

1. Title

Cash Management and Cash Handling Policy

2. Policy

Sec. 1 Purpose. The purpose of this Policy is to institute controls and standardize cash management policy elements across The University of Texas System. Unique institutional requirements may require minor deviations from this policy. Any substantive change must be reviewed and approved by the U. T. System Office of Finance.

Sec. 2 Policy Statement. The U. T. System is a large, decentralized, and complex organization that serves many functions that require comprehensive yet flexible Policies and procedures that can be applied as best practices throughout. Management in each institution must oversee and enforce these Policies to fulfill fiduciary responsibilities. This Policy addresses various functional areas of cash management applicable to all institutions including cash flow analysis, collections and disbursements, cash handling and transport, petty cash, and full investment.

Sec. 3 Need. The purpose of cash management is to fulfill the fiduciary responsibilities of the U. T. System and its institutions in handling, securing, and investing the funds of the U. T. System. Cash management policies and controls assure the safety of U. T. System assets, provide required liquidity for operations, obtain the best banking relationships, and attain reasonable returns on all funds. Guidelines for internal institution policies, establishment of controls and procedures, and reasonable limitations on daily operations support this goal.

Sec. 4 Fiduciary Responsibility. Viable and effective cash management policies and procedures will assist the U. T. System in meeting its fiduciary responsibilities.

Sec. 5 Cash Flow Analysis.

5.1 The analysis and use of historical and forecast data to determine anticipated cash flow patterns provides a basis for reasoned expectations on needed liquidity and provides for extension of maturities in investments without a risk to liquidity. Cash positioning analysis, done on a daily, or at a minimum, weekly basis, protects liquidity. Cash flow analysis done on a monthly basis allows for cash and budgetary planning. Periodic updates and multiyear historical bases improve the information

by eliminating single year aberrations in cash flow patterns. Cash flow analysis reduces liquidity risk throughout the U. T. System.

- 5.2 Cash positioning and cash flow analysis are necessary to provide decision-making information based on cash flow history and to provide for reasonable projections on which to base investment decisions and cash planning.
- 5.3 Every institution should have a high-level cash flow analysis in place by September 1, 2008, that can project monthly cash balances on a rolling 12-month basis.
 - (a) Initially, establishment of a monthly cash flow can be based on historical cash balance information or ledger revenue and expenditure data. Cash balance data on a monthly basis, for at least a 12-month period, are to be established by September 1, 2008.
 - (b) If historical data is available before September 1, 2008, monthly data will be researched and assimilated for the prior three years to establish cash patterns. Multiyear data will smooth aberrations in the data.
 - (c) Once established, the cash flow analysis and projections should be updated on at least a quarterly basis to create a multiyear analysis.
 - (d) If using revenue and expenditure information, the 80-20 Rule may be applied in data gathering and analysis. A liquidity buffer to match unanticipated expenses eliminates the need for precise positioning at this monthly level.
 - i. Major revenue sources contributing 80% of revenue are to be detailed. All other revenue sources may be grouped as one category.
 - ii. Major expenditure functions representing 80% of the use of funds are to be detailed. All other expenditure groups may be grouped as one category.
 - iii. If a further breakdown is possible or desirable, a more detailed analysis can be made.
 - iv. Report only actual levels without transfers, encumbrances, or accruals.

5.4 Daily Cash Positioning Analysis (optional).

- (a) For daily cash positioning, the institution's cash position should be updated daily to compile forward data and to identify any major changes or aberrations in the cash flow position or circumstances (including types of funds available, policy changes, or amount of funds flow). Bank data is translated into information for daily transfer, decision-making, and monitoring purposes.
- (b) Actual cash balances or receipts and disbursements are captured on a daily basis to determine an excess (deficiency) position of cash flows and to establish a daily/weekly/monthly pattern.

5.5 Establishing a Monthly Analysis.

- (a) A cash analysis shall be prepared at a monthly level identifying cash balances or major expense (outflows) and revenue (inflows) to net for a monthly cash balance. This monthly analysis will provide a foundation for roll up to an annual analysis.
- (b) Linkage to aged receivables information and departmental capital plans should be evaluated for potential cash flow information.
- (c) Monthly revenues and expenditures are captured on a major category basis. Monthly balances (revenues minus expenditures) are used to calculate the balance of cash available. The available cash each month will represent a unique percent of cash availability during that year.
- (d) The monthly data for multiple years is combined into a multiyear schedule indicating the average balance each year and reducing single year aberrations. The balances and percentages across the year reflect the expected flow of funds by month as based on the multiple year history. This represents the flow of funds month-to-month.
- (e) The results of the multiyear analysis showing the percent of cash flow each month can be applied to anticipated cash flows (or budget or revenues and expenditures) providing an annual projection. The projection identifies anticipated variances and flows by month.

