**TREASURER’S OFFICE**

**POLICY ON BANKING OPERATIONS, ACCOUNTS AND ASSOCIATED FEES**

(Internal Bank approval 2/22/06, rev 11/1/11)

The University maintains a centralized management approach for all of its Treasury Services. The Treasurer’s Office is responsible for the optimization of cash flow and security of all funds collected, managed, and disbursed by the University. All banking and treasury services are approved by the Treasurer’s Office (SPG 519.01). This arrangement is beneficial to units in the following:

* Institutional monitoring/oversight of the account to reduce cost and risk
* Tax benefits of any charitable contributions
* Treasurer and EVPFO as authorized signers help assure University access to funds

This central management approach also has the ability to leverage banking services based on volume and consistency of process. The risk of fraud (hacking into UM accounts) is also reduced due to corporate account features applied to UM accounts. Standard features include:

* Disbursement accounts will have positive pay capabilities to reduce risk.
* Controlled disbursement will be used when applicable to maximize cash position.
* Account features will be required to maximize cash positioning, reporting, analysis and minimize risk. These features include but are not limited to Account Reconciliation, Zero Balance Accounts, and Web reporting.
* Secure transportation and/or transmission to/from bank (armored car or insured carrier, bank file encryption)

These principles will be incorporated into the University’s banking structure and most costs absorbed centrally. Fees associated with **special requested collecting methods** (lockbox, credit card, courier), disbursement (special checking accounts) and/or Electronic Funds Transfers (wires, ACH) are charged directly to the unit receiving the benefit The following are estimates of the type of service and cost[[1]](#footnote-1).

* Lock Box Fees
  + Account Maintenance, Imaging ($200/mo)
  + Per item charges (vary depending on services < $1 to $25)
* Credit Card Fees (Transaction Fee 2-3%, Equipment Purchase $500)
* Special Checking Account Fees (Est. $200/month + volume)
  + General Account Services ($120/Mo)
  + Per item depository services ($ .10/transaction)
  + Disbursement Services (Per item checks, imaging, positive pay ($1.60 per item), Stop Payments ($10-$25/item)
  + Reconciliation Services ($80/mo + .10/item)
  + Reporting Services ($40/month)
* Insured courier service - $10 local pickup (Metro delivery)
* Endorsement stamps $7
* Deposit bags & tickets $20/200

The result should be the highest services, and security for an appropriate price. In doing so, a framework of best practices and internal controls in cash management are incorporated into the establishment of bank accounts, features and the related services.

**International Treasury Transactions**

There are specific challenges in dealing with International Treasury transactions that University Units should be aware of. The University has established banking relationships in order to deal with these unique circumstances.

* Obtaining funds before traveling internationally
  + Pcard
  + Imprest Cash Fund
  + Travel Advances
* Transferring funds
  + IAT Compliance
  + OFAC
* Opening Foreign Bank Accounts
  + Authorization [(http://spg.umich.edu/pdf/519.01.pdf](http://spg.umich.edu/pdf/519.01.pdf))

The establishment of Bank Accounts in a foreign country is often a difficult and complex endeavor. Before a department requests the establishment of a foreign account, the following should be considered:

* It is not uncommon that Electronic Transfers of funds to foreign accounts are credited/posted to the beneficiary account on a delay. Frequently the receiving bank will hold the funds and the University or a partner financial institution must personally contact the bank during their hours and speak their language to resolve the issue of delay.
* Authorized signers on the account will frequently be asked to supply passports, utility bills and other personal identification items to validate their residency in the United States.
* Authorized signers may have to include the foreign bank account on their personal income tax form.
* All bank fees associated with the bank account are the responsibility of the department requesting the account.

The Treasurer’s Office will approve the establishment of all bank accounts (including international) based upon the business case to establish it and other alternatives available. If approved, the Treasurer’s Office will evaluate the financial institutions available and proceed with establishing the account in accordance with federal governmental guidelines and local international governmental policies.

Expectations of University Units engaged in International activity

* Compliance with International policies <http://internationalcenter.umich.edu/swt/work/getstarted.html>

**Depository Process Costs**

The new bank restructuring process was established with the purpose of increasing cash balances available for investment. The changes in the depository methodology will incur incremental costs associated with the new process. These fees are intended to be offset by increased earnings from more frequent deposits to maximize investment earnings. The following are some principles

* The costs of the current depository system are absorbed centrally by the Treasurer’s Office. These fees will continue to be absorbed centrally:
  + Bank Bags
  + Deposit Tickets
  + Armored Car Service – Cashiers Offices
  + Cashiers Office redundancies could reduce budget by $250,000
* A centralized depository process provides benefit to the overall University in several ways. The following are some of the benefits gained. They are, but not limited to:

1. Security – Centrally distributed deposit supplies allows tracking and traceability for deposits
2. Cash Forecasting – The ability to more accurately identify the source of new cash receipts into the University provide for more precise forecasting of revenues and hence management of assets.
3. Economies of scale – The University benefits from less costly negotiated prices for banking services by consolidating volumes and creating economies of scale.

* The Office of the Treasurer reserves the right to re-evaluate the cost of any of the depository methods and their benefit to the overall process. If the Treasurer determines that the cost of any method (courier service, remote deposit, etc.) is not justified, then the affected department(s) may need to pursue an alternative depository method or incur the cost of continued courier service.

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1. These figures are provided as estimates for budgeting purposes. Actual costs will vary depending on the bank providing the service and current fee structure. [↑](#footnote-ref-1)