



TOPIC: Proposed Amendments to Board Policy VIII-1.30 – Policy on Withdrawal of Funds from Bank Accounts

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: November 17, 2011

SUMMARY: By State law, the University System of Maryland and its institutions are required to maintain cash balances with the State of Maryland Treasurer. Exceptions to that requirement include proceeds of debt where agreements with bondholders require proceeds to be separately invested, endowment funds, and what are known as *working fund* accounts. Working fund accounts are checking accounts at banks that have been approved by the State of Maryland Comptroller.

The current Board policy was approved in June 1990 and is intended to require two signatures for any check disbursement in excess of \$5,000. At the time, the vast majority of working fund accounts were used to satisfy small and urgent spending needs where timing did not allow for processing through the State of Maryland. Typically, the level of funds managed, and the account balances of working fund accounts were low, and the instances in which checks of \$5,000 were required were rare.

Since 1990, institutions have expanded the use of working funds to processing student financial aid, and conducting more significant business operations. The check amounts involved in student financial aid and more significant business operations have grown significantly, and the ability of institutions to secure two signatures on each check over \$5,000 has been eclipsed. Institutions have in place compensating controls such as independent verification of check requests and reconciliation of financial aid disbursements that minimize the value, practicality, and necessity of the current policy requirement.

Disbursements from proceeds of debt, and endowment fund disbursements, were not exempted in the current policy, even though the control procedures associated with expenditure of debt proceeds involves review by System construction service centers, USM Office staff, and trustee officials. The proposed revision exempts both activities from the requirements.

An increase in the threshold for requiring two signatures, to \$25,000, will eliminate this requirement in all but the rarest of instances. Institutions are required to ensure that adequate checks and balances are adopted that mitigate the risks associated with the use of bank accounts.

ALTERNATIVE(S): The Board could elect to leave the policy unchanged.

FISCAL IMPACT: There is no fiscal impact as a result of the proposed changes.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve the proposed changes in Board of Regents Policy VIII-1.30 – Policy on Withdrawal of Funds from Bank Accounts.

COMMITTEE RECOMMENDATION: It was the sense of the committee members present that the item should be recommended for approval. DATE: 11/17/11

BOARD ACTION: DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923
