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Agenda

- Introductions
- What Is Cash Management
 - Products & Services
 - Best Practices
- What is Fraud
- How to Create a Fraud Prevention Playbook



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Introductions

- Who is Westfield Bank
- Westfield Bank Treasury Management Team
 - Chris Anzevino
 - Jarrod Long

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Westfield Bank


- Community Bank
Founded 2001 by
Westfield Insurance
- Mike Toth – CEO
- Over 2 billion in assets
- Public Fund Deposits
over \$285 million
- Commercial
- Public entities; counties,
cities, school
districts...etc




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Westfield Team

Jarrold Long
SVP Treasury Management Leader
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Chris Anzevino
Commercial Development Officer
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What is Cash Management?



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What is Cash Management

- The **process** of collecting, managing, and investing cash.
- <https://www.youtube.com/watch?v=HBYwpqn1FMk>
- i.e., AR, AP, Investments



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3 Categories Cash is Maintained

- Operating Cash Account
- Short Term Investment Account
- Long Term Investment Account



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Operating Cash Account

- Serves as the account used for primary functions on a day-to-day basis
- i.e., payroll, accounts payable, accounts receivable



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Short Term Investment Account

- This account's purpose is to have funds available for need up to 12 months.
- Funds are liquid, can access within 24 hours
- i.e., public fund savings or money market accounts



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Long Term Investment Account

- Funds tied up greater than 1 year in certain investment vehicles
- i.e., CDs, Treasuries, Investments



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Cash Management Products & Services



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Cash Management Products & Services

- “New Techniques and Technology are regularly developed, so cash managers must be able to adapt quickly.” – Investopedia



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Positive Pay Fraud Protection



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Check
Positive
Pay

Customer

- ↓ Cuts checks for payment
- ↓ Creates *Issued Check File*
- ↓ Uploads *Issued Check File* into PosPay System

Sample

	A	B	C	D
1	ISSUE DATE	CHECK NUMBER	PAYEE	AMOUNT
2	8/16/2018	1234	Sample Vendor	100
3	8/16/2018	1235	Sample Vendor Two	150
4	8/16/2018	1236	Sample Vendor Three	200

System

- ↓ Compares information against checks presented to the bank
- ↓ Match = Item Paid
- ↓ Mismatch = Exception Created
 - Email notification sent to customer for review
 - Customer pays or rejects item



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ACH
Positive
Pay

Customer

- ↓ Work with your bank to create Authorized ACH Rules

Sample

System

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Remote Check Capture



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- Allows customers to scan checks remotely
- Fast and convenient
- Checks are transmitted via encrypted connection
- Available next day



- "ELECTRONICALLY DEPOSITED" printed on the face of the check



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Online Wire
 Online ACH Origination
 Lockbox
 Cash Deposit Safe (Brinks)



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Online Funds Transfers

<p>WIRES</p> <ul style="list-style-type: none"> <input type="checkbox"/> Same Day Funding <input type="checkbox"/> Guaranteed Funds 	<p>ACH</p> <ul style="list-style-type: none"> <input type="checkbox"/> Extension of Credit <input type="checkbox"/> Pre-Funded <input type="checkbox"/> Next Day Funding <input type="checkbox"/> Same Day Funding < \$25,000 per participant
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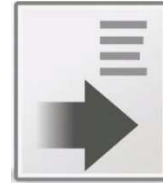
ACH Origination Options



NACHA Format/Pass-Thru

CSV File Upload of Payable/Receivable information

Template/Freeform



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Online Banking Fraud Protection

Dual Control

- 1 user initiates the ACH or Wire
- 1-2 users review and approve ACH or Wire

Daily Transaction Limits

- Business Level Limits
- User Level Limits



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Online Banking Two-Factor Authentication (2FA)

- What is 2FA?
 - <https://www.youtube.com/watch?v=0mvCeNsTa1g>
- A security system that requires two separate, distinct forms of identification in order to gain access of your account
- I.E. Text, App, Code



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Lockbox

- Lockbox collection system allows companies to quickly process payment from customers
 - Seeds up processing time for your payments
 - Improve receivable management
 - More efficiently process payments
 - Accurate and timely information
 - Reduces overhead
 - Can be costly



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Brinks Complete Cash Vault Services

- On-site deposits
- Armored car pickup
- Cash accepting hardware
- Change order delivery
- Hardware repair
- Dashboard and custom reports
- Mobile App
- User deposit accountability
- Standard Transaction Reporting



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Questions?



