



# Rensselaer

## **Campus-wide Financial Administration** Comprehensive Cash Management *Cash Collection and Concentration Policies & Procedures*

**Policy Objective:** The primary objective is to define and document policies and procedures related to the collection, recording, and management of cash received by/remitted to Rensselaer. Cash is defined as cash, checks, credit card transactions and/or electronic transfers.

The policies and procedures defined and included herein will provide for the consistent application of sound internal controls and best business practices for cash handling activities campus-wide. Such policies also establish linkages between cash collection and concentration practices, and the Institute's overall performance plan objectives.

In addition, the issuance of these policies and procedures coincides with Rensselaer's change in the provider of comprehensive banking services. It is Rensselaer's stated policy to re-evaluate these policies and procedures upon such material change, and to update them as necessary.

These policies and procedures were developed by Rensselaer's Finance Division, Treasurer's Office, with assistance from many of the other affected campus offices and departments. Any questions or concerns with regard to these policies and their application should be directed to the Treasurer's Office at 276-6426.

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# **Campus-wide Financial Administration**

## **Comprehensive Cash Management**

### *Cash Collection and Concentration Policies & Procedures*

*Policy Title:* Rensselaer Cash Collection and Concentration Policy  
*Approved:* Reviewed and approved by the President, Vice President for Finance, and Treasurer  
*Version:* 1.1

#### **1.0 Overview**

These cash collection and concentration policies and procedures establish formal guidelines for the performance of day-to-day responsibilities associated with the cash collection and concentration activities at Rensselaer Polytechnic Institute's ("Rensselaer" or "the Institute") Troy, New York campus and, where applicable, the Hartford, Connecticut campus. This document also defines the responsibilities of individuals and departments whose activities impact the cash collection and concentration processes. The policy is designed to provide a structure to achieve the following objectives related to cash collection and concentration:

- Maximize liquidity and efficient use of funds;
- Control receipts and minimize risk;
- Contain costs through processing efficiencies;
- Increase the use of preferred payment alternatives such as wholesale lockbox or electronic payment; and
- Maintain customer satisfaction by providing easy and convenient alternatives for payment.

#### **1.1 Policy Scope**

This policy provides guidance for the execution of cash collection and concentration activities conducted by the Institute. The policy also provides a framework for decision-making related to the collection and concentration processes.

#### **1.2 Policy Updates and Revisions**

The Treasurer's Office shall review the cash collection and concentration policy at least annually and recommend any changes necessary to ensure that it continues to meet Rensselaer's objectives. The policy should also be reviewed as soon as practicable in the event of a major Institute reorganization or following any material changes in the Institute's cash management banking structure or relationships.

#### **1.3 Distribution of the Policy**

The policy and all subsequent revisions shall be distributed to all financial managers and accounts receivable managers involved in cash collection and accounting activities, along with their immediate supervisors.

#### **2.0 Cash Collection Methods**

The following are the cash collection methods authorized for Rensselaer. **The preferred methods of payment are either electronic (e.g. ACH, direct wire, or web-based) or lockbox:**

- Coin and currency;
- Check, including travelers check, personal checks with Institute ID, money order, government benefit check/stamp and bank official check;
- Debit card;
- Credit card (refer to the Institute's *Credit Card Acceptance Policy* located on the Finance Division's website for more information on the guidelines associated with this payment option);
- Wholesale lockbox for collections in the form of checks and credit card payments;
- Direct wire transfer payments;
- Automated Clearing House (ACH) payments;
- Letter of Credit draws; and
- Internet-based payments through approved, secured web platforms.

#### **3.0 Cash Concentration Practices**

All concentration activities shall be managed by the Institute's Treasurer's Office. Following is a list of authorized funds transfer methods that may be used in cash concentration:

- Book Transfers
- ACH Concentration
- Wire Concentration

The following concentration strategies shall be used by Rensselaer's Treasurer's Office:

- The account structure shall be comprised of a concentration account, which shall act as the main depository account and, in the case of direct wire transfers and ACH transfers, disbursement account.
- The structure shall also include a controlled disbursement account for check clearing purposes, main payroll account, and confidential payroll account. The controlled disbursement account, payroll account, and confidential payroll accounts shall all operate using a zero balance account (ZBA) structure in conjunction with the concentration account. The confidential payroll account shall utilize ACH transfers to a third party payroll processor.
- Where the Institute's depository account is different from its concentration account, all available balances in depository accounts shall be automatically transferred to the concentration account on a daily basis using a zero balance account (ZBA) structure.
- Wholesale lockboxes shall be established where appropriate and will operate as a ZBA where separate accounts are necessary.
- The Treasurer's Office is responsible for establishing the appropriate target balance and funds transfer method for each account.

