



| Policy Number | Section Name    | Policy Name | Effective Date | Revised Date |
|---------------|-----------------|-------------|----------------|--------------|
| CM-100001     | Cash Management | Overview    |                |              |

## I. Statement of Policy

The Statewide Cash Management policies and procedures contained herein provides the minimum requirements that state agencies shall adhere to in regards to the collection of cash, recording deposits, disbursing funds, and establish internal controls designed to safeguard the state’s cash and maximize interest earnings on state funds as a whole.

## II. Purpose/Scope

These policies provide guidance to agencies so that they can utilize cash as efficiently as possible in a manner consistent with the State of Georgia’s overall objectives. The policies within the Cash Management section apply to all state agencies, however some procedures may only apply to agencies that are CTAS agencies and PeopleSoft, or unless specifically exempted by statute, whose financial transactions directly or indirectly affect the State of Georgia financial reporting. Any requests for exceptions to SAO policies should be directed (in writing) to the State Accounting Officer. Policy exceptions will be considered on a case-by-case basis.

## III. Background

Pursuant to O.C.G.A. 50-5B-3(b), “The state accounting officer in cooperation with the Office of Treasury and Fiscal Services may prescribe policies and procedures to implement the policies of the board (State Depository Board).” The State Accounting Office, with the advice and assistance of the Office of Treasury and Fiscal Services (OTFS) was charged with developing and implementing a centralized Cash Management model called Streamlined Banking to increase the cash concentration and funds available for investment by reducing the idle cash in agencies cash accounts. The policies within Cash Management are: Bank Administration, Payment Cancellations, Cash Receipts, Accounts Payable Disbursements, Payroll Disbursement, Bank Reconciliation, Check Escheatment, Check Imaging, NSF Returned Checks, and Revenue Funding Source Code.

## IV. Functions of a Cash Management System

Cash management refers to the practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances. In general, the cash management function involves the effective and efficient use of cash to maximize cash flow at minimum cost.

Agencies are responsible for selecting the best collection and payment mechanisms as well as adopting appropriate oversight, and review guidelines, policies and procedures. In some cases, agencies may employ other financial institutions and organizations for cash management related services that can be performed more economically or efficiently. Such services include transfer and payment of funds, collection and concentration of funds, sweep account services, and information reporting. The State will benefit from shortening all types of float associated with cash inflows and lengthening all types of float associated with cash outflows. The major components of float include mail, processing, availability, and clearing float.

**Collection:** Revenue collections and other movement of funds into the state's concentration account where funds are available for use and/or short-term investment by the State. The primary objective associated with this activity is to speed up the timing of receipts into available funds to be invested. Depending on the agency size and complexity, a payment processing center, lockbox system, and acceptance of electronic payments (wire or ACH) may dramatically reduce float time, reduce processing costs and enhance security of cash receipts.

**Concentration:** The movement of funds from local depository accounts to the state's concentration account, so the funds are available for investment purposes. The objective is to get operational use of the funds as soon as possible. Deposits are automatically swept from agencies depository accounts to the Main Concentration Account managed by OTFS.

**Disbursement:** This involves controlling the release and timing of outgoing funds from disbursement accounts. The objectives are to maximize check float, where appropriate to the function of a governmental entities and to minimize excess balances in disbursement accounts. Agencies should use payment discounts when appropriate and avoid late fees. Various disbursement techniques are available for agencies to effectively manage the disbursement process. These include zero balance account (including controlled disbursement account), checks, and electronic disbursement methods.

**Cash position management:** This component includes the daily monitoring of cash inflows and outflows to determine whether internal sources of cash are available to fund the organizations cash requirement. Daily cash position management is then extended to weekly, monthly, quarterly, and annual cash forecasts and projections. The objectives associated with this component are to reduce the cost of borrowings and maximize short-term investment of funds while reducing the number of bank accounts and associated fees.

**Information Management:** This component includes obtaining bank balances, deposits, and disbursement data to support the collection-concentration-disbursement components

and assist in developing accurate cash position management decisions. The objective includes the internal and external transfer of financial data between bank and agencies in accurate and timely manner with the least available cost.

**Reconciliation:** The collection and comparison of data from bank and accounting systems to verify that all transactions are properly accounted for in a timely manner.

**Risk Management:** To incorporate and develop various procedures to minimize or reduce the likelihood of loss of assets through operational risk, fraud risk, systematic risk, and investment risk.

**Internal Controls:** Effective internal controls is a critical component of cash management and a foundation for the safe and sound operation of state government. In view of the potential for material loss, particularly through electronic activities, agencies must establish a strong internal control environment. The extent of an agencies' internal control program should be commensurate with the complexity and sophistication of the activities in which it engages. As with many other aspects of agency operations, the type of controls used will vary but will likely consist of policies, procedures, operating parameters, monitoring activities, separation of duties, reporting, audit, and management information systems.

## **V. Opportunities for Improving Cash Management**

Cash Management policies reflect desirable principles and guidelines while cash management procedures provide the practical application of those principles and guidelines to ongoing cash management activities. The success of the cash management depends on the actual practices followed by agencies daily. To achieve cash management objectives in each functional area mentioned above, state agencies' fiscal officers should explore and continuously pursue opportunities in which they can:

- A. Improve billing, collection, and deposit services.
- B. Reduce or eliminate delinquent debts owed the State Government.
- C. Streamline and better control disbursement activities.
- D. Maximize the use of electronic funds transfers (including purchasing cards) in preference to paper checks.
- E. Minimize idle cash in the hands of the organization.
- F. Monitor the level of compliance with agencies' and the Statewide Cash Management guidelines.

## VI. Approval

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|--------------------------|------------------|
| Statewide Accounting     | Jeremie Peterkin |
| Financial Systems        | Sherrie Southern |
| State Accounting Officer | Lynn Vellinga    |

## VII. Revision History

| Version | Date   |
|---------|--------|
| 1       | 1/3/07 |
| 2       |        |