boxes to facilitate the processing of large remittances.
- Color coded mailing labels and envelopes to identify remittances for special handling.
- Separate addresses to distinguish remittances from other mail.
- Reassignment of personnel, or the hiring of temporary personnel, when this proves cost effective, to accelerate the processing of remittances during peak periods.
- Deposits made by units outside Raleigh should be made with cash concentration banks designated by the State Treasurer.
- The evaluation and establishment of lock-boxes in areas which are large sources of remittances, but which are geographically distant from the nearest State agency office. Lock-boxes are locked Post Office boxes tended by banking agents. These allow quicker cash collection in areas which are not served by agency offices.
- The use of remittance processing equipment when justified by the volume of deposits.
- Establishing billing schedules which are both efficient and lead to earlier receipt of monies due to the State.

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- 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. The following rules should be included in all plans:

1. Monies deposited with the State Treasurer remain on deposit with the State Treasurer until final disbursement to the ultimate payee.
 - The University disbursing accounts are protected by positive pay.
 - All NC State Treasurer accounts are protected by positive pay.
 - Cash disbursements are made through the University's financial system, which contains internal controls the first of which is the duplicate invoice verification process. If the invoice has previously been entered into the system (by any payment method) the system will not accept it a second time. The system automatically holds payments made on UNC purchase orders for 27 days from the invoice date to maximize the available funds, but ensure prompt payment. The system allows three days for the U.S. mail so that net 30 is met.
 - All biweekly and monthly payrolls are prepared in accordance with University, state and federal regulations and transfers to the respective payroll disbursing and payroll deduction accounts are made on the due date for such payments.
 - Payroll disbursements are through the Automated Clearing House (ACH) for all employees with the exception of those individuals that did not provide bank account information in advance of first check or termination pay for employees. Employees that have not provided bank account information timely are issued a check. All termination payouts are in the form of a check.
 - The State of NC payroll disbursing account is protected by positive pay.
 - The University uses the State Controller's Cash Management Control System (CMCS) for the requisitioning of funds to cover disbursements and for intra- and inter-agency transfers as directed by the State Controller and State Treasurer. Funds equal to the amount of the checks drawn daily are requested by 10:30 AM the next business day. The checks are released when notification is received that funds have been deposited.
 - The University remits funds in payment of scheduled notes payable, scheduled bond principal and interest payments, statutory payroll taxes and direct-deposit payrolls on the due date.
 - All bank statements received from the State Treasurer and banks are reconciled on a monthly basis.
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, regardless of whether the State agency disbursing or expending the monies is subject to the Act.

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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 for the University shall be established to the extent practicable so that the overall efficiency of the warrant disbursement system is maximized while maintaining prompt payment of bills due. In order to avoid disbursing account overdrafts, warrants should not be released before adequate funds have been requisitioned by the agency and approved and deposited to the applicable disbursing account by the OSC.
6. Based on efficiency and financial system functionality, non-electronic Accounts Payable disbursements, except for appropriate manual checks, use a single State disbursing account whether funded by a state budget code, institutional trust funds which are on deposit with STIF, or special funds which are on deposit with a bank. Disbursements funded from a state budget code are funded by a requisition of funds using CMCS. For disbursements funded from STIF, STIF funds will be transferred to a budget code and then a requisition will be done to move those funds to the disbursing account. For disbursements funded by a bank, a deposit to a budget code is made, and then a requisition is done to move those funds to the disbursing account. Checks / Warrants issued on both state and non-state funds are placed in the U.S. mail the day after they are written. This enables the University to release warrants after adequate funds have been requisitioned and for the warrant information to be sent to the State Treasurer to update the University's active Positive Pay files. Positive Pay files are uploaded through the State Treasurer's Core Banking System. The State Treasurer uses these files to verify the warrant amount, warrant number and date of issue. This procedure has proven to be a significant safeguard for the University against check fraud and errors in check processing.
7. Electronic Funds Transfer (EFT) should be used for certain payments between State and local units, vendors and employees when it is determined to be mutually beneficial to both parties.
 - The University has two procurement programs that are settled by EFT – the purchasing card and the central airfare billing system. In each case the information is transmitted to the University electronically from the vendor and reconciled with the departmentally supplied information. EFT transmits the reconciled amount and the unreconciled items are investigated and resolved before the next month's transmission.
 - The University Cashier's Office initiates a daily EFT payment in which they transfer student aid refunds from their account at the bank to student's personal bank accounts.
 - Bank wire transfers are completed on a daily basis in Disbursement Services through the PeopleSoft portal and in the Cash Management section of Accounting Services. Wire transfers payments, both domestic and international, are made from an approved University check request, purchase order, independent contractor form or travel request form. The majority of wire transfers are made for vendor payments, debt service payments and cash advances.
 - The University bank accounts are blocked from ACH debits unless specifically authorized.
8. ACH is used for electronic payments to the University business to business partners for monthly electronic procurement transactions. Each vendor transmits an itemized list of transactions electronically to the University