5.6 Analysis Maintenance.

- (a) On a regular basis, the monthly cash flow analysis schedules shall be updated by incorporating current data. Schedules shall be updated monthly at a minimum.
- (b) Schedules shall be structured such that monthly and annual data is linked to create an annual projection of cash flow as well as monthly projections over the coming year.
- (c) An evaluation of any significant variances should be made to determine cause and potential effect.
- (d) If aberrations are identified, the chief business officer (CBO) will review the current investment positions to determine whether changes are required.
- (e) Significant material variances from projections are to be reported to the CBO.
- (f) The cash flow will identify core balances needed for operational uses and funds that can be extended into the longer maturity alternatives (Intermediate Term Fund). Periodic analysis of changes to this balance is critical so that extensions are made without risk.

Sec. 6 Collections.

- 6.1 All payments due will be collected on a timely basis and deposited to the authorized banking institution (unless required to be deposited in the State Treasury) within one business day, if greater than \$500, providing for complete documentation and timely entry into the general ledger. Deposits outside a central cashiering area should be deposited to their designated collection point (such as central cashiering or armored transport for further delivery) within one business day. Exceptions based on dollar limits or locations may be established and approved by the CBO.
- 6.2 Electronic collections and disbursements should be instituted to minimize operational costs, reduce processing and clearing float, and increase earnings. Electronic mechanisms such as point of sale (POS) check conversion, internal check scanning, and remote deposit should be evaluated and utilized for streamlining deposits.

- (a) Systems to detect “prior offenders” of nonsufficient funds (NSF) checks should be developed and implemented.
- (b) Accounts receivable should be consolidated internally if possible and cost effective to minimize billing efforts and to identify high risk accounts. Accounts receivable should be classified by risk potential for collection purposes.
- (c) All accounts receivable shall be monitored and aged as part of the write-off process. Aged accounts receivable must be analyzed quarterly for collection feasibility and appropriate action taken to collect the debt. Where possible, repetitive suppliers will not be used until aged receivables have been collected.
- (d) All clients should be encouraged to utilize electronic transactions for payments.
- (e) All collection plans and policies must conform to the Fair Debt Collection Practices Act.
- (f) All invoices are to be issued on a “due upon receipt” basis, if feasible.
- (g) Extended payment plans for collection should not extend past one year. The CBO shall approve any extensions and may identify specific categories in which extensions are regularly permitted. Maximum extensions must be set for each category.
- (h) Employees involved in the collection process should be provided adequate training in collection actions, client interaction, and established procedures.
- (i) If necessary to fulfill the collection process, the institution may contract with a collection service for delinquent accounts. Accounts delinquent over 120 days should be especially targeted for collection service designation.
- (j) To the extent allowed by law, a minimum flat late fee of 15% shall be established, billed, and collected for all payments not made within 60 days as appropriate.
- (k) All checks returned to the U. T. System as NSF should be aggressively pursued for payment. Utilization of banking

tools such as a automatic re-presentment or date targeted Automated Clearing House (ACH) transactions should be evaluated for possible use to assist in these collections.

- (l) To the extent allowed by law, a return fee of at least \$25 shall be applied to any check returned for NSF (physical or electronic checks and transactions).
- (m) Monetary gifts or contributions must be recorded and deposited to the appropriate office (business office or development office) within one business day.
- (n) When oil and gas royalties collected by the U. T. System Administration University Lands Office from a single entity exceed \$20,000 during a fiscal year, all subsequent payments from that entity shall be made using electronic transactions.

Sec. 7 Cash Handling.

- 7.1 Internal procedures and controls for cash handling are necessary throughout the U. T. System to enforce cash management Policy objectives. The objectives are set to ensure safety and full investment of all funds and to minimize float costs detrimental to the U. T. System.
- 7.2 Procedures are to include, but not be limited to, complete documentation and audit trails, cashier training, random audits, sequential receipting, balancing, and timely and accurate reporting. The documentation of transactions and the balancing of cash at all points of transfer and transport are critical to maintain accuracy and safety of cash transactions.
 - (a) All requests for POS cashiering funds will be made to the CBO in writing stipulating the location of, justification for, and responsible party(s) assigned to the fund. Upon establishment of a cashiering fund, a fund custodian(s) shall be appointed by the CBO.
 - (b) Funds are to be established only by check from the CBO, not from budgeted funds. The CBO will provide oversight and reimbursements to the fund.
 - (c) No petty cash funds are to be established from cash receipts by any department.

