CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT

A PROGRAM BROUGHT TO YOU BY:

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TREASURER OF OHIO

CASH 107:

Fundamentals of Treasury Management

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Class Objective

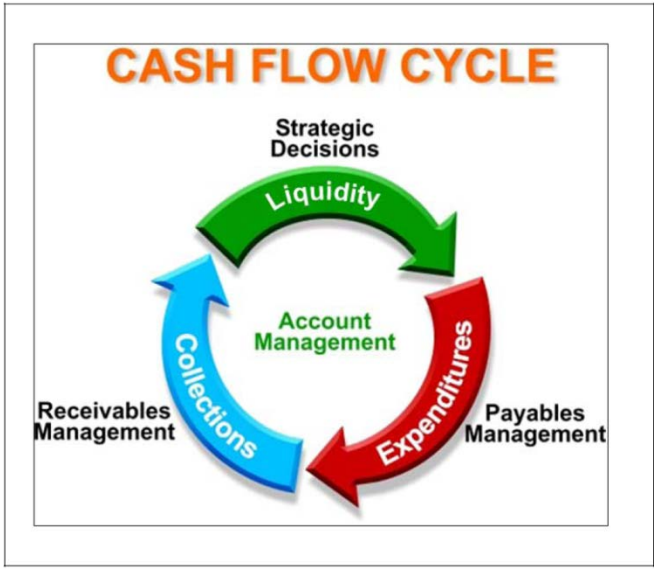
- Provide a high-level overview of cash and treasury management services.

- Topics to include:
  - Cash flow management;
  - Uses of treasury services;
  - Use of Cards

Treasury Management

What is Treasury Management?

- Treasury Management helps you manage your working capital. Bank's liquidity solutions help government entities save and invest wisely. Payables and receivables capabilities help you manage the purchases and the receipt of payments for good and services.



Treasury Management

What services can banks provide to assist government entities with their Cash Flow?

Checking Account

Hybrid Accounts

MMA/CDARS

Merchant Services

Online Banking

ACH and Wires

Zero Account Balance

Purchasing/Credit Cards

ACH Positive Pay

Check Positive Pay

Lockbox

Remote Deposit Capture

Safe Cash

Treasury Management

- **Checking Account** - is a deposit account which allows for unlimited withdrawals and deposits.
  - Non-Interest bearing account
  - Interest Checking
  - Analyzed Checking – Earnings Credit
  - Hybrid Checking
- **MMA** – Money Market Account is an interest-bearing account which provides the account holder with limited check-writing ability.
- **CDARS –** Certificate of Deposit Account Registry Service – is a fixed-term deposit account that allows access to multi-million dollar FDIC insurance.

Treasury Management

- **Zero Balance Account (ZBA)**- is a service which maintains balances at zero by automatically transferring funds from a master account in an amount only large enough to cover checks presented.
- **Online Banking** – provides access to accounts and services from a single site.
- **ACH** - allows customers to make and receive payments electronically using a standard format.
- **Wires** – allows for same day transfer of funds while still maintaining efficiencies of fast and secure movement.

Treasury Management

- **Remote Deposit Capture** –accepts checks for deposit using electronic images
- **SafeCash –** is an onsite safe solution (with armored car pickup) that allows for you to make daily cash deposits remotely, while still receiving daily provisional credit.
- **Lockbox –**Under this service, the payments made by customers are directed to a special post office box. The bank will then go to the box, retrieve the payments, process them and deposit the funds directly into your bank account. Backup information is then forwarded for posting

Treasury Management

- **Fraud / Positive Pay Services:** is a highly recommended service that ALL entities should utilize

- **Check Positive Pay**
  Positive pay systems are used to eliminate check fraud. This is designed to stop thieves and con artists from cashing fake checks or changing the amounts to be paid from the company's checking account.

- **Check Block**
  Prevents checks from posting to the account. With Check Block all paper-based transactions are automatically rejected and returned.

Treasury Management

- **ACH Positive Pay**

  Protects against unauthorized ACH debits and/or credits by allowing you to place filters and/or blocks on ACH transactions. Only electronic payments that meet your personalized setting will be processed.

