



<b>Policy Number and Title:</b>	<b>200.202 Cash Management Policy and Procedures For Grants and Contracts</b>		
<b>Approval Authority:</b>	President	<b>Date Effective:</b>	July 1, 2015
<b>Responsible Office:</b>	Accounting	<b>Responsible Office Contact:</b>	Vice President for Business and Finance

**1. POLICY STATEMENT/REASON FOR POLICY**

Bay Mills Community College receives external funding from grants and contracts, with the largest funding source being the Federal government. Requests for reimbursement of expenses or advance payments must be consistent with the terms of the grant and fully in compliance with its conditions and stipulations. The College must comply with Federal regulations, including those from the Office of Management and Budget (OMB). The requirements for cash management are contained in OMB's 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards § 200.305 Payment.

**2. ENTITIES AFFECTED BY THIS POLICY**

All Bay Mills Community College faculty, staff, and properties.

**3. WHO SHOULD READ THIS POLICY**

Administrators.

**4. WEB SITE ADDRESS FOR THIS POLICY**

-This policy can be found at:

<http://www.bmcc.edu/about-bmcc/governance-administration/college-policies>

**5. FORMS/INSTRUCTIONS**

No forms required.

**6. HISTORY**

-Amended: May 12, 2016

-Next Review Date: May 12, 2019

-BMCC reserves the right to revise policies at any time.

## 7. THE POLICY

### **BAY MILLS COMMUNITY COLLEGE CASH MANAGEMENT POLICY AND PROCEDURES FOR GRANTS AND CONTRACTS**

#### **POLICY STATEMENT**

Bay Mills Community College receives external funding from grants and contracts, with the largest funding source being the Federal government. Requests for reimbursement of expenses or advance payments must be consistent with the terms of the grant and fully in compliance with its conditions and stipulations. The College must comply with Federal regulations, including those from the Office of Management and Budget (OMB). The requirements for cash management are contained in OMB's 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards § 200.305 Payment.

#### **PURPOSE**

The purpose of this policy is to establish cash management procedures for grants and contracts to ensure compliance with federal regulations and the terms and conditions of the award.

#### **POLICY PROCEDURES AND REQUIREMENTS**

##### **I. Cash Management Options for Federal Awards**

Reimbursement – The payment request (drawdown) is for reimbursement of federal expenditures previously paid by the College.

- A. Advance – The payment request is limited to minimum amounts needed to meet immediate cash needs.
- B. Working Capital Advance – The payment request is based upon estimated disbursement needs for a period of time.
- C. Generally, the College receives payment on a reimbursement basis. However, advances are requested for higher drawdown amounts, such as the Federal Pell grant distribution.

##### **II. Cash Management Requirements**

The College will minimize the time elapsing between the transfer of funds and the disbursement of those funds for grant-related expenditures. The College will comply with the three-day rule, which requires the expenditure of funds within three days of the receipt of such funds. Excess cash balances will be returned to the sponsoring agency after three days have expired.

- A. To the extent available, the College will use funds from program income, refunds, rebates, or interest earned before requesting an advance.
- B. Advance payments of federal funds will be deposited only in accounts that are insured by an agency or instrumentality of the United States, or are fully collateralized to ensure protection of the advance funds.
- C. Advance payments of federal funds will be deposited in interest-bearing accounts unless:

- 1) The College receives less than \$120,000 in federal awards per year.
  - 2) The account is not expected to earn interest in excess of \$500 per year on federal cash balances.
  - 3) The bank requires a minimum balance so high that such an account is not feasible.
- D. The College will retain interest amounts up to \$500 for administrative purposes.
- E. The College will maintain effective internal controls and financial accountability for federal grant funds as described below:
- 1) The College must adequately safeguard federal grant cash, real and personal property, and other assets. In addition, the College must assure that grant funds are used solely for authorized purposes.
  - 2) The College will maintain records which adequately identify the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation, such as paid invoices, time sheets, or contracts.
  - 3) Applicable OMB cost principles, agency program regulations, and the terms of grant and sub grant agreements will be followed in determining when the cost is allowable, allocable, and reasonable to the award.
  - 4) Federal grant expenditures will be compared with budgeted amounts for each grant.

### **III. Cash Management Procedures**

- A. Project Directors, supervisors, and authorized check signers approve all allowable grant expenditures. The College pays for the approved expenditures through the College's established payables and payroll processes.
- B. Grant expenditures are coded to general ledger accounts within a unique fund to keep them separate from other College expenditures.
- C. The Grant Accountant reviews the monthly grant financial statements and general ledger activity for accuracy, completeness, general adherence to award terms and conditions, and creates journal entries, as needed.
- D. After the journal entries have been posted, the Vice President for Business and Finance completes a thorough review of all financial activity, compares actual expenditures to budget, and asks specific questions when numbers are not as expected.
- E. Project Directors typically receive a copy of the grant financial statements and general ledger activity on a monthly basis. The Project Directors review the detail in the general ledger to verify that expenditures have been properly coded to their program.
- F. Drawdown requests are generally made on a reimbursement basis, after review of the monthly financial statement activity and posting of journal entries. The balance in accounts receivable for the grant is the monthly drawdown amount. The accounts receivable balance

is calculated by taking the beginning balance, adding the monthly expenditures, subtracting the monthly drawdowns and program income, if any.

- G. Advance drawdown requests are based on appropriate documentation, such as a Pell Disbursement Memo from the Financial Aid Director. The College is required to minimize the time elapsing between the transfer of funds and the disbursement of those funds for grant-related expenditures. The College adheres to the three-day rule, which requires the expenditure of funds within three days of receipt of such funds.
- H. The Grants Accountant enters the appropriate electronic drawdown system to request the payment or sends an invoice, if no electronic system is available.
- I. Cash drawn down is typically received via ACH transfer directly into the College's bank account. Payments by check are recorded in the accounting system by the Cashier.
- J. The Grant Accountant prepares a monthly list of the grant drawdowns for the Accountant, who records the ACH deposits when reconciling the monthly bank statements.

**Contact(s):** Vice President for Business and Finance

**Related Form(s)**

- None

**References**

§ 200.305 Payment (Federal Register, Vol.78, No. 248/Thursday, Dec. 26, 2013/Rules and Regulations, 78625).

**Relevant Policy or Procedure(s):** None

**Approved by:** President

**Date:** Effective July 1, 2015

**Revision(s):** 5/12/2016