- (d) The custodian is responsible for the fund and the collection, balancing, reporting, and disbursement of all cash and assets of the fund. A change in custodian will require a written notification to and approval by the CBO.
- (e) Cash and assets shall never be left unsecured or unattended. All assets shall be physically protected in safes, locked cash drawers, locking cash registers, cashiers cages, locked metal boxes, or locked drawers at all times. Safes and drop safes should be bolted in place and smaller receptacles secured in locked areas. Combinations or keys for cash receptacles shall be maintained only by designated custodians and supervisors. The safe registration information and combination must be reported to and maintained by the CBO. Combinations shall be reported under seal to the CBO and are subject to audit.
- (f) Every cashier shall be assigned an individual cash drawer. No cash drawers are to be shared. Only the assigned cashier and the custodian of the fund should be allowed access to the drawer.
- (g) All checks are to be endorsed with the institution name and a cashier identifier upon receipt. If immediate endorsing is not operationally possible, all checks must be endorsed before the cash drawer is closed and balanced.
- (h) Photo identification is required for receipt on all over-the-counter checks taken.
- (i) Each cash drawer is to be established for an amount of funds dependent upon the use of the drawer. An annual review shall be made of each cash drawer's assigned cash balance.
- (j) Change drawers are not to be used for petty cash or cashing of personal, payroll, or expense checks, except where cash reimbursement is centralized in a central cashier or bursar's office.
- (k) Sequentially numbered receipts must be used for all transactions and daily audits and balancing of the receipts (or system reports) to the drawer is required in the closing process.

- (l) Cash drawers are to be balanced and closed out at the close of each cash handler's work period. Exceptions require CBO authorization.
- (m) All overages/shortages are to be reported to the custodian of the fund at daily closing and must be documented as an overage/shortage in the balance process.
- (n) Overages/shortages of \$25 in a single incident or in aggregate during a one-month period by a cash handler must be investigated by the custodian/supervisor and may result in disciplinary action up to and including termination.
- (o) Remote scanning and deposit of checks (on site or as part of backroom cashiering operations) should be instituted wherever cost effective to reduce processing float.
- (p) All deposits shall be verified twice preferably by two individuals.
- (q) All computer and credit card terminals are to be closed out at the end of a cashier's shift or at the end of the day.
- (r) Documentation in the form of a summary sheet for each deposit shall be prepared before deposit to the bank or central depository indicating the amount of funds, the breakdown of funds, the accounts to be credited, and identification of the depositor. All deposits to the banking institution or a centralized depository in the institution shall be documented with copies of the deposit to the business office.
- (s) All deposits totaling over \$500 must be made or prepared for next day deposit, within one business day. Those departments or locations that do not collect revenue each day or whose deposit is not cost efficient for daily deposits must make deposits at least twice weekly. Checks requiring additional research or internal handling shall be photocopied by the department without delay of the deposit. A practical timetable of deposit dates must be established considering armored car schedules. Exceptions based on dollar limits or locations may be established and approved by the CBO.

- (t) All deposits of physical checks and cash are to be made to the bank in secure bags with identifying deposit slips indicating the amount and location of collection for tracking.
- (u) All cash, physical checks, and receipts should be transported in tamper proof bags.
- (v) All deposits must be balanced to bank receipts, or electronic downloads from the bank, daily.
- (w) Security codes/personal identification numbers (PINs) should be assigned to individuals/cashiers for all computerized systems. No code/PIN listing should be maintained on any web-based system to avoid unauthorized release of the information.
- (x) All departments should investigate methodologies for recycling coin and currency between departments and minimizing change orders to minimize transport and vault charges.

7.3 Cash Handling Locations.

- (a) Adequate working space should be provided for each cashier in order to maintain control of the cash handling process and allow space for the processing of deposits and cash. Adequate and secure areas should be designated for balancing operations.
- (b) All cashiering areas should provide for security and separation between cash handlers and customers.

7.4 Theft or Loss.

- (a) On discovery of a possible theft or loss of funds, the CBO shall be notified and the CBO or internal audit will conduct an internal review before the close of the business day, if possible, and definitively within one business day.
- (b) If a theft is discovered, the supervisor/custodian shall make a verbal report to the campus police and the CBO before close of business followed by a written report within one business day.
- (c) All counterfeit currency must by law be confiscated and segregated immediately by the cashiers. If a counterfeit note is discovered subsequent to acceptance as tender for

the transaction, then it must be segregated by the cashier and the account shall not be credited. A Counterfeit Note Report must be filed with the U.S. Secret Service within one business day. A complete description of the passer shall be made by the cashier immediately following the transaction in accordance with Secret Service Procedures.

