

# GRAMBLING STATE UNIVERSITY

**SUBJECT: CASH MANAGEMENT**  
**(CONTACT: Vice President for Finance and**  
**Associate VP for Finance/Controller**

**EFFECTIVE DATE**  
**MAY 1, 2003**  
**FCT001**

## I. PURPOSE/OBJECTIVE

The purpose of this investment policy is to provide written guidelines as set forth in the Louisiana Revised Statutes (LSA-R.S.) 49:327B(2) for the investing of all idle funds at Grambling State University.

## II. STATEMENT OF POLICY

A. **Compliance With All Laws.** All investments made under the Cash Management Program ("CMP") shall comply with state and federal laws.

B. **Authorized Investments.** Consistent with the provisions provided under state statute 49:327, the following investments are permitted by this policy.

1. U. S. Treasury obligations: Treasury bills, treasury notes and treasury bonds.
2. Obligations of the United States government agencies such as Federal Land Bank bonds, Federal National Mortgage Association Notes, Farmer's Home Administration Notes, Federal Financing Bank obligations, Sallie Mae, etal
3. Certificates of deposit, savings and loans deposits
4. Corporate Bonds and municipal bond ratings
5. Commercial Paper and Repurchase Agreements

**Collateralization.** Louisiana Law (LSA-R.S. 49:321) requires that all deposits (including certificates of deposits) in excess of federal deposit insurance be adequately collateralized. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) mandates that certain steps are to be taken to maintain an enforceable security interest in collateral pledged to

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secure deposits against the receiver of a failed financial institution. All investments must comply with FIRREA.

Security agreements are obtained to perfect the university's claim of pledged collateral. The general accountant will obtain monthly collateral reports from each institution to ensure compliance. If the broker/dealer/bankers are not in compliance, the Vice President for Finance and Associate Vice President/Controller will be notified immediately to negotiate compliance.

If CDS are purchased in excess of the amount insured by the Federal Deposit Insurance Corporation, they must be fully collateralized as required by state law.

**C. Authorized Financial Dealers and Institutions.**

Grambling State University may conduct investment activity with any Louisiana-based financial institution that is a member of the Federal Deposit Insurance Corporation. In addition, investment activity may be conducted with security broker/dealers who meet the minimum requirements of:

1. Capital of \$10,000,000
2. At least five years of operation
3. Membership in the Security Investors Protection Corporation

**D. Interested Investors.** All financial institutions and broker/dealers who desire to become qualified bidders for investment activities must supply the following as appropriate:

1. Audited financial statements,
2. Proof of National Association of Securities Dealers (NASD) certification,
3. Proof of state registration,
4. Completed broker/dealer questionnaire, and
5. Certification of having read Grambling State University's investment policy

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- E. **Annual Review.** An annual review of the financial condition and registration of qualified bidders will be conducted by the Vice President for Finance and/or Associate Vice President for Finance/Controller.
- D. **Diversification.** It is the objective of the Cash Management Program at Grambling State University to utilize several financial institutions and purchase different types of securities. The types of securities may consist of, but not be limited to, the following: certificates of deposit, agencies of the U. S. government, and interest bearing accounts.
- F. **Delegation of Authority.** Authority to manage the investment program is the responsibility of the President derived from R.S.49:327 B (1). Responsibility for the operation of the investment program is hereby delegated to the Vice President for Finance or his designee, who shall carry out the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Vice President for Finance. The Vice President for Finance or his designee shall be responsible for the activities of subordinated officials.
- G. **Safekeeping and Custody.** Securities purchased by broker dealers at certified investment firms should be held in custody by the firm. Evidence of security purchased and a description must be sent to the Vice President for Finance or Associate Vice President/Controller. CDs, Savings accounts, stock certificates, or other instruments not acquired by broker/dealer shall be held in the Finance Department vault.
- H. **Duration [Investment Terms].** Cash needed for operations and market rate trends should be considered when determining the duration of investments.

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- I. **Delivery vs. Payment.** All trades where applicable will be executed by delivery vs. payment. This ensures that securities are deposited with eligible financial institutions prior to the release of funds. A third party custodian as evidenced by safekeeping receipts shall hold securities.
- J. **Valuation.** Securities shall be valued and reported at the market value, unless none is available. Otherwise, the donated value or purchase price shall be used.
- K. **Performance Standard.** The investment portfolio will be managed in accordance with the parameters set forth in this policy. The portfolio shall earn a market rate of return during a market/economic environment of stable interest rates. Portfolio performance shall be compared to appropriate benchmarks on a regular basis.
- L. **Cash Receipts and Deposits.** Cash is received by the University cashiers in Long Jones Hall, reconciled and deposited to the bank daily. A University cashier or Controller staff member shall be escorted to the bank by an armed GSU police officer. **Refer to Safeguarding Cash Policy.**

**III. INVESTMENT PROCEDURES**

The following paperwork must be completed and on file with the University before deposits can be transferred:

- Custodial Agreement
  - Security Agreement for Collateralization of Public Funds
  - Resolution for Collateralization of Public Funds
- A. Controller determines the availability of idle cash by using a combination of reports: (a) the daily cash receipts (b) the total cash disbursements, and (c) the current balances on hand at the bank.
- B. The Vice President for Finance and Associate Vice President/Controller determines the amount of idle funds to be invested and the period of time cash will be available.

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- C. The General Accountant or Controller secures current money market investment account rates, United States Treasury bill rates, and certificate of deposit rates from banks and other financial institutions. Certificate of deposits and/or treasury bills are purchased if their rates are higher than the money market investment account rates and the funds are available to invest.
- D. The Vice President for Finance and Associate Vice President/Controller review the funds available for investment and the interest rates to determine the amount, type and duration of investment.
- E. The Controller contacts the broker/bank to obtain investment settlement instructions. Settlement instructions are provided to the Senior Accountant for input to the bank on-line system. The Controller approves the wire on the "on-line banking system". The transfer form is approved by the AVP/Controller and the Vice President for Finance and verbal approval is made with the bank on interbank transfers.
- F. The Bank "on-line system" assigns a confirmation number to each transaction that is printed by the Senior Accountant and filed as part of the supporting documentation.
- G. If it is a delivery type transaction, the settlement may be made via wire or check.
- H. If the security is retained in safekeeping by the bank/broker, a safekeeping receipt is forwarded to the Controller's Office. A confirmation of the transaction is sent to the Controller's Office by the bank/brokerage firm. The transfer and brokerage advice are reviewed by the Controller who directs the Senior Accountant to record the transaction.
- I. The general accountant who reconciles to the general ledger on a monthly basis obtains investment schedules from the investment brokers/bankers.

J. The Controller shall provide the Vice President for Finance a monthly summary of investments, rates, and maturities by investment and broker/banker.

**IV. Ethics and Conflicts.**

Employees involved in handling cash and investments shall refrain from any personal business activity may conflict with the proper execution and management of the investment program, or that affect their impartiality. Employees shall disclose material interests in any financial institution with which they conduct business. Further, they shall further disclose any personal financial/investment position that may be related to the performance of the investment program. Employees and investment officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Grambling State University. Refer also to Code of Ethics for Public Employees.

Exceptions. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by the guidelines of this policy. The Vice President for Finance must approve changes to this policy.

APPROVED:

*Neari F. Warner*

Neari F. Warner  
Acting President

5/27/03  
Date