

Treasury Management

*Cash Management Industry
Treasury Management products and services
designed for Municipalities
Fraud Prevention and Cybersecurity*



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Treasury Management Team



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My Background

- Bachelor of Science degree in Business Administration and Accounting and MBA
 - ABA Certified Relationship Sales Trainer
 - ABA Certified Small Business Banking Trainer
 - ABA Certified Bank Marketer
 - Moody's Financial Certification in Commercial Lending
- Beginning of my career, the bank had 4 commercial deposit and cash management products; now we have over 20 distinct product lines
- 23 years of experience in customer service, treasury management, audit, compliance, asset and liability management, operations, management information systems, contract and legal research, management, training, presentation, marketing, public relations, and sales
- Focus on small businesses, corporate banking, non-profits, and municipalities
- Board positions Chamber of Commerce, YWCA, Advocacy Network for Children, Horizons Social Services, Culver-Stockton College Advisory and Alumni

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Treasury Management

- Value added products and services that help the entity to be more efficient and protected.
- Highly specialized area designed to meet the individual investment, operations and risk management needs.
- Benefits include automating account and operations functions, integrating bank and financial data, improving cash management positions and forecasting, and providing fraud prevention services.

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Treasury Management Product and Services Benefits

- Assist with investments, disbursements, collections and information reporting.
- Streamline the payment process and reduce time spent on authorization, initiation, and reconciliation.
- Improved information (real time) and forecasting to help make better decisions on borrowing, investing, and paying down debt.



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Traditional Bank Treasury Products and Services

- Cash Management
 - ACH and Wire Origination
 - Positive Pay
 - Dual Controls and Security
- Remote Teller and mRDC
- Remittance and Lockbox
- Merchant Services
- ZBA and Sweep Services
- ACH Filters
- Debit and Credit Cards
- Investments: CDARS and ICS

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Electronic and Traditional Lockbox Payment Solutions

Wholesale – without coupons, fewer items, larger dollar amounts

i.e. doctors office, machine companies, trucking companies, etc.

Retail – with coupons, hundreds of items, smaller dollar amounts

i.e. insurance companies, utilities, tax payments, etc.

Electronic Lockbox – concentrate electronic bill payers (RPPS, MasterCard, Fiserv, etc.) into one ACH payment file and a data file

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Lockbox

1. Municipality sends billing out. Their customer writes a check to pay the bill with the coupon and puts it in the mail.
2. The payment goes to a PO box.
3. Lockbox provider sends a courier to the post office to pick all mail up for the day.
4. They sort it all by payee.
5. They scan all work including check, stub and correspondence

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Lockbox

6. Once all work is processed at the end of the day, Lockbox vendor will send an ACH to the bank for the deposit.
7. The next day all the reports, images, totals, etc. will be available for the customer.
8. Details are out on the platform for length as customer.



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Business Value Proposition

- Daily Average Deposit Value
- Mileage to and from the Bank
- Average time making a deposit and posting payments
 - Reduce data keying
 - Streamline account receivables
 - Quicker reporting and research
- Remittance vs. Lockbox

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Business Value Proposition

Trips to the bank (30 min/day, 21 work days, \$8/hour)	\$84
Deposit preparation (4 hours/day, 21 work days, \$12/hour)	\$1,008
Mileage (3 miles, 21 work days, \$.555 per mile)	\$35
Estimated Monthly Savings	\$1,127
Estimated Annual Savings	\$13,524
(conservatively does not include enhanced efficiency for reporting, data entry, cash management, etc.)	
Estimated Time Savings 80+ hours/month	

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Specialized Merchant Services and Payment Systems

- According to NACHA, it takes approximately \$2.22 to process a paper check.
- Check writing has declined nearly 50% in the last five years while credit card transactions have increased nearly 10% each year in the same period.
- Options for traditional and virtual terminals, wireless and mobile device integrations, and fully integrated web sites.

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Key Considerations

- Processing
 - Service Fee Model (additional fee to consumers as separate transaction)
 - Next day funding
 - Competitive pricing
 - Recurring payment (debit, credit, ACH, e-check)
- Compliance
 - PCI Compliance
- Usage
 - One platform for multiple payment channels
 - Upfront costs, ongoing maintenance, upgrades
 - Funding timeline
 - Level of technical expertise
 - Notifications available (other events: power outage, elections, road closings)
 - Read rates 98% SMS Text vs. 20% Email
 - Own your own domain, search engine optimization, link to social media
 - Analytics package to verify Return on Investment (ROI)
 - Statistics of other similar sized municipalities nearly double the use of electronic payments in 6-12 months

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Accounts Payable Automation

What is it? Municipality uploads file of vendors to software company. Company then contacts vendors to accept payments by:

- one-time use VISA (interchange revenue sharing)
- ACH
- Paper Check

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Key Considerations

- System Compatibility
 - Type of file format
- Security (multi-factor, token, etc.)
 - Length of account history
 - Fraud mitigation limits
- Disaster recovery
- Communication to vendor
- Funding from company to municipality
 - Checks not cashed or ACH returns
- Fees for the service and revenue sharing