- Sec. 8 Transport of U. T. System Assets. It is the policy of the U. T. System to provide for the safekeeping of all its assets and for timely, efficient, and cost effective transport of assets from the point of collection to deposit in a custodial institution. Assurance of asset and employee safety is a U. T. System priority. Cash handling operations must be secure and transport made by armed transport services off campus.
- 8.1 Transfers of assets within an institution's facilities should be in tamper proof bags and transport made by campus police. Exceptions based on dollar limits or locations may be established and approved by the CBO.
 - 8.2 Transfers of assets within an institution's facilities should not conform to any set schedule and information regarding the transfer should be limited to cash handling employees.
 - 8.3 Any transfer of assets shall be documented and signed by both sending and receiving parties and an institution log maintained to document the transfer.
 - 8.4 All transfers made off-campus shall be made by contracted armored transport, secure transport, campus police, or security personnel. Written exceptions may be approved by the CBO.
 - 8.5 Armored car personnel will receipt all items and provide a copy to the fund custodian/supervisor.
 - 8.6 Armored car personnel are required to present adequate identification before each transport.
 - 8.7 A copy of the armored car receipt is to be forwarded to the CBO or kept on file for reconciliation to the deposit.
- Sec. 9 Disbursement of Funds. All payments due and payable by an institution shall be paid on a timely basis on the date due and utilize payment discount options in order to eliminate any payment penalties. Electronic payment methods should be used to target due dates and provide for maximum funds utilization.

- 9.1 All bills shall be assigned the appropriate due date from the invoice incorporating and using discounts offered. The due date shall maximize the days until timely payment. Vendor discounts shall be taken when possible and cost effective.
- 9.2 Payments shall not be artificially delayed.
- 9.3 If possible, accounts payable functions should be consolidated within the institution for management and payment efficiency purposes.
- 9.4 If possible, all payments over \$5,000 should be made by ACH or other electronic means.
- 9.5 All payments over \$10,000 shall be made by ACH or other electronic means where possible, provided it does not impact the ability for the institution to procure competitive bids from qualified vendors.
- 9.6 Purchasing cards should be instituted for payments, if possible, to consolidate billing, maximize departmental overview and approval, and increase U. T. System float.
- 9.7 Wherever possible, payroll expenses should be paid by direct deposit or pay cards if found cost effective. To the extent allowed by law, new employees should be encouraged to utilize direct deposit by September 1, 2009.
- 9.8 All issued checks should have a voiding date of 180 days and such checks should be cancelled on the ledger and through banking positive pay services at that date. Extensions of this limitation shall be approved by the CBO.
- 9.9 Dual check signatures required for bank review should be discouraged. The desired control instituted through dual individual signatures can and should be made on back-up documentation rather than required on the check itself. Banking contracts shall stipulate that the bank is not liable for an audit of the dual signatures thereby eliminating unnecessary bank charges for this service.

Sec. 10 Petty Cash Funds.

- 10.1 Petty cash funds are to be established only to reimburse employees for nonrecurring, unexpected expenditures up to \$100 for any one transaction. Established bank accounts for

remote locations are not to be classified as, or used as, petty cash funds. Petty cash funds represent idle funds and create an ongoing need for security, record keeping, and audit. Although authorized petty cash funds may be established for extraordinary situations, the use of electronic purchasing cards is preferable. This policy specifically excludes such unique payments as patient social service vouchers and research payments that are to be so designated by the CBO.

- 10.2 Only temporary petty cash funds should be established. Ultimate fiduciary responsibility for the fund shall reside with the department head under which the fund is established.
- (a) Any request for a petty cash fund must be in written form from the responsible department head and include specific justification for the fund. The request shall be reviewed and approved by the CBO. The request for establishment of the fund must include the following:
 - i. justification and planned duration of the fund;
 - ii. dollar amount to be maintained in the fund;
 - iii. name and job classification of the fund's designated custodian(s);
 - iv. location and planned securitization of the fund;
 - v. general ledger account from which the fund will be funded;
 - vi. process for the maintenance of the fund; and
 - vii. signatory approval of department head.
 - (b) The fund will have an assigned primary custodian and, if necessary, a secondary custodian in writing. The custodians and the department head are responsible for the disbursement from and balancing of the fund. Changes in custodians will require a written report to and approval from the CBO.
 - (c) The petty cash fund shall maintain the established dollar value. No petty cash fund shall be established with an amount exceeding \$500 except with prior approval of the CBO.

