

# Cash Management 101

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# Introductions

Name: Jill, Dougherty, Speaker  
- *Institutional Banking Officer, MB Financial Bank*



Name: Kathy Grele, Speaker  
- *SVP Institutional Banking Manager, MB Financial Bank*



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- *Controller, Community High School District #99*



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# Objectives of Today's Session

- **Define Cash Management**
- **Explore Account Payable Options and Benefits**
- **Expedite Cash and Receivable Transactions**
- **Protect Accounts from Fraud Attempts**
- **Reconcile Accounts More Efficiently**
- **Maximize Interest**
- **Enhance your Liquidity Position**
- **Review Banking Best Practices**



# What is Cash Management?

The process of collecting and managing money to ensure a District's financial stability.

Cash management achieves optimal efficiency in two key areas:

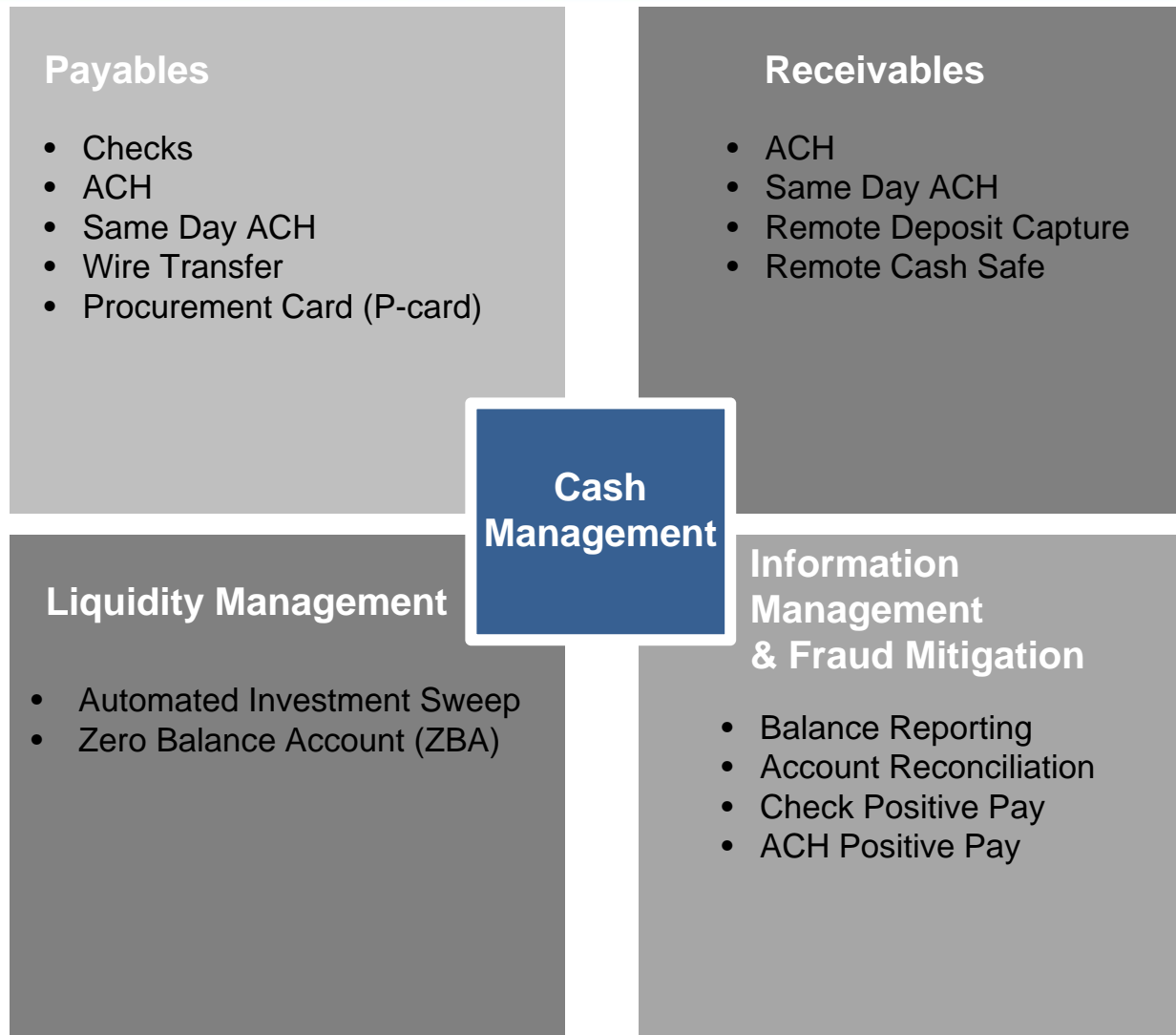
Receivables: money coming in

and

Payables: money going out



# Overview of Cash Management Tools



# Account Payables

Explore the most common form of payments.