In all cases, the Treasurer's Office is responsible for determining when cash concentration is appropriate and the funds transfer method through which concentration is to occur. All potential costs must be considered, including (but not limited to) funds transfer costs, borrowing costs, and the opportunity cost associated with lost interest earnings. Concentration should occur only when a net benefit to Rensselaer can be demonstrated. When cost-justified, concentration transfers outside of the established concentration strategies may also be initiated.

### 3.1 Cash Receipting Procedures

Sound cash receipting procedures are designed to expedite the safe acceptance, deposit, report, and recording of receipts. These activities should:

- Maintain a log of cash and checks received and credit card transactions posted, as applicable;
- Where deposit tickets are prepared or credit card transactions conducted at the departmental level, transmit to the Bursar's Office all copies of checks and deposit slips from over-the-counter

transactions, receipts from all credit card transactions, and copies of all departmental receipts. In order to eliminate duplicate recordkeeping, maintain copies of back-up locally only as necessary (e.g. certain point-of-sale transactions);

- Provide receipt slips to the payer for over-the-counter transactions, whenever possible;
- Immediately upon receipt of checks, restrictively endorse through use of endorsement stamps provided by the Treasurer's Office. Additional endorsement stamps for new accounts will be provided by the Treasurer's Office, as necessary;
- Establish a process for supervisor's review and approval of all receipts transactions prior to delivery for deposit;
- Utilize secured bank bags for deposit activities, as provided by the Treasurer's Office, and maintain log of bag receipts;
- Promptly deliver deposits to the Bursar's Office. With the exception of designated point-of-sale locations (the Rensselaer Technology Park, Rensselaer Union Office, Controller's Office, Student Union Office, RAD/ID cards office, and the Bookstore who will utilize either the provided secured courier services or on-campus Bank of America ATM(s), all departmental deposits are to be forwarded to the Bursar's Office;
- All non point-of sale campus departments shall transport their deposit items to the Bursar's Office in the provided secured bank bags for delivery to the bank by secured courier or to designated on campus ATMs, as applicable; and
- Upon the commencement of secured courier services, all point-of-sale deposits shall be made on a daily basis, as appropriate, to through the secured courier or the on-campus Bank of America ATM(s).

### 3.2 Bursar's Office - Cash Receipts

Effective February 2005, all financial activities previously performed by the the Registrar's Office in relation to the cash receipting, reporting, and reconciliation were transferred to the Bursar's Office. This impacted the following specific financial activities:

- Accepting and posting payments of cash, checks, and credit cards and processing the appropriate transaction recording activities;

- Preparing end-of-day cash drawer balance reconciliation and preparation of bank deposit tickets;
- Performing daily retrieval and application of lock box data transmission files;
- Posting tuition waivers, and coordinating this activity with Human Resources;
- Completing petty cash disbursements to campus community and recording of same;
- Performing account analysis of student receivable accounts for both in-person and phone inquiries, and responding to all other in-person or phone financial inquires;
- Opening, sorting, and distributing Bursar-related mail; and
- Performing other financial duties as needed.

**The cash receipting activities of the Bursar’s Office are located on the second floor of Academy Hall.**

### 3.3 Department “Desk Books”

All departments engaged in cash collection and processing activities are to prepare and submit “desk books” documenting their cash collection procedures for review and approval by the Bursar and the Treasurer’s Office. This includes those departments that are preparing deposits for delivery to the Bursar’s Office. The book should include a table of contents and glossary (to avoid misinterpretation) and be available in hard copy and electronically. The book should also include back-up procedures, plans for interruption of service, and a training sequence to ensure adherence to policies for new employees.

These procedures are to be reviewed annually by departments and the Bursar’s and Treasurer’s Office for any necessary updates.

### 3.4 Incoming Wires/ACH Transfers

In order to properly route and credit incoming cash wires and ACH transfers, departments must provide the following bank information:

Name of Recipient Bank:	Bank of America
ABA Routing # (for ACH):	021300019
ABA Routing # (for Fed wires):	026009593
SWIFT Code:	BOFAUS3N
DDA Account#:	9429364051
ATTN:	Rensselaer Polytechnic Institute [Department-Account#] [Any Other Identifiers}

*The SWIFT Code should be used in lieu of the ABA number for electronic payments originating from outside the United States.*

The company/sponsor that is sending the funds to Rensselaer should provide as much information as possible regarding the wire to help in the identification and recording process. Where possible, notify the Bursar’s Office when you are expecting an incoming wire. Provide the name of the company/sponsor sending the funds, the amount, the fund to which the monies should be credited, a contact at the department in case of questions, and the approximate date the funds are expected to be received.