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Sweep Account Options



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Bank Sweep Accounts

- A sweep account is a bank account that automatically transfers amounts that exceed, or fall short of, a certain level into a higher interest-earning investment option at the close of each business day

- Money Market sweep
 - High-yield savings accounts and the interest you earn on your principal is greater than a traditional account



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Bank Sweep Accounts

- ❑ ICS-Insured Cash Sweep-Secure large deposits while maintaining access to funds and earn interest on funds placed into demand deposit accounts and/or money market deposit accounts
 - Excellent alternative to prime funds as well as repo agreement and other traditional investment vehicles



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Bank Sweep Accounts

- ❑ Zero balance account (ZBA)
 - Designed for companies that maintain a general operating account and separate accounts for payroll, petty cash or other purposes. All of the company's funds are concentrated into one operating account, and disbursements are made from subsidiary accounts, which always maintain a zero balance. This system allows for increased account control and reduces administrative expenses.



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Account Analysis Statement Review




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Statement Overview Relationship Summary

Westfield Bank

Master Company 1
1000 Banks Blvd
Wooster, OH 44691



WESTFIELD BANK

Account Analysis
May 9, 2019

Account: 277-C-1063
Cycle: April, 2019
Contact: Joseph M. Bilinovich

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Relationship Summary

Account	Name	Investable Balance	Required Balance	Excess / Total Activity Deficit
277-C-12345	Master Company 1	156,749	5,293,852	-5,119,687
277-D-56789	Company 2	14,453	1,154,482	-1,138,422
277-D-78909	Company 3	2,097	296,732	-294,402
277-D-34567	Company 4	4,256	282,537	-277,808
277-D-76543	Company 5	128,737	3,025,630	-3,382,589
277-D-67898	Company 6	756	2,028	-1,188
277-D-43212	Company 4	6,450	32,444	-25,278

Composite vs. Deposit

Relationship Summary

Balance Summary

Results Summary

Service Details

Historical Summary



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Statement Overview

Balance Summary

Balance Summary	
Average Ledger Balance	\$175,822.34
Less Average Float	\$1,657.10
Average Collected Balance	<u>\$174,165.24</u>
Average Positive Collected Balance	\$174,165.24
Average Negative Collected Balance	\$0.00
Investable Balance Basis	\$174,165.24
Less Federal Reserve requirement at 10.000000%	\$17,416.54
Less Non Qualified Balances	\$0.00
Investable Balance	<u>\$156,748.70</u>
Required Balance Basis	\$174,165.24
Less Balance Required For Services	\$5,293,852.46
Excess/Deficit Balance	<u>\$(5,119,687.22)</u>



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Statement Overview

Results Summary

Results Summary		Earnings Credit Rate
Analyzed Results		
Earnings Credit at 0.100000% of Earnings Balance Basis	\$12.88	
Less Total Analyzed Fees	\$391.60	
Analyzed Result	<u>\$(378.72)</u>	
Results Transferred In	\$(378.72)	
Total Analyzed Result	<u>\$(378.72)</u>	
Fee-Based Results		
Total Fee-Based Fees	\$0.00	
Fee-Based Result	<u>\$0.00</u>	
Fee-Based Results Transferred In	\$0.00	
Total Fee-Based Results	<u>\$0.00</u>	
The total analyzed charge of \$378.72 was posted to account 277-D-56789 on 05/07/2019.		



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Statement Overview

Service Details

Service Details					
Service Description	Base Fee	Volume	Price	Total Fee	Required Balance
General Account Services					
Cleared Items	0	38	0.1500	5.70	77,055.57
ACH Incoming Credits	0	65	0.1500	9.75	131,805.57
ACH Incoming Debits	0	28	0.1500	4.20	56,777.79
Business Checking Min Balance Fee	0	7,058	Flat	40.00	540,740.80
Business Checking Min Balance Fee	0	840	Flat	20.00	Waived
Treasury Management Services					
ACH Origination Services					
ACH File Automated Origination	0	7	2.0000	14.00	189,259.28
ACH Originated Credits	0	26	0.1500	3.90	52,722.23
ACH Originated Debits	0	7	0.1500	1.05	14,194.45
ACH Module	0	1	25.0000	25.00	337,963.00
Wire Transfer Services					
Incoming Wire Fee	0	1	10.0000	10.00	135,185.20
Wire Transfer Services International					
Outgoing Int'l Wire Fee (Online)	0	3	35.0000	105.00	1,419,444.60
Wire Transfer Services Domestic					
Outgoing Domestic Wire Fee (Online)	0	6	20.0000	120.00	1,622,222.40
Remote Deposit Capture Services					
RDC Deposited Items	0	20	0.1500	3.00	40,555.57
RDC 3-4 Accounts	0	1	50.0000	50.00	675,926.00



