



CUNY Bank Account Control Policy



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## 1. POLICY

The purpose of this Policy is to ensure that The City University of New York has appropriate procedures, practices and controls in place to safeguard and manage the University's cash assets and comply with applicable law and best practices so as to minimize the risk of financial loss. This Policy articulates the requirements for opening, closing, updating and maintaining college bank accounts (see Definitions, below). All colleges must follow this Policy, and must ensure that all necessary employees and other individuals are aware of and understand how to follow proper procedures with establishing and maintaining control and oversight over bank accounts. All college cash must be deposited in a bank account that conforms to the requirements of this Policy. This Policy supports other processes and procedures established to maintain the financial integrity of the University. This Policy supersedes all other policies previously issued by the University regarding the establishment and management of college bank accounts.

## 2. SCOPE

Unless otherwise specified, this Policy applies to all colleges, as that term is defined below. This Policy does not apply to college foundations or separately incorporated alumni associations; however, those entities are strongly encouraged to establish bank account management policies of similar scope to protect their financial integrity.

## 3. DEFINITIONS

As used in this Policy:

“Bank account” means any and all bank and investment accounts with financial institutions including but not limited to checking, savings, money market, certificates of deposits (CDs), mutual funds, and investment accounts.

“Business office” means the office responsible for handling the business and finance operations of a college. For a Related Entity, “business office” shall mean those individuals responsible for the day-to-day business and finance operations of the corporation, and may include individuals in the business office of the Related Entity's supported college, as permitted by the MOU between the corporation and the college.

“Cash” means coins and currency and all negotiable instruments with monetary value (including but not limited to checks, money orders, Automated Clearing House (ACH) transactions, etc.), that can be deposited into a bank account.

“Collateralized” means assets pledged by financial institutions in the event of failure of the financial institution.

“College” means a constituent unit of the University, including without limitation senior and community colleges, graduate and professional schools, Macaulay Honors college and the central office (including the UTO and other offices and departments), as well as fund groups and organizations that are not legally separate from the University (e.g., the Queens College Athletic and Recreational

Fund, the college associations of Hunter College, the School of Professional Studies and the Graduate School of Public Health and Health Policy). For purposes of this Policy, “college” also includes the Related Entities, unless otherwise indicated.

“CUNY” and “University” mean The City University of New York.

“Deputy Chief Financial Officer” refers to the individual with direct supervisory authority over the University Treasurer.

“Related Entities” means the following types of entities and their subsidiaries, if legally separate from the University and unless otherwise indicated: auxiliary enterprise corporations, college associations, student services corporations, childcare centers, performing arts centers, and art galleries.

“University Treasurer” means the senior administrator in the Office of Budget and Finance in charge of cash and investments. The University Treasurer is the business manager for the central office. The University Director of Treasury Services may perform the bank review and approval functions of the University Treasurer if the University Treasurer is unavailable to perform duties required by this Policy.

“UTO” means the University Treasurer’s Office. UTO is the business office for the central office.

## 4. BANK CONTROLS

In order for CUNY to maintain sufficient oversight and controls over college funds, it is essential that a college establish all bank accounts in accordance with this Policy, and that the UTO have a complete and up-to-date list of all such accounts, including closed accounts, and the signatories thereon. Bank accounts and related activity (for example, interest income and banking and investment fees) must be recorded in the University's official accounting system (CUNYfirst) or such other accounting system used by a Related Entity, and reconciled to bank statements within the time constraints set forth in the CUNY Cash Accountability Policy.

### 4.1 Establishing Bank Accounts

All college bank accounts except Related Entity bank accounts. Only a college business office (for a college) or UTO (for the central office) may establish and maintain college bank accounts. Colleges wishing to open a new bank account shall complete the Bank Account Request Form attached as Appendix A to this Policy. The college (including the UTO) shall include a justification for opening the new bank account describing the potential financial advantage and/or risk mitigation as compared to the cost. The Bank Account Request Form shall be signed by the Vice President for Administration and Finance at the college or, for central office bank accounts, by the University Treasurer unless it is an UTO account, in which case it shall be signed by the Deputy Chief Financial Officer, and submitted to the University Treasurer.

The University Treasurer will notify the college business office in writing if the bank account has been approved or if the University has any concerns with the establishment of the new account. A college business office shall not proceed with establishing the new account until it has received written approval from the University Treasurer. Upon opening the new bank account, the college business

office shall update the University's banking account management system with the new account information and submit a chart field request form to create a general ledger account for the new bank account.

All college bank accounts opened after the effective date of this Policy must be established using the following naming convention: the name "CUNY" followed by the college name, followed by department or program in the account title description with the financial institution. For example, "CUNY Brooklyn College ACE".