- Different forms of payment include:
  - Check
  - ACH
  - Same Day ACH
  - Wire
  - Procurement Card



# Check

## Utilize checks for sending payment to individuals and businesses.

- Checks today are still the most common form of payment.
- According to an article from ACOM Solutions and the Wall Street Journal, it costs a Company approximately \$7 per each check written<sup>1</sup>. (i.e. The District writes 1,000 checks per month equates to \$7,000 in costs (\$84,000 annually).
- The cost to issue a check is attributed from:
  - Check Volume
  - Labor (usually the largest expense item)
  - Check & Envelopes Supplies
  - Printing
  - Mailing prep
  - Postage fees
  - Bank processing fee
  - Check reconciliation
  - Dealing with lost checks
  - Vendor questions
  - Escheatment tracking



1. Solutions, ACOM. "Issuing Check Is More Costly to Businesses than Making Electronic Payments." ACOM Solutions Inc., 18 Dec. 2017, [acom.com/cost-issuing-checks/](http://acom.com/cost-issuing-checks/).



# ACH

**Originate ACH transactions for payroll, recurring vendors, transfers between fund accounts or external banks.**



- ACH transactions can be originated online through:
  - 1.) Templates for one-time or recurring
  - 2.) Upload a NACHA file from the District's accounting system
- District can reduce the cost of issuing, mailing and clearing checks for employees, vendors and taxing authorities
- Enhance security on ACH Transactions by requiring dual approval (one user creates the payment and a second user approves)
- Quickly process ACH Transactions for next day settlement (up to 6pm or your Bank's ACH cutoff)

# Same Day ACH Services

**Utilize Same Day ACH for emergency payroll, smaller bond payments, or other urgent payments.**

- Debit and Credit ACH file cutoff is 11:00 AM
- Transactions are processed and available at end of the business day
- Reporting available through bank online portal

## **Exclusions:**

- Transactions above \$25,000

# Wire Transfers



**Utilize wire transfers for sending immediate payment (i.e Bond Payments).**

- Wire payments are immediate transfer of funds and non-reversible.
- The District can send wire payment through the Bank's online channel by creating an template for one time use or storing a template for reoccurring use
- Wire reports provide a valuable audit trail and include the Fed Reference Number
- All wires are recommended to be processed under dual control to protect the District's funds from any fraud attempts

# Procurement Card



**Provides Districts with greater spend control by setting merchant category code (MCC) and velocity restrictions.**

P-Card	Purpose	Benefits
Purchasing	Replace checks, ACH and other alternative methods of payment in the A/P process	Cost savings for each payment converted from check or ACH to Procurement Card
Travel & Entertainment	Company travel and entertainment expenses	Expense reduction resulting from employee compliance with expense policy
Transportation	Fuel expenses for District transportation vehicles	Reduced employee fraud and increased compliance with expense policy due to MCC restrictions

# Account Payable Options and Benefits

	Check	ACH	Same Day ACH	Wire	P-Card
<b>Settlement</b>	Up to 6 months	Next Day	Same Day	Immediate	Immediate
<b>Cost</b>	~\$7 per check	Less than \$1	\$1-2	\$5-15	\$0/Potential Vendor Fees
<b>Benefits</b>	Additional float time	Transactions can be reverse if needed (24 hours)	Emergency Payroll	Bond Payments	Annual Cash Rebate

# Account Receivables

Avoid making trips to the bank and process check and cash deposits quicker through:

- RDC (Remote Deposit Capture)
- Remote Cash Safe



# Remote Deposit Capture

**Make check deposits from the convenience of your District office or school 24 hours a day, seven days a week.**

- Scan checks in from a desktop scanner
- Process prior to 7:00 p.m. for same day credit
- Reduces the number of bank visits to process deposits
- Ability to deposit check into multiple accounts from one scanner
- View check images online through banking portal