### 3.5 Use of Lockbox

Lockbox systems are an excellent way to minimize mail processing time, increase available float, and enhance control. Mail time is minimized through the selection of a lockbox close to Rensselaer’s banking system, while processing time is minimized through automated capture of remittance data and transfer of that data upon capture for accounting purposes. ***It is Rensselaer’s stated policy that all paper-based student-related payments (tuition and other student related charges) are to be directed to the lockbox to the greatest extent practical.***

Lockboxes currently exist for student payments, research, gifts, and the Technology Park’s receipts. Further use of lockbox capability and cost effectiveness will be explored and adopted, as appropriate, for other receipt types.

### 3.6 Separation of Duties

Best business practices dictate separation of duties and supervisory level review and approval of all cash receipting activities and functions. In order to strengthen the internal controls over the cash receipting process, all departments collecting and depositing cash or delivering cash for deposit at the Bursar’s Office and posting cash (as applicable) are required to segregate duties relating to cash handling activities so that one individual is not responsible for accepting, preparing for deposit, reporting or recording, and verifying the recording of cash.

In departments where staffing levels make it difficult for various individuals to perform these tasks, management should designate a separate individual

to review and sign off on key controls in the process. While not an ideal solution, strong management oversight of these processes can nonetheless be a compensating control for true segregation of duties.

Any department that is unable to comply with this policy at any time for any reason is required to contact the Bursar's Office or the Treasury Department immediately so that an interim solution may be identified.

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#### 4.0 Roles and Responsibilities

The following table outlines the roles and responsibilities of all parties involved in the cash collection and concentration process.

<p><i>Role:</i> <b>Treasurer</b></p> <hr/> <ul style="list-style-type: none"><li>• Review and approval of, and oversight of compliance with, Institute cash management objectives and policies.</li><li>• Oversight of management responsibility for banking relationships.</li><li>• Approval of cash collection and concentration policy and related updates.</li><li>• Annual review of policy compliance and risk mitigation</li></ul> <hr/> <p><i>Role:</i> <b>Director, Capital Finance &amp; Banking</b></p> <ul style="list-style-type: none"><li>• Approval of payment methods employed.</li><li>• Selection/review of banks and service providers.</li><li>• Selection/approval of tools used in the cash collection process.</li><li>• Responsible for any training and education about the cash collection and concentration system.</li><li>• Management of banking account structure and bank relationships.</li><li>• Monthly reporting on cash concentration and collection benchmarks.</li><li>• Vendor selection for cash collection and concentration system.</li><li>• Updates and distribution of cash collection and concentration policy.</li></ul>
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<p><i>Role:</i> <b>AVP for Finance &amp; Controller</b></p> <hr/> <ul style="list-style-type: none"><li>• Oversee daily operation of cash collection process.</li><li>• Review and aid in selection of cash collection system tools.</li><li>• Vendor selection for cash collection system.</li><li>• Monthly reporting on cash collection benchmarks, including mode of deposit.</li></ul> <p><i>Role:</i> <b>Bursar/ Point-of-Sale Managers</b></p> <hr/> <ul style="list-style-type: none"><li>• Oversee the daily deposit reporting functions.</li><li>• Report to the Treasurer's Office on any incidents of failure to comply with these policies and procedures.</li><li>• Manage the introduction of electronic receipts alternatives.</li></ul> <p><i>Role:</i> <b>Financial Managers/Cashiers</b></p> <hr/> <ul style="list-style-type: none"><li>• Provide daily reporting into the deposit concentration system for deposits made from their location by established deadlines in order to facilitate funds availability.</li><li>• Provide/facilitate training to employees on receipts activity at the point of sale.</li><li>• Ensure support of marketing programs to promote lockbox and electronic payment alternatives, where applicable.</li></ul> <p><i>Role:</i> <b>IACS Support</b></p> <hr/> <ul style="list-style-type: none"><li>• Provide technology support for banking interface issues</li></ul>
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## 5.0 External Service Providers

Providers of lockbox, credit/debit card processing, banking and any other services related to the cash collection and concentration processes shall be subject to Rensselaer's formal vendor selection process. Vendors shall be evaluated and selected through an RFP process managed by the Treasurer's Office in conjunction with the Purchasing Department. Banking services and the designation of bank accounts will be managed by the Treasurer's Office. The concentration bank shall be designated by the Treasurer's Office and approved by the Vice President for Finance and the President. In addition, the Treasurer's Office shall designate those offices or departments that are permitted to accept credit card payments for departmental services or activities, pursuant to the process described in the Institute's *Credit Card Acceptance Policy*.