Related Entity bank accounts. A Related Entity may open one or more bank accounts, as approved by resolution of its board of directors, in order to conduct its business. Each Related Entity must notify the business office of its supported college and the University Treasurer of each bank account existing at the effective date of this Policy and within five (5) business days of opening any new bank account. A Related Entity shall use the Related Entity Bank Account Notification Form attached as Appendix B to this Policy to notify the college business office and University Treasurer of new accounts. Related Entity bank accounts must be established under their legal names.

## 4.2 Signatories

There should be three or more signatories for each bank account. An authorized signatory who is separated from the University, or otherwise has a change in employment or job responsibilities, must be removed from the list immediately and the bank notified in writing. Colleges should monitor the list of signatories with the bank and at least annually verify and update as needed the bank's record of authorized signatories. No custodian or individual who reconciles can be a signatory. This applies to all accounts, including those in UTO. All written statements must be maintained per records retention policy.

## 4.3 Closing Bank Accounts

Any bank account that is no longer needed by a college shall be closed in a timely manner via a written statement to the financial institution that shall be maintained by the college pursuant to the CUNY records retention policy. The college (including all Related Entities) shall notify the University Treasurer of the account closing by using the Bank Account Closing Notification Form attached as Appendix C to this Policy. Once the account is closed, the college shall promptly update the University's bank account management system and submit a chart field request to deactivate the general ledger account for the closed bank account.

## 4.4 Repurposing Bank Accounts

As a general rule, bank accounts shall not be repurposed or reused for a purpose other than the account's original purpose. An account no longer needed should be closed, or a new account needed opened. In rare cases for a specific reason, a college may request an exception to this rule from the University Treasurer, which shall be justified in a statement that is maintained by the requestor and the University Treasurer. Similarly, in rare cases, the University Treasurer may request an exception to be allowed to repurpose an account from the Deputy Chief Financial Officer, which if approved must be similarly justified in writing.

#### 4.5 Bank Accounts Maintained by Unaffiliated Organizations

No college shall knowingly permit the establishment of, and no college employee, other individual shall establish a bank account under a University, college or Related Entity name, address, or federal employer identification number (EIN), or permit the deposit of funds made payable to, or intended for, the University, college or a Related Entity into such an account, except pursuant to this Policy.

#### 4.6 Annual Survey

Each college is responsible for checking regularly to ensure that there are no unauthorized bank accounts, and that all accounts are active. At least annually, the colleges shall survey financial institutions in their local area to ensure that no bank accounts have been established under a University, college or Related Entity name, address, or EIN without the knowledge or approval (as applicable) of the college business office or UTO, including closed accounts.

This survey shall be conducted by an individual who does not have the authority to open or close bank accounts.

They shall also check annually to ensure that authorized accounts are active and have appropriate signatories (see 4.2). Each college shall maintain copies of the signed letters sent to financial institutions during this annual survey along with any responses received, in accordance with the University's record retention policy.

#### 4.7 Electronic Fund Transfers (ACH)

To achieve faster processing, cost savings and more secure transactions than paper transfers, including checks, colleges are strongly encouraged to receive and send funds electronically via ACH (Automated Clearing House) whenever possible. Because ACH transfers are conducted by the bank using batch processing, ACH transfers are far less expensive than wire transfers are.

#### 4.8 Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the University or a Related Entity will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Colleges shall not maintain accounts at any one bank in excess of FDIC insurance limits, unless the bank is rated four (4) stars or better by Bauer Financial ([www.bankrate.com](http://www.bankrate.com)). Because bank ratings will change, colleges should check the above website periodically to ensure that nothing adverse has occurred with any bank in which the college's bank balance exceeds FDIC limits.

### 5. Fraud Prevention Solutions

#### 5.1 Positive Pay

Positive Pay is a service whereby an institution provides its bank with a file of all checks issued that day. If a check does not exactly match the issued item, the bank is required to notify the institution. Unless the institution instructs the bank to pay the item noted as not matching, the bank will return the check unpaid. UTO and college business offices shall institute, whenever feasible and appropriate,

the Positive Pay service provided by banks to protect an institution from check fraud; this service may not be needed for small accounts.

## 5.2 ACH Debit Blocks / Filters

A debit block prevents ACH debits received for processing at a bank from posting to the designated bank account. Unauthorized debits are automatically returned to the originating (sending) company. Each college shall enroll in ACH Debit Block for each demand deposit account (DDAs) at the college that accepts ACH. Colleges that want to permit routine, recurring bank debit transactions to post to their bank account may establish an ACH Debit Filter. This filter can be established for a maximum dollar amount.