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where it is reconciled with the departmentally created procurement data. ACH transmits the reconciled amount and the un-reconciled items are investigated and resolved before the next month's transmission.

9. Imprest checking accounts are authorized and established when the timing of disbursements is sensitive and critical to management objectives. Imprest checking accounts must be approved by the Vice Chancellor for Finance & Administration. These accounts are limited to the minimum amount needed for sanctioned operations. Requests for reimbursements are timed to ensure monies needed for the sanctioned operation are available on a timely basis and are not excessive in amount. Imprest checking accounts are reconciled on a monthly basis by the custodian of record and are available to the University Controller's Office – Cash Management section for review. The University policy and procedures for imprest checking account is located at: <http://financepolicy.unc.edu/306>

10. State administered procurement cards should be used to provide employees with food, lodging and other applicable subsistence in emergency situations. For OSC policy, refer to: http://ncosc.net/sigdocs/sig_docs/cash_mgmt/Cash_Management_in_emergency_situations-2005.pdf

The University may allow the purchase of normally restricted goods or services through the P-Card by University employees related to out-of-town emergency situations. With written approval, restrictions will be temporarily removed on certain goods or services for individual cardholders only. The University allows this temporary exemption only with approval from the Chancellor or authorized designee. The approved exemption is only to acquire goods and services in accordance with the mission and intent of each specific program or initiative. The purchase of goods and services not directly related to the mission and intent of each specific program or initiative is not allowed.

As related to this policy, the emergency condition must be approved in advance by the Chancellor or authorized designee.

With authorized approval, Daily Transaction Limits and Monthly Credit Lines can be temporarily raised as deemed appropriate for the situation. Daily Transaction Limits greater than \$5,000 will require approval from the Chancellor or authorized designee. Monthly Credit Lines greater than \$25,000 will also require approval from Vice Chancellor of Finance and Administration or authorized designee.

Therefore, the following goods and services may be purchased during the approved temporary exemption:

- Cash Advance
- Personal Items (only those necessary and related to the situation)
- Equipment Rentals
- Food and Beverage
- Travel (lodging, rental car, etc.)
- Parking and tolls
- Other goods and services as deemed appropriate with specific advance approval

11. "Delegation of Disbursing Authority" agreements must be kept current. Regardless of whether changes have occurred since the last submission, "Delegation of Disbursing Authority" agreements must be submitted annually for OSC approval.

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12. Audit Review Process:

- Key performance indicators are accumulated and reported to UNC-GA as it relates to cash management activities including bank reconciliation.
- Bank accounts are reviewed monthly by University Accounting Services.
- Internal audit evaluates controls related to receipts and disbursement activities and examines transactions as appropriate.

13. Techniques helpful in controlling disbursements include:

- a. The University utilizes the State Electronic System for transmitting social security and federal tax withholding.
- b. The University has initiated e-commerce agreements with eight companies for services and supplies to reduce inventory needs and reduce numerous checks issued to vendors.
- c. The University is actively pursuing vendors to establish EFT using ACH method in order to reduce the number of checks issued and increase efficiency and accuracy of disbursements.

The University of North Carolina at Chapel Hill:

Carol L. Folt, Chancellor
Original document signed by Chancellor Carol L. Folt, May 2016

05 / / 2016

Date

Original document signed by Vice Chancellor for Finance Matthew M. Fajack, May 2016

Matthew M. Fajack, Vice Chancellor for Finance and Administration

05 / / 2016

Date