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Key Considerations

Pros of Outsourcing

- Cut Costs
- Gain efficiency
- Automated tracking
- Tighter controls
- Expanded resources

Cons of Outsourcing

- Loss of control communication with vendors
- Error reporting issues and exceptions
- Dependence on the software vendor
- Chance of duplication



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Fraud Prevention: ACH Fraud

John Smith, My Small Business, LLC. originates direct deposit payroll.
He sends his accountant the following email:

From: John Smith [mailto:john.smith@mysmallbiz.com]
Sent: Monday, February 05, 2018 4:20 PM
To: Credit, Sally <scredit@accountants.com>
Subject: Bonus Payroll

Dear Sally,
I need you to send a bonus payroll file of \$17,432.64
to the following:

Bank of America
Routing Number 081904808,
Account Number 1234566677

John Smith
President
217.222.2222 | john.smith@mysmallbiz.com
My Small Business, LLC
1222 S. 48th Street | Springfield, IL 62702

RED FLAG! "Bonus Payroll" and non-matched email address
ACH Fraud was caught by the bank and saved the customer
\$17,432.64!! 24 HOURS TO DISPUTE

MITIGATOR: Dual controls and ACH Limits



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Fraud Prevention: Wire Fraud

Jane Doe, Small Business, LLC, utilizes her financial institution to wire money to
new and existing vendors. She sends her staff accountant the following email:

From: Jane Doe [mailto:jdoe@smallbusiness.com]
Sent: Wednesday, August 08, 2018 3:34 PM
To: blanket@bankaccountants.com
Subject: RE: Payment

Below is the information that we spoke about.
Thank you,
Jane

Jane Doe
Accounting
Small Business, LLC
123 Main St.
Small town, IL 55555
555-555-5555
jdoe@smallbusiness.com

From: csmith@smallbusiness.com
Sent: Wednesday, August 08, 2018 12:48 PM
To: jdoe@smallbusiness.com
Subject: RE: Payment

No, This is a new vendor, I will send other details later
today.
Beneficiary: Samantha Stephens
Beneficiary Address: 555 Test Dr, Small town, FL 55555
Bank Name: Queensborough National Bank & Trust
Bank Address: 9999 Example St, Small town, FL 55555
Account Number: 900000001234567
Routing Number: 01234567
Amount: \$15,600.
Email me when the transfer is processed.

RED FLAG! New vendor and out of market account.

MITIGATOR: The bank verified the wire instructions with the customer and it was
discovered the wire request
was fraudulent.



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Fraud Prevention: Wire Fraud

John Smith, My Contractor services Inc, sends wiring instructions to his client for payment. He sends the following email:

Forwarded Message

From: Chris Smith [mailto:john@mycontractorservices.com]
 To: Client@mybusiness.com
 Re: My Invoice 1010 (23452) +0000 (UTC)
 Subject: Re: Address

Tom & Melissa,

I have removed under colored wiring and switch cord. All other (bags) were worked. The absence is not part of this draw. You will address how you want to install wall tile when we get ready to do it. It's forward paper quite, but all samples and plans you can see when you come down on the job.

Here are the necessary banking information you will need to process the wire.

United Bank
 Bank Address: 11111 Main Street, Anytown, MN 55555
 Branch/any Address: 9999 Plaza Drive Anytown, MN 11111
 Account Name: My Contractors Inc.
 Account Number: 12345678
 ABA/Routing Number: 01111222
 Swift Code: ABCDEF11

Kindly send me a wire transfer confirmation slip when the wire transfer has been processed.

Thanks,
 John

RED FLAG! None- Email was legitimate
 Fraudster hacked into the email between the customer and the contractor and changed only the account number. This technique is called "Man in the Middle".

MITIGATOR: ALWAYS Call and Verify with Receiver. Once a wire is transmitted, the bank has no recourse.

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Fraud Prevention: Check Fraud

While reconciling your account, your accountant notices two checks not recorded that are out of sequence.

Check #3458 is made payable to John Jones for \$1,148.00.

Check #3459 is made payable to Scott Smith for \$1,478.00.



RED FLAG! Check numbers out of sequence. No record of issuing those checks.

MITIGATOR: Positive Pay

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Fraud Prevention Tools

- Positive Pay and Reverse Positive Pay
 - Include payee verification
- ACH Filters/Blocks
 - Company ID, SEC Code and Dollar Range
- Dual Controls
- Internet Banking Alerts
- Time Out Lockdowns
- Tokenization and Security Codes
- Call Back Procedures
- Specialized Accounts
- Stand-Alone PC
- Multi-factor Authentication

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SidebySide

Sample Topics for Discussion with my Banker

- What services do you provide or can refer to me that may make my processes more efficient?
- What fraud prevention services could protect our entity?
- Is there a better account type or service package to save us money?
- Are we taking advantage of all of the available features of our current treasury management package?
- Is there a means to earn a better return on our funds?

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SidebySide

At your service



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