



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Banking Services

Melinda Andrews October 2017



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Types of Services

- Account setup & maintenance
- Deposits & Disbursements
- Wires, ACH's, EFT's, drafts & transfers
- Safekeeping
- Lockbox
- P-Card
- Credit cards/Merchant services
- On-Line services
- Monthly statements



What do I need?

- What do you have?
 - Monthly statement
- Ask your stakeholders
 - Other departments
 - Component units
 - Council, Boards & commissions
- Ask your vendors
- Cheat!!
 - Talk to other gov'ts
 - Ask around on the list serve

Types of Accounts

- Main account used for disbursements & deposits (could have more than 1)
- Zero-Balance
- Interest bearing
- Endowments
- Escrow for developers
- Bond proceeds
- Special non-interest bearing accounts
- Employee accounts
- Separate operational accounts
- CD's
- Trustee accts





Funds Coming In

- Can your software and/or business processes accommodate?
- Check processing
 - Check conversion to ACH?
- Direct drafts from customers
- Wires & EFT's from customers
- On-line payments
- Credit cards & Debit cards
- Lockbox – Ebox
- Investment maturities

Deposit Issues

- When & what
 - Daily, weekly
 - % checks, cash, etc.
- Timeliness
 - immediate credit for maturing investments
 - When is the latest I can deposit?
- Returned items
 - daily reports
 - redeposit policy
- Remote Safe
- Check, coin, cash, electronic
 - Special coin services (counting, sorting)
 - Acceptance of electronic transmissions
- Courier\Armored Car
 - Cash or checks
 - can you handle internally
 - safety/security



Lockbox

Wholesale

- low transaction volume
- large dollar amount per transaction
- ex: Landfill collections
- manual process

Retail

- high transaction