## 6.0 Reporting and Performance Measurement

The performance of the cash collection and concentration systems shall be tracked against appropriate benchmarks as determined by the Treasurer's Office. These benchmarks are to include, at a minimum, average collection float, customer satisfaction, and balance levels in local depository accounts. The Bursar, in conjunction with the Director of Capital Finance & Banking, shall develop such benchmarks for review and approval by the Treasurer. Performance reporting shall be provided jointly by the Bursar and Director of Capital Finance & Banking monthly in writing to the Treasurer and Assistant Vice President & Controller and to the Vice President for Finance & Chief Financial Officer on a quarterly basis.

## 7.0 Internal/External Controls

Rensselaer shall exercise a standard of care in the execution of its cash collection and concentration processes that is consistent with Institute policy and with the standards observed by the industry. Controls over the cash collection and concentration procedures will include the following:

- The transport of all deposits to the bank or to designated ATM locations shall be done utilizing secured bags;
- Reconciliation of bank accounts to ledger accounts shall be performed at least monthly;

- A balancing procedure to reconcile lockbox and depository receipts to bank-reported balances and accounts receivable records shall be established and maintained;
- Strict segregation of payment processing, recording and reconciliation duties shall be established and maintained;
- A quality and cost review of the external service providers shall be performed annually, with the findings provided to the Treasurer and Controller;
- All data transmissions or file delivery of payment related information must be, at a minimum, authenticated and encrypted in a manner consistent with Rensselaer's internal guidelines for corporate security;
- All concentration transfers shall be executed through pre-determined payment instructions (e.g., repetitive lines or concentration bank master file) on file with the Institute's main bank;
- All systems used in the cash collection and concentration processes must be at least password-protected, with payments, transfers, and wires requiring additional security protection consistent with Rensselaer's corporate banking resolution, as amended from time-to-time;
- The Treasurer's Office is responsible for establishing Rensselaer bank accounts. No new depository accounts in Rensselaer's name or utilizing Rensselaer's EIN (Employer Identification Number) or Tax ID number shall be opened unless first reviewed and approved by the Treasurer's Office. All departments must submit requests for new bank accounts either in writing or via e-mail directly to the Treasurer's Office. Such requests, including a description of the reason for the account, the expected transaction activity and dollar volume, and the expected duration of the need for the account, should be submitted to the Treasurer's Office, Director of Capital Finance & Banking, Troy Building, 5<sup>th</sup> Floor; and
- Other controls may be added at the discretion of the Treasurer's Office.

## 8.0 Policy Compliance

Lack of adherence to these policies can result in disciplinary action.

## **Appendix A**

### **Cash Collection and Concentration Policy**

#### **Glossary of Terms**

**ACH (Automated Clearing House)** – A funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA) that provides interbank processing and settlement of electronic payments among participating financial institutions. Payment-related information may also be transmitted with the payment. The ACH processes both debit and credit transactions.

**Availability Float** – The time interval between deposit of a check and the availability of the funds to the depositor.

**Cash Concentration** – The movement of funds from outlying depository locations to a central bank account where they can be used and managed most efficiently.

**CHIPS (Clearing House Interbank Payments System)** – A privately owned clearing house for same-day value transfers. CHIPS is the leading payment system for international transactions in U.S. dollars.

**Clearing** – The process through which a payment instrument is presented to and accepted by the drawee bank and payment is made to the payee.

**Credit Card** – A payment instrument whereby the buyer makes a purchase on credit underwritten by the seller or by a third party, usually a bank or other financial institution. The seller is paid at a discount of the face value of the purchase, at a specified time after the sale ticket is deposited.

**Debit Card** - A payment instrument that posts a withdrawal to a bank deposit account. Online settlement requires a personal identification number (PIN) to initiate the transaction.

**EFT (Electronic Funds Transfer)** – A broad category of electronic funds transfer methods such as Fedwire, ACH, CHIPS, etc.

**Fed Wires** – The real-time, same-day-value electronic funds transfer system operated by the Federal Reserve Bank for making payments and transmitting a limited amount of supporting information.

**Funds Availability** – The point at which funds deposited in an account become available to the account holder.

**Imaging** – The process of converting paper-based characters into digitized images. These images can be electronically stored or archived until needed.

**Letter of Credit** – A document issued by a bank guaranteeing the payment of a customer's draft up to a stated maximum (e.g. Federal grant award) for a specified period and under certain contractual conditions.

**Lockbox** – A collection system in which a third party receives payments at a specified lockbox address, processes the remittances, and deposits them in the payee's account.

**Mail Float** – The delay between the time a check is drafted and mailed and the date it is received by the payee or at a processing center (e.g. lockbox).

**Processing Float** – The delay between the time a check is received by a bank or processing company and the time it is deposited.

**ZBA (Zero Balance Account)** – An account that is automatically brought to a zero balance each day. The ZBA is linked to a funding and/or concentration account, typically referred to as the parent or master account.