UNIVERSITY OF MIAMI
SPONSORED PROGRAMS POLICIES AND PROCEDURES
Section H: Cost Reimbursement
Policy H2: Letter of Credit

Purpose:

To establish the policy and procedure to be used when cash requests for federal grants are paid through a Letter of Credit (LOC) financing system. These requests are primarily made on a cost reimbursement basis.

The amount of funds requested reflects the amount necessary to cover actual costs incurred. The federal government monitors excess cash on hand through the Federal Cash Transaction Reports (Standard Form 272) reported by grantees (see Sponsored Programs Policy/Procedure G2, “Federal Cash Transaction Reports”). Excess cash, which has been drawn from the U.S. Treasury, must be placed in an interest bearing account. Any interest earned must be remitted to the federal agency from which the cash was requested. It is in the grantees’ best interest to avoid drawing funds from the U.S. Treasury in excess of immediate needs.

Definitions:

Letter of Credit (LOC): A method of payment that allows the university to request reimbursement for expenditures aggregated by agency.

Policy:

The university will coordinate with any sponsor organization offering LOC agreements. These agreements provide the opportunity for the university to expedite its cash flow and reduce paperwork.

In compliance with these agreements, the university will request reimbursements for actual expenditures incurred, not to exceed the cash limit under the agreement. The university will also maintain sufficient cash records and provide accurate and timely reports to the sponsor. Sponsored Programs (SP) Financial Administration is responsible for performance of these functions.

Procedures:

1. SP Financial Administration will prepare and submit cash requests to the Treasurer’s Office based on expenditures incurred. At the present time, the university has LOC agreements with the following federal agencies:

   – Department of Health and Human Services (DHHS)
   – Department of Energy (DOE)
   – National Science Foundation (NSF)
   – Department of Education (DOED)
- Environmental Protection Agency (EPA)
- National Aeronautics and Space Administration (NASA)
- Department of Commerce (DOC)
- United States Information Agency (USIA)
- Commission on National & Community Service (CNCS)

3. The amount of the LOC draw is determined by running reports of expenditures for the agencies that have an LOC reimbursement system.

4. The cash request is completed and forwarded to the Treasurer’s Office, Cash Management section, as indicated below, for each federal agency under an LOC agreement:

   a.) A cash request memo is completed and sent to the Cash Management Office for entry into the SMARTLINK II/ACH system for the following agencies: DHHS, DOE, NASA Headquarters & Goddard, USIA, CNSC, and DOC. If the request is made by the SP – Financial Administration Office, a copy is sent to notify the Cash Management Office of the forthcoming electronic funds transfer.

   b.) For the DOED, a voucher request form is completed and the actual request for cash is made by SP Financial Administration by the “Automated Fedwire System.” After making the request and recording the confirmation code, a copy is sent to notify the Cash Management Office of the forthcoming electronic funds transfer.

   c.) For EPA, an “ACH Payment Request” form is completed and the actual request for cash is made by SP Financial Administration by faxing the completed form to the EPA Office. After making the request, a copy is sent to the Cash Management Office to notify it of the forthcoming electronic funds transfer.

   d.) For NSF, a cash request memo is completed and sent to the Cash Management Office for transmission to NSF via facsimile.

5. The Payment Management System (PMS) 272 report is prepared and submitted, as required, to the agency. (See Sponsored Programs Policy/Procedure G2, “Federal Cash Transaction Reports”).

6. The file copies are located centrally in the SP Financial Administration along with the necessary supporting documentation. These copies are maintained in binders labeled by granting agency and fiscal year.