- **Use of Dual Authorization?**

  Provides protection by initiating a second level of approval for a payment, transfers, stop payments, etc.…

Best Practices – Ohio State Auditor's Office – September 2016
https://ohioauditor.gov/publications/bestpractices.html

Best Practices - Receivables

- Leverage use of onsite deposits via a Scanner
- Utilize electronic billing and collection services to replace items sent to your location:
  - ACH
  - Lockbox
- Acceptance of Credit Card - enables entities to accept any type of electronic payment, whether its credit cards, debit cards, check verification services
- Use of eligible investment options

Best Practices - Payables

- **ACH** –provide initiation of recurring and non-recurring transactions.
  - Pre-dated
  - Same Day ACH
- **Wire Transfer** – repetitive wire codes should be utilized to reduce time, cost and risk
- **Purchasing/Commercial Card** – review opportunities to migrate payments to cards and potentially earn cash rewards

Commercial Cards

Use of Commercial Cards and Best Practices

Commercial Cards

Are designed to address your spending needs and help you save money. They typically:

- Pay in full each billing cycle with an electronic debit from your checking account or electronic payment
- Provide rebates based on your spend
- Can be used instead of check when making approved purchases in-person; online or for accounts payable
- Provide a valuable working capital tool with far-reaching impact

Commercial Cards

Benefits would include:

- Control organizational spending
- Enhance vendor relationships and negotiate discounts
- Improve working capital
- Streamline reporting and accounting
- Immediate online access

Commercial Cards

- Enhance Payment Capabilities – Increase Days Payable Outstanding (DPO)
  - Time from purchase to payment

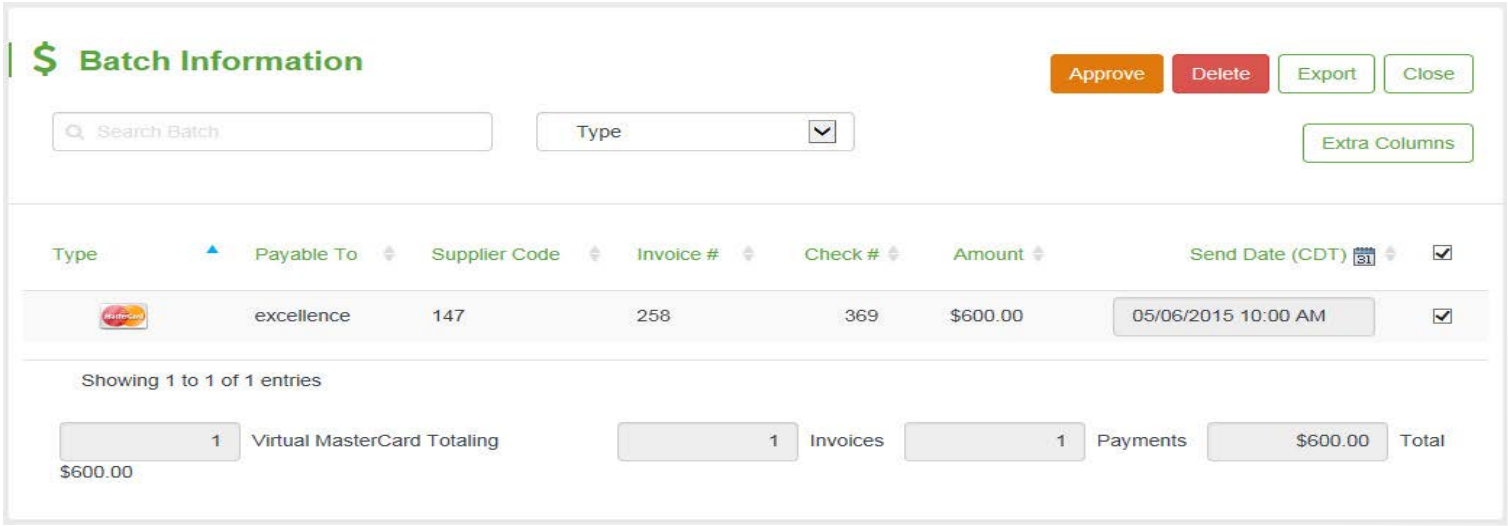
- Spending Controls
  - Monthly/Daily limits
  - Merchant Category Controls
  - Cost Allocation – collect purchase order and receipt image

Commercial Cards

- Online Integration Efficiency
  - Online card orders and maintenance
  - Web based reporting that can be electronically imported into your ERP system
- Enhanced Capabilities
  - Virtual “Ghost” cards to reduce risk
  - Batch issuing process – Easily send file of payables, unique cards (card#, Ex, CVV) issued for each payment

Commercial Cards

- Vendors are realizing the benefits of accepting electronic payments
  - Virtual Cards are replacing payments to vendors on distributed cards
  - Integrated Payables is automating payment process and maximizing savings



Commercial Cards – Best Practices

- Have a written policy/procedures for use of cards
  - Who can use
  - Procedures for issuing and cancelling cards
  - What can be purchased
  - What restrictions
  - Consequences for misuse of card
  - Monitoring of transactions and reconcilements

Password

TREASURY

Questions