# Remote Cash Safe

**Receive provisional availability on daily cash before it has been deposited at the bank.**

- Protect your employees and the District's assets by securing cash at the earliest opportunity
- Increase your funds availability by automating the cash handling process.
- Streamline balancing and reconciliation with built-in note reader/validators for easy tracking of transaction and financial information
- Monitor daily cash flow activity, including deposit detail, by schools/facilities





# Risk Mitigation

**Positive Pay services reduce the risk of fraud attempts on the District's accounts.**

## Check Positive Pay

- Reduces the risk of loss from the payment of unauthorized checks
- Online images for exception decisioning
- Alert notification of exception items

## ACH Positive Pay

- Reduces the risk of unauthorized ACH debit transactions
- Review unauthorized ACH debits prior to transaction being returned unpaid
- Ability to pay ACH items one time, ongoing or with a dollar limit option
- Alert notification of exception items



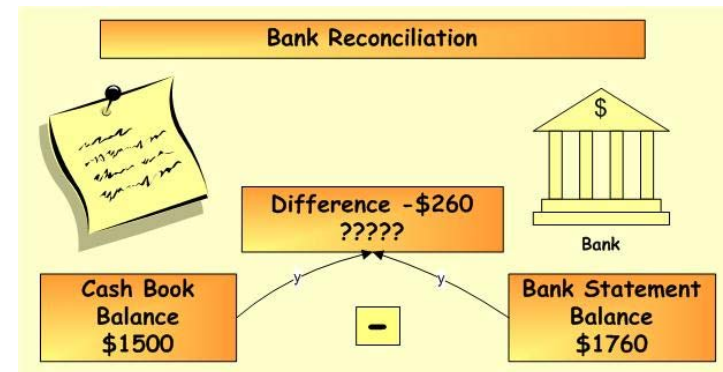
# Account Reconciliation Services

Automate your District's internal process by providing an electronic file with all items paid during the month.

- The District will receive information through electronic reports or files that is specific to your accounting software.

- Full Account Reconciliation Service:

- Checks outstanding
- Exceptions
- Adjustments
- Provide a detailed report or an electronic file for quick upload into accounting software



- Partial Account Reconciliation Service:

- Provides a file of paid items to be uploaded into your accounts payable system

# Maximizing Interest

- Automated Investment Account

As interest rates increase, review your cash balances for opportunities to earn interest through an automated investment sweep. This account transfers balances over a set peg balance into an interest-earning account at the end of each business day.

- Cash Flow Analysis

- **Investment Policy** Review/Update

- Safety Liquidity Yield (SLY)

- CDs

- Public Investments

- TAWs



# Liquidity Management

Manage and enhance your District's money with the following:

## Zero Balance Account (ZBA)

- Reduce inter-account transfers through a zero balance account structure that automatically moves balances from a master account to cover outgoing expenditures. Most commonly used for payroll and vendor accounts.

## Maximize Earnings Credit

- Utilize an Earnings Credit Rate (ECR), which is considered “soft” interest, on your non-interest bearing account balances which help reduce your cash management service charges each month.



# Best Practices – Online Banking

- Implement dual control on all payments
- Do not open unknown or suspicious e-mails
- Restrict PC administration and download access
- Protect internal networks and restrict access
- Install anti-virus and anti-spyware software and keep it updated
- Use strong user passwords and change them regularly
- Token authentication on Web logon and release for ACH and Wire customers
- Deploying optional downloadable security plug-in



# Best Practices - Overall

- Keep IDs, passwords, codes and cards safe and secure
- Store all financial documents in a secure area and dispose of outdated paper
- Establish a company security policy including hardware, personnel, and facilities
- Implement a third party or independent review and audit process
- Know your employees
- Know your vendors
- Review bank accounts daily
- Eliminate paper and access information online
- Keep resolutions, signatures, and agreements up to date
- Implement dual control on all payments
- Implement a third party or independent review and audit process
- Separate authorization, account reconciliation, and reporting functions from payment processing (**ABC**)

# *Questions and Answers*

*We thank you for your time!*

# Presenters:

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