

Cash Management Plan

Effective Date: 04/01/2019

Last Updated: 03/05/2024

Issuing Authority: Associate Vice President for Research Administration

Responsible Offices: Office of Sponsored Programs (OSP)/Research Administration, Montana State University (MSU)

Purpose:

The purpose of this policy is to provide guidance for monitoring and collecting sponsored programs cash and accounts receivable on sponsored program awards in accordance with Federal and other non-Federal sponsor requirements and to provide timely and accurate application of payments as well as reduce Montana State University's exposure to delinquent or uncollected funds.

Definitions

The Office of Sponsored Programs (OSP) typically operates on a cost reimbursable basis, the University processes expenses and the sponsor is then invoiced accordingly for allowable and reasonable expenses, in accordance with the terms of the agreement. This includes electronic payments (e.g., letter of credit requests) as well as payments of invoices sent to Montana State University's various sponsors.

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

Invoice is the document issued by MSU to another entity based on goods supplied and services rendered.

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

Letter-Of-Credit is a payment method that authorizes grant recipients to request an electronic drawdown/advance of funds approved by agreement officers via award documents.

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

Sponsored project or the term sponsored programs index, may be used in this document interchangeably and mean any agreement, contract, or grant that is funded by a source other than MSU.

Business Process Description:

Responsibilities for the Office of Sponsored Programs (OSP) include:

- Reviewing payment terms and conditions for sponsored program awards
- Reviewing expenses on sponsored program awards
- Preparing invoices and/or the drawdown amount for sponsored program awards.

- Submitting invoices to the funding agency and providing a copy of the invoice to the OSP Accounts Receivable accountant.
- Creating an account receivable for the sponsored program award in OSP's eGrants system
- Performing letter of credit drawdowns and submitting the drawdown amount for the sponsored program award to the OSP Accounts Receivable accountant and University Business Services
- Preparing and submitting financial reports to sponsors detailing payments and expenses.
- Following up on outstanding receivables with funding agencies.
- Recording payments to sponsor awards.
- Submitting financial reports in federal agency drawdown systems.

Roles:

- **OSP Director:** Is responsible for reviewing/certifying the letter of credit draw requests.
- **OSP Assistant Director:** Is responsible for overseeing the Accounts Receivable process including review of the Grant Clearing account to ensure timely application of payments to sponsored program and performing letter of credits draws and reporting.
- **OSP Fiscal Manager/Research Administrator:** responsible for expenditure review, invoicing the sponsored programs projects in their portfolio monthly, quarterly or as specified in the agreement with the sponsor, financial reporting and following up with outstanding receivables.
- **OSP AR Accountant:** Determining which sponsored programs index the payment should be applied; updating Accounts Receivable, applying the letter of credits, wires, and check deposits.

Invoices

For funding agencies with whom MSU does not have a Letter-of-Credit relationship, invoices are submitted in accordance with the award terms and conditions. OSP prepares and submits the invoices and monitors sponsor payments to ensure they are received and processed timely and accurately.

Other payment methods for awards may exist and are based upon the terms and conditions noted in the award (such as milestones, deliverables, or a set periodic payment schedule.). These types of payments do not usually require a monthly or quarterly invoice be submitted by OSP to the sponsor. OSP will prepare and submit invoices accordingly for these types of awards. Occasionally a private funding agency, such as a foundation or company, may make an advance payment which funds the award in whole or in part. Expenditures for all awards, whether they require an invoice or not, are reviewed by the OSP Fiscal Manager/Research Administrator and is also discussed during a quarterly review meeting with the management team.

An account receivable is established in OSP's eGrants system at the time the OSP Fiscal Manager/Research Administrator sends the invoice to the sponsor.