- (d) Individual petty cash transactions may not exceed \$100 and must be supported by a signed petty cash voucher and receipt. Each petty cash voucher must be accompanied by an original receipt upon reimbursement or return of unused funds. A signature and printed name is required on each voucher. The original voucher is to remain as permanent document of the fund's transactions.
- (e) Petty cash disbursements may not be held for future use by any employee for an excessive period.
- (f) Reimbursements to the fund are to be submitted to the central cashier in sufficient time to prevent depletion of the fund. All check payments for reimbursement shall be made payable to the institution or custodian and directly reference the fund.
- (g) Petty cash funds will be audited periodically by the CBO, internal audit, or the department and should be spot audited by the CBO as necessary.
- (h) Any discrepancy in petty cash funds shall be the personal responsibility and liability of the custodian(s) and the department head.
- (i) Any petty cash funds found to be misappropriated or out of balance without cause will be immediately closed and appropriate action taken by internal audit or campus police. U. T. System, or internal auditors shall be contacted immediately of any irregularities in record keeping of the fund.
- (j) Petty cash funds must be maintained in a locked, secure location at all times.
- (k) Petty cash funds are to be used for business purposes only.
- (l) The custodian shall balance petty cash funds after each payment. The fund shall be balanced at least weekly by the custodian regardless of use.
- (m) Petty cash funds must never be commingled with personal or other U. T. System funds.

- (n) Under no circumstance shall petty cash funds be deposited in a personal bank account.
- (o) If the fund has not been used for three fiscal quarters, it must be closed. The custodian will notify the CBO in writing of the anticipated closure and date of closure.
- (p) At the preestablished closure date of the fund, the fund will be balanced. All funds and original receipts/vouchers are to be forwarded to the bursar/cashier's office. A receipt for the funds will be issued to the custodian.
- (q) Date extensions beyond the original anticipated closure date must be in writing to the CBO and require review under the same procedures as its original establishment.

3. Definitions

Accounts Receivable - accounts due and payable to the U. T. System.

ACH - Automated Clearing House transactions governed by the National Automated Clearing House Association (NACHA) and controlled through the U. T. System banking services agreement.

Cash Flow Analysis - the matching of revenues and expenses to determine liabilities and cash availability in any given time period. For treasury investment and planning purposes, cash flow analysis is normally sufficient on a monthly basis with maintenance of a liquidity buffer. For daily cash positioning, cash flow analysis is needed on a daily basis to minimize the need for fund transfers and adjustments. The object of cash flow analysis is to determine a cash balance projection based on several periods of operating data.

Cash Management - the application of best practices to control the flow of cash and cash equivalents throughout the U. T. System. Cash management policies are directed at all aspects of collections, disbursements, investments, and debt management.

Change Fund - funds maintained by individual departments authorized to handle cash to be utilized for the sole purpose of carrying on their cashiering operation and not for the purpose of obtaining miscellaneous items, paying for minor unanticipated operating expenses, cashing employee checks, or making loans for any reason.

Deposits - to include all payments of coin, currency, checks, electronic media, and all negotiable instruments (not required to be deposited in the State Treasury).

Float - the mail, processing, or clearing time needed for funds processing. Float is a cost to the U. T. System until funds are deposited in the U. T. System's accounts with benefit accruing to the U. T. System.

Liquidity - the ability of an asset to be converted quickly to cash without a material loss of value. Within an organization, liquidity relies on access to cash or the ability to meet anticipated and unanticipated expenses without loss of underlying value.

Petty Cash - funds maintained by individual departments in cash form for the purpose of obtaining miscellaneous items or paying for minor unanticipated operating expenses. Bank accounts established for transactions are not petty cash funds.

80/20 Rule - a general rule in cash analysis that limits the amount of data necessary for viable analyses. The rule states that 80% of revenues come from 20% of the sources and that 80% of expenditures go to 20% of the uses (an example would be payroll representing the majority of expenses). The rule allows a simplified data collection in a timely manner increasing the viability and use of the data.

4. Relevant Federal and State Statutes

None

5. Relevant System Policies, Procedures, and Forms

[UTS167, Banking Services Policy](#)

6. System Administration Office(s) Responsible for Policy

Shared Business Office

7. Dates Approved or Amended

September 1, 2007

October 5, 2009

November 28, 2012