

LAKE SUPERIOR STATE UNIVERSITY PROCEDURES MANUAL

Administrative Policy

Section: Business and Support Operations

Section Number: 3.7.14

Subject: Financial Transactions: Federal Cash Management

Date of Present Issue:
06/12/2025

Date of Previous Issues:
01/95, 06/00

Purpose & Policy Statement:

The purpose of this policy is to establish compliance with federal cash management regulations as set forth in 2 CFR §200.305. Lake Superior State University (LSSU) must minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement for program purposes.

LSSU shall draw down federal funds only to meet immediate cash needs for allowable program expenditures and shall manage cash in accordance with federal requirements to prevent excess cash on hand.

Scope:

This policy applies to all LSSU faculty, staff, and administrators involved in the financial management of federal awards, including grants, cooperative agreements, and contracts.

Definitions:

- Uniform Guidance (2 CFR Part 200) – regulations that provides a framework for federal agencies to manage grants and cooperative agreements.
- 2 CFR §200.305 – outlines requirements for federal payments to recipients and subrecipients of federal awards.

Procedures:

1. Federal Regulations

- Director of Financial Aid, Vice Provost of Research & Innovation, and Business Operations (Controller & Grant Accountant) review and maintain records of federal regulations and other communications for changes and new requirements affecting federal cash management, disbursement of funds to student accounts, and release of funds to students.
- Communicate any necessary changes to appropriate staff members.

2. Financial Aid Disbursement

- Financial Aid Office and Business Operations, using federal regulations and other relevant resources, develop a timeline of aid disbursement for the academic year and summer semester.
- Enter dates in computer tables before any aid is entered for the new period.

3. Drawdown Guidelines

LSSU follows the reimbursement method and/or the advance method as authorized by the awarding agency:

A. Advance Payments

- Federal funds may be drawn in advance only when immediate disbursement (within 3 business days) is reasonably assured.
- Cash advances must be limited to the minimum amount needed and timed to coincide with actual, immediate disbursements.

B. Reimbursement Method

- When advance drawdowns are not permitted, LSSU (**as directed under the Designated Federal Fund Users Memorandum**) will request reimbursement for expenditures already incurred.
- Student Financial Aid:
 - Business Operations will request funds as needed to reimburse for funds disbursed
 - Requested amount is calculated based on the negative cash balance on each aid account number on the general ledger.
 - For the first request of each semester, reduce the amount by the anticipated refunds and adjustments that occur during the first six school days.

C. Cash Receipting

- Business Operations will verify the receipt of funds via daily review of bank transactions.
- The Business Office Cashier will create a counter receipt to record the funds on the general ledger.

D. Excess Cash

- Federal funds not disbursed within 3 business days must be returned unless otherwise authorized.

- Interest earned on excess federal funds exceeding \$500 per year must be remitted to the U.S. Department of Health and Human Services.

4. Cash Reconciliation and Monitoring

- The Business Office will reconcile federal cash receipts to the Banner general ledger at least monthly.
- Any discrepancies must be investigated and corrected immediately.
- Grant funds will be monitored to ensure timely expenditure and drawdown.

5. Documentation and Record Retention

- All drawdown requests and supporting documentation must be retained in accordance with 2 CFR §200.334 (typically three years from the date of submission of the final expenditure report).
- Documentation must demonstrate the link between drawdown amounts and actual disbursements.

6. Internal Controls

LSSU maintains internal controls to safeguard federal funds and ensure compliance with federal cash management standards. These include:

- Segregation of duties between grant management, accounting, and drawdown processing.
- Restricted access to federal drawdown systems that are protected through multifactor authentication.
- Periodic review by internal audit or compliance staff.

7. Noncompliance

Failure to comply with this policy may result in audit findings, sanctions by federal agencies, and potential disallowance of costs. Employees may be subject to disciplinary action for willful or negligent noncompliance.

8. References

- 2 CFR §200.305 – Federal Payment
- 2 CFR §200.302 – Financial Management
- Memorandum: Designated Federal Fund Users
- Uniform Guidance (2 CFR Part 200)

Responsibilities:

- **Sponsored Programs Office**
Oversees post-award compliance and ensures appropriate staff are trained on cash drawdown systems and requirements.

- **Business Operations**
Responsible for drawing down funds, reconciling cash receipts to expenditures, and ensuring compliance with drawdown timelines.
- **Financial Aid Office**
Responsible for complying with federal regulations under Title IV, 2 CFR §200.305 and 34 CFR part 668.
- **Principal Investigators (PIs) / Project Directors**
Must ensure that expenditures are timely, allowable, and recorded in a manner consistent with award budgets and grant timelines.

Review Cycle:

This policy will be reviewed annually by Business Operations and Sponsored Programs Office, or more frequently if federal requirements change.

