

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Fiscal Affairs

NUMBER: 03.F.07

AREA: Asset Management

SUBJECT: Foreign Bank Accounts

1. PURPOSE

- 1.1. This administrative memorandum sets forth the policy regarding the establishment of bank accounts with financial institutions domiciled outside the United States of America.

2. PREFACE - LEGISLATIVE BASIS

- 2.1. Pursuant to Section 51.003 of the Texas Education Code, the governing board shall require adequate surety bonds or securities to be posted to secure the deposits and may require additional security at any time it deems the deposits inadequately secured. The depository banks selected may pledge their securities to protect the funds.

3. DEFINITIONS

- 3.1. Foreign bank account: For purposes of this administrative memorandum, an account to which funds are deposited with a financial institution that operates outside the United States of America.
- 3.2. Debit card: For purposes of this administrative memorandum, a card that works like a credit card except that the transactions post to a bank deposit account as withdrawals, similar to checks, rather than to a credit card account as future amounts owed.

4. POLICY

- 4.1. Establishment of a foreign bank account
- a. Foreign bank accounts should be discouraged due to the increased risk of loss to the university caused by political, economic and currency risk inherent in other countries.
- b. The establishment of a foreign bank account requires the approval of the component Chief Financial Officer, the Vice Chancellor for Administration and Finance and the Board of Regents.

- c. A department may be authorized to use a foreign bank issued debit card in lieu of writing checks drawn on the account only after it has received approval from the component Chief Financial Officer and the Vice Chancellor for Administration and Finance.
- d. A department may be authorized to establish a foreign bank account only after it has clearly demonstrated a need for such an account to the Chief Financial Officer.
- e. A foreign bank account will not be established unless adequate surety bonds or securities are pledged to secure the deposits in an amount equal to or greater than the amount of the deposits.
- f. The funds deposited into any foreign bank account will be used for the specific purpose for which authorized.
- g. The Treasurer will be responsible for determining if adequate surety bonds are available to secure the deposits in a foreign bank account. If adequate surety bonds are available, the Treasurer will negotiate the establishment of the surety bonds. The cost of these surety bonds may be the responsibility of the department requesting the foreign bank account.
- h. All bank statements will be delivered directly from the financial institution to the Office of the Treasurer.
- i. All banking, service and transfer fees associated with the operation of the foreign bank account will be assumed by the department with responsibility for the foreign activity.
- j. The University and its employees with signature authority may have reporting requirements for foreign bank accounts to the Internal Revenue Service, as well as being subject to fines, penalties, and criminal action for noncompliance.

4.2. Transfer of funds

- a. The department responsible for the foreign operation will initiate the request for transfer of funds to the approved foreign bank account.
- b. It is the responsibility of each component with foreign bank accounts to establish policy for the approval of transfers prior to Treasurer's Office action.
- c. Any transfer will be for the minimum amount necessary to meet anticipated cash demands for the immediate period of operation.

- d. The Treasurer's Office is responsible for executing funds transfers.
- e. All transferred funds will remain recorded as an asset of the component until a disbursement is made and the expense recorded in accordance with 4.3 (below).

4.3. Expenditure of funds

- a. Expenditure of funds from any foreign bank account must be made in compliance with System Administrative Memorandum 03.A.01 (Expenditure of all Funds Administered by the University of Houston System) and applicable component policies.
- b. Each component university with foreign bank accounts must establish policies and procedures for the recording of expenditures into the component's accounting system consistent with the policies and procedures for other expenditures.

4.4. Reconciliation of the account

- a. Each component university with foreign bank accounts must establish procedures for the reconciliation of statements for those accounts and the component's accounting records. These procedures must include the method to be used for recording currency exchange and currency fluctuation. Adjustments for currency fluctuations are to be recorded as necessary, but no less frequently than once per year.

4.5. Return of funds

- a. In those cases where the funds transferred to the foreign bank account exceed the actual operating expenses, it is the responsibility of the university department responsible for the foreign operation to initiate a request to return all excess funds to the University's domestic depository institution.
- b. The minimum deposit balance required by the foreign bank may be maintained if the account has been approved for continued operation.
- c. If the foreign bank account is no longer needed or if the approval for its establishment has been withdrawn, the entire balance must be returned to the component's domestic depository institution.

5. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Finance

Review: Every three years on or before May 1

6. APPROVAL

Approved: Jim McShan
Interim Vice Chancellor for Administration and Finance

John M. Rudley
Interim Chancellor

Date: October 16, 2007