Forms of Payments

Electronic Payments - Wires and Inter Unit Journals (*from other State of Montana Entities*)

Checks

Abatements

OSP does not accept credit card payments

Payments for sponsored programs are received after:

- OSP submits an invoice in an electronic or paper form to the sponsor
- OSP submits a draw request to a federal sponsor/agency's letter of credit (LOC)
- Payment is made up front with contract execution or payment schedule at the discretion of the sponsor

Payments received via Wire or Inter Unit Journal

The OSP Accounts Receivable accountant will receive a notification from University Business Services that a Wire or Inter Unit Journal has been deposited to Montana State University's bank. OSP Accounts Receivable accountant relays appropriate sponsored program index and invoice number and University Business Services transfers the funds into the OSP clearing account. Once the transfer paperwork is received in OSP the OSP Accounts Receivable accountant clears the Accounts Receivable entry in eGrants and then applies the payment in the Banner accounting system accordingly.

Payments received by mail (checks)

Sponsor payments may be received in the mail in the form of a physical check directly by OSP or the University department and then routed to OSP. OSP has a unique cashiering process within the Research Module of the University's Accounting system and is responsible for overseeing this function. The OSP Accountant identifies the sponsored program to which the payment applies, clears the Accounts Receivable entry in eGrants and then applies the payment in the Banner accounting system accordingly. If partial payment is made, OSP will follow-up with the funding agency to identify and resolve issues associated with the partial payment. Checks are compiled with a deposit slip, screen shots of the Research module and an adding tape and dropped off at University Business Services, Cashiers window.

If the OSP Accounts Receivable Accountant is not able to determine where the payment should be applied, the Accountant contacts the OSP Fiscal Manager/Research Administrator, University Business Services accountants, and/or the sponsor for additional information. If it is still not possible to determine if the payment belongs in Sponsored Programs, the Accountant forwards the payment to University Business Services and requests that it be deposited in the Un-cleared account

Letter of Credit (LOC)

Most federally funded sponsored programs are cost reimbursable awards. The OSP Assistant Director completes the monthly LOC draw which is processed through the respective Federal agency online payment system, typically once the bi-weekly payroll has posted along with the associated indirect cost calculation. A cash balance report is run specific to agency and a determination to the amount of reimbursement is made. The OSP Director receives the agency email notification to certify the draw. OSP Assistant Director provides spreadsheet data to support the draw and the Director then reviews and/or certifies before the process is

completed in the payment system. A (Cash Order Form) is sent to University Business Services (UBS) stating an incoming wire is to be expected. Upon notification from the bank, UBS transfers the funds into the OSP clearing account 42RGC-GCLR and notifies the OSP Accounts Receivable Accountant of the document number. Payments are typically made via direct deposit from the Federal agency within a few days. The OSP Accounts Receivable Accountant then disburses the payment to the fund/indexes according to the letter of credit report. MSU does not utilize cash advance payment procedures on Federal awards.

Abatements

Abatements occur when the University is reimbursed for an expense. Abatements on sponsored projects must be reviewed and approved by the Office of Sponsored Programs; send the cash receipt along with check or cash to OSP for approval and signature. It will be forwarded to the University Business Services, Cashiers office for processing.

Refunds

If during routine review of an award by OSP it is determined that there has been overpayment, MSU will refund the overpayment back to the funding agency. MSU is required to remit to the Federal government amounts drawn down in excess of expenditures. OSP Fiscal Managers/Research Administrators will work with the OSP Assistant Director to return funds.

Write-off of Unrecoverable Amounts

Uncollectible sponsored programs receivables occur when accounts receivable amounts due cannot be collected from the funding agency. The department is responsible for uncollectibility if there was some type of noncompliance, such as failure to provide the final technical report to the funding agency. The Office of Sponsored Programs may be responsible if it is the result of some type of noncompliance on the part of the office, such as failure to provide a final billing within the time frame required by the funding agency. The funding agency may also be responsible for the unrecoverability of the receivable if, for example, the sponsor or funding agency declares bankruptcy.

Uncollectible receivables, as described in the preceding paragraph, are reviewed annually by the Associate Vice President for Research Administration.