

# OAPT June Training Program

## 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
  - 7 Steps to Issuing & Evaluating RFPs

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# ACH

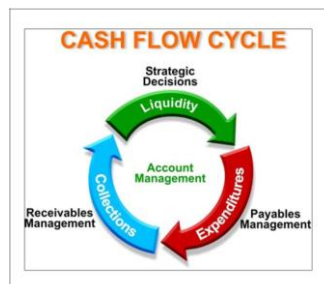
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## Treasury Management

### 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.



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# Treasury Management

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

<b>Checking Account</b>	<b>Online Banking</b>	<b>ACH Positive Pay</b>
<b>Hybrid Accounts</b>	<b>ACH and Wires</b>	<b>Check Positive Pay</b>
<b>MMA/CDARS</b>	<b>Zero Account Balance</b>	<b>Lockbox</b>
<b>Merchant Services</b>	<b>Purchasing/Credit Cards</b>	<b>Remote Deposit Capture</b>
		<b>Safe Cash</b>

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# ZBA

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## 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.

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# DDA

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## 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.

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## 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

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## 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.

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# NSF

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## 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>

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## 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

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## 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

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# RDC

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# HB 312

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## Commercial Cards

### Use of Commercial Cards and Best Practices



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## 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

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# BAI

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## Commercial Cards

Benefits would include:

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

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## 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

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## 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

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# OPCS

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## 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

**\$ Batch Information** Approve Delete Export Close

Search Batch:  Type:

[Extra Columns](#)

Type	Payable To	Supplier Code	Invoice #	Check #	Amount	Send Date (CDT)	
	excellence	147	258	369	\$600.00	05/06/2015 10:00 AM	<input checked="" type="checkbox"/>

Showing 1 to 1 of 1 entries

1 Virtual MasterCard Totaling  1 Invoices  1 Payments  \$600.00 Total  
 \$600.00

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## 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

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## Issuing RFPs!!!



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## The 7 Step Program To Writing & Evaluating RFPs

- 1 – Establish Review Team
- 2 – Set Objectives
- 3 – Create Scoring template
- 4 – Schedule Vendor Meetings/Presentations
- 5 – Create & Issue RFP
- 6 – Simplified Evaluation, Score, Award
- 7 – Implementation Process

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## Step 1: Establish Review Team

- Number on team will vary
- Select early in process
- Include them in entire process
- Agree upon scoring tools and values
- Review proposals privately
- Score independently

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## STEP 2: Set Objectives

Whether you are focused on improving your efficiency, saving money, preventing fraud, or finding the best vendor with the best services, the process of writing and evaluating proposals starts with a picture of your current process and a clear view of your objectives

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## Step 2: Set Objectives – cont...

- Define your current processes and procedures with sample volumes
  - Balances
  - Checks written
  - Deposits and Items Deposited
  - ACH transactions
  - Treasury Management tools currently used
  - Electronic transmissions

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## Step 2: Set Objectives – cont...

- Identify challenges
  - Security
  - Fraud
  - Efficiency
  - Investment return

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## Step 2: Set Objectives – cont...

- Define your current processes and procedures with sample volumes
  - Balances
  - Checks written
  - Deposits and Items Deposited
  - ACH transactions
  - Treasury Management tools currently used
  - Electronic transmissions

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## Step 3: Scoring

- Set the parameters and let the bidders bottom line the bid for you.
  - **Don't try to perform a line by line price comparison**
  - Provide all bidders with a detailed summary of products you need with transaction volumes and services
    - Services you use now
    - Services you are considering adding
    - Average balances maintained in transactional accounts and sweeps

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## Step 3: Scoring Template

- Based upon the objective you set, give a value to each objective

Pricing		
Interest Rate (DDA balances)	20	
Bank fees current services	<u>20</u>	40
Experience of vendor	10	
Ability to meet current & future needs	<u>15</u>	25
Implementation process	15	
Completeness of Proposal	<u>20</u>	35
TOTAL POINTS	100	

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## Step 4: Hold Vendor Meetings

- The primary function of vendor meetings is to:
  - Gather latest information about bank services and processes, matching relevant services with your needs and objectives prior to issuing RFP
  - Provide information about your processes, challenges and objectives that vendors can create proposal that is easier to evaluate.

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## 4. Hold Vendor Meetings– cont...

- Elements of Vendor Meetings
  - Review and discussion of:
    - Your processes, procedures, transaction volumes
    - Your goals and challenges
    - Vendor products that might achieve goals
    - Vendor presentation and/or demo of products and new technology

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## Step 5: Create & Issue Request for Proposal

- Writing the RFP
  - Many elements of the RFP can be boilerplate\*
    - Company overview/Bank Background
      - Safety and Soundness
      - Personnel
      - Competitive Position and Future Commitment
      - References
    - Implementation
    - Collateral – ORC, Trustee
    - Customer Service & Quality

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## Step 6: Evaluate – Score – Award

- Evaluate together or require confidentiality
- Contact references
- Pricing Evaluations
- Post bid presentations

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## 6. Evaluate–Score–Award – cont..

- Evaluate together or require confidentiality
  - This is a matter of personal preference and desire for confidentiality and impartiality. There are benefits to discussion as well. Each reviewer will have a separate view of what is important.

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## 6. Evaluate–Score–Award – cont..

- Pricing Evaluations
  - Don't attempt line by line price comparison
    - Complex due to technology and modification
  - Do required vendors to bottom line price by category. This assumes you provide:
    - The functionality you want achieve
    - Transaction volumes proportional to your business
    - Does not have to be exact, but close
    - Estimated transactional balances in DDAs or Repos

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## 6. Evaluate–Score–Award – cont..

- Pricing totals by service
  - Information Reporting
  - Zero Balance Accounts
  - Account Reconciliation
  - Positive Pay
  - Wire Transfer
  - ACH Services

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## 6. Evaluate–Score–Award – cont..

- Pricing totals by service– Cont..
  - Transmission Services
  - Image Services
  - Wholesale Lockbox
  - Retail Lockbox
  - Cash Vault
  - Returned Items Management
  - Controlled Disbursement

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## 6. Evaluate–Score–Award – cont..

- Pricing totals by service– Cont..
  - Internet Payments
  - EDI
  - Tax Payment VRU
  - Electronic Deposit Services
  - Cash Concentration
  - Bill Consolidator

Contact/ Post Winner



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## Step 7: Implementation Process

- Control the process
  - Schedule meeting with new vendor for within 1 to 2 weeks of award, or at least 60 days prior to desired implementation
  - Present signed contracts at this time
  - Designate key contact(s)
  - Review pricing proposal—confirm understanding
  - Weekly meetings first month
  - Monthly > quarterly > semi-annual meetings

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## Questions???



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