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Statement Overview

Historical Snapshot

Historical Summary								
Month	Average Ledger Balance	Average Collected Balance	Investable Balance	Excess / Deficit Balance	Earnings Credit Amount	Analysis Based Fees	Fee Based Fees	Service Charges Due
May	121,423	119,392	107,453	-4,563,467	9	358	0	349
June	109,409	107,149	96,434	-3,948,407	8	300	0	292
July	155,066	149,766	134,790	-3,729,177	11	296	0	285
August	197,615	195,723	176,150	-4,066,536	15	326	0	311
September	176,208	172,679	155,411	-4,586,516	13	352	0	339
October	181,132	178,405	160,565	-3,084,355	14	249	0	236
November	163,759	160,890	144,801	-5,063,342	12	386	0	375
December	111,737	110,061	99,055	-3,581,804	8	282	0	274
January	180,767	157,891	142,102	-4,143,615	12	329	0	317
February	181,526	179,294	161,365	-3,018,802	12	221	0	208
March	206,913	204,289	183,860	-4,717,979	16	376	0	361
April	175,822	174,165	156,749	-5,119,687	13	392	0	379



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Relationship Banking



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Relationship Banking

- Meet with your banker regularly
 - Don't have an assigned banker then ask for one
 - Someone that is dedicated to help
 - Understanding of your business needs and your local environment
 - Provide a single point of service for a range of products and services
 - Open line of communication
 - Set expectations
 - Meeting frequency
 - Provide financial advice
 - Benefit from our assistance and expertise



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Relationship Banking

☐ Benefits of having that relationship

- Relationship banking=Better rates and terms
 - Have the authority to reduce or waive fees
- Integral during emergencies
 - Willing to help you out of a tight spot
 - Fraud...Who would you call
- They know you and your business
 - Don't need to provide an explanation of who you are and what you do



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Relationship Banking

☐ Annual Review

- Review current pricing/rates
 - Look at competitors' pricing/rates
- Review account analysis statements
 - Review service charge amount
 - Review monthly items

☐ RFP Process

- Ensure that you have the right banking partner
- Ensure the new partner delivers the benefits you require
- Create a timeline
- Get decision-makers to sit in on final presentations
- Negotiate
- Explain to the losing banks why they lost



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Bank Scorecard

- A scorecard is in essence a report card for your bank
 - When used can effectively maintain a healthy relationship for both parties
 - Outline how performance will be measured
 - Track important metrics
 - Quality of service
 - Price
 - Promptness
 - Products and services
 - Product gaps
 - Share your business objectives



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Questions?



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The Impact of Fraud



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ACH and Wire Fraud

- <https://www.youtube.com/watch?v=IUJU-5e4vEY>



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Common Scam Techniques

- Business Email Compromise
 - Fraudsters passing themselves off as know vendor or client of the company
- Fake Invoice Scams
 - Utilize fake invoices with modified payment details
- Ransomware
 - Users click on links in phishing email, pop-up windows from suspicious websites and emails



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Repercussions of Cyber-Attacks

- Financial losses
 - Paying damages or fines
- Operational disruptions
 - Loss of systems required for daily activities
- Increased costs
 - Hiring experts to prevent re-peat attacks
 - Purchase of additional security programs



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Fraud Scenario

- On a Thursday morning you receive a call from a know vendor asking why they have not received their payment of \$12,456 that was due last week
- A week before the payment was due you received an email from that vendor notifying you that they had changed banks. They provided the routing and account number for the new bank and requested that all payments going forward should be sent to this bank



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Fraud Scenario

- You initiated an ACH payment to that vendor with the updated routing and account number
- What should you do next?



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Create A Fraud Response Playbook



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Quick Response Playbook

- The most critical thing for a company to do is to establish a systematic plan from the outset
 - Incident Identification
 - Triage and assessment
 - Plan of action
 - Resolution



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Incident Identification

- Quickly identify what has happened by compiling fundamental information pertaining to the incident
 - Nature of the incident
 - Personnel involved
 - Urgency
 - Informing key advisors

The purpose of this exercise is not to find who is at blame but simply to assess what to do next



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Tirage and Assessment

- Working toward preparing a specific and deliberate plan of action
- Significance or scale of the incident
- What is the overall financial impact
- What resources are needed to fix the problem
 - External advisors
 - Legal council
 - Forensic experts



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Resolution and Remedial Actions

- Preparing material for insurance claims
- Disciplinary actions
- Public relations issues
- Discussing lessons learned



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Prevention Is Better Than a Cure

- Employees are the biggest weak spot
 - More cost-efficient for fraudsters
- Adequately train employees
 - Training should be conducted on a regular basis
- Vital to incorporate ant-virus/anti-malware software
- Audit current processes



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Resources

- <https://www.investopedia.com/terms/c/cash-management.asp>
- [https://www.investopedia.com/terms/t/twofactor-authentication-2fa.asp#:~:text=Key%20Takeaways%2C%20Two%2Dfactor%20authentication%20\(2FA\)%20is%20a%20security%20system%20that%2C%20finger%20print%20or%20face%20or%20retina.](https://www.investopedia.com/terms/t/twofactor-authentication-2fa.asp#:~:text=Key%20Takeaways%2C%20Two%2Dfactor%20authentication%20(2FA)%20is%20a%20security%20system%20that%2C%20finger%20print%20or%20face%20or%20retina.)