# 6. REPORTING REQUIREMENT

## 6.1 Foreign Bank Account Reporting (FBAR)

All colleges are responsible for Foreign Bank Account Reporting (FBAR) under the U.S Bank Secrecy Act ("Act"), if the college has a financial interest in or signature authority over a foreign financial account, including a bank account, brokerage account, mutual fund, trust, or other type of foreign financial accounts, exceeding \$10,000 at any time during the calendar year. Affected colleges must file a FBAR report for foreign financial accounts on or before April 15<sup>th</sup> of the year following the calendar year being reported. The Act permits no more than a six-month extension of the filing deadline.

## 6.2 Suspected Fraud Reporting

Any college that suspects check or ACH fraud has occurred shall immediately report its concern to the University Director of Public Safety, University Director of Internal Audit, the Office of the General Counsel, and the University Treasurer. University Public Safety shall coordinate with the campus Director of Public Safety and the Office of the General Counsel shall communicate with and serve as liaison with the New York State Inspector General's office and other appropriate law enforcement agencies.

# 7. INTERNAL CONTROLS

Maintaining sound internal controls as part of the banking process is crucial. The foundation of a good internal control system is segregation of duties. That means that the duties of (1) authorization (signing a check or releasing a wire transfer), (2) custody (having access to blank check stock or ability to establish a wire) and (3) recordkeeping (ability to record the transaction in the accounting system) shall be separated so that one individual cannot complete a transaction from start to finish. To that end, the signatories on college bank accounts shall not have custody or recordkeeping ability.

The University Treasurer (for central office bank accounts), the Vice Presidents of Administration and Finance (for college bank accounts except Related Entity accounts), and the Related Entity's board of directors (for Related Entity bank accounts) shall assign a responsible official to each bank account for the purposes of ensuring compliance with applicable University and Related Entity policies and procedures, timely reconciliation of bank accounts, adequate segregation of duties regarding the

administration of the account as described below, monitoring the continued need or appropriate structure for such accounts, and other oversight requirements as appropriate. Individuals with the authority to instruct a bank to make positive pay exceptions cannot have any responsibility for the bank reconciliation of that bank account. Individuals assigned by the responsible official to reconcile the account shall not be the same individuals who are authorized to sign checks or approve electronic funds transfer (EFT's) on the account.

The University Treasurer (for central office bank accounts), the Vice Presidents of Administration and Finance (for college bank accounts except Related Entity accounts), and the Related Entity's board of directors (for Related Entity bank accounts) shall review and approve authorized signatories for electronic funds transfers and checks drawn on college bank accounts. The UTO or the college business office, as applicable, must maintain a current list of such authorized signatories at all times. An authorized signatory who is separated from the University or the Related Entity must be removed from the list immediately and the bank notified in writing.

The CUNY Cash Accountability Policy includes additional internal controls and segregation of duties requirements.

## **8. RECORD RETENTION**

Each college shall consult the University's Records Retention and Disposition Schedule to ensure that they are in compliance with records retention and disposition related to banking.

## **9. BANK ACCOUNT POLICY ACKNOWLEDGEMENT**

Each college shall ensure that this Policy is provided to all new employees and on an annual basis to all individuals at the college who are involved in bank account administration and that such individuals acknowledge in writing that they have received and read this Policy, using the Acknowledgement Form in Appendix D. Individual acknowledgements shall be maintained on file with the college business manager.

## **10. EXCEPTIONS AND ALTERNATIVE PROCEDURE**

Any exception to this Policy shall be approved by both the Vice President of Administration and Finance at the college and the University Treasurer, documented with the justification therefor in writing, maintained in the files of both offices, and reviewed and a new determination made and documented on at least an annual basis.

## **11. EFFECTIVE DATE AND TRANSITION**

The Policy is effective January 1, 2018. Changes adopted to conform to this Policy shall be applied as of that date.

## 12. UPDATE AND PERIODIC REVIEW

The University Office of Budget and Finance is responsible for the periodic review and recommendation of changes to this Policy, as well as for ensuring that all appropriate parties are informed of it.

## 13. EXTERNAL LINKS

FDIC Frequently Asked Questions (FAQs): <https://www.fdic.gov/deposit/deposits/faq.html>

The FBAR filing link: <https://bsaefiling.fincen.treas.gov/main.html>

Record Retention Schedule: <http://www.cuny.edu/recordretentionschedule>

## 14. APPENDIX

- A) Bank Account Request Form
- B) Related Entity Bank Account Notification Form
- C) Bank Account Closing Notification Form
- D) Bank Account Control Acknowledgement Form