

University of Missouri System

Accounting Policies and Procedures



Policy Number: APM-60.15

Policy Name: Cash Management – Letters of Credit

General Policy and Procedure Overview:

The specific requirements for cash management are unique to each federal program and are found in the laws, regulations, and the provisions of award agreements pertaining to the program. This policy and procedure identifies documentation required when cash requests for federal awards are paid through a Letter of Credit (LOC) financing system.

Definition of Key Terms:

Letter of Credit—an electronic method of payment for requesting reimbursement of expenditures aggregated by funding source.

Detail Policy and Procedure:

Letter of Credit Draws

The Controller's Office is responsible for preparing and performing LOC draws for sponsored programs.

Most federal programs reimburse using the LOC method of payment. The federal sponsoring agencies (e.g., DHHS, NSF) authorize a line of credit for the University to draw funds that meet the aggregate expenditure activity of the agency's awards to the University.

The University submits a LOC request for an identified group of federal awards when funds are needed for reimbursement of expenses. Amounts received under this method of payment are recorded directly to the applicable sponsored program revenue account. The University must not draw funds from the U.S. Treasury in excess of immediate needs or in excess of the limits for any award.

The Controller's Office is responsible for managing the cash position of the respective LOC's. The draws are prepared as frequently as practical to maximize the cash balance of the University based upon the cash positions of the awards involved.

Supporting documentation will be reviewed and approved by management prior to each draw.

Refunds to Sponsor

The University must remit to the federal government amounts drawn in excess of expenditures plus accrued interest if the excess funds are not used within three business days.

RESPONSIBILITY

PI –

- Make immediate corrections if expenditures exceed the budget for the award.
- Monitor sponsored project expenditures on a timely basis.

Controller's Office –

- Perform managerial review to approve all LOC draws.
- Execute and manage LOC draws to maximize cash position of the University.

Effective Date: July 1, 2007

Revised Date: October 8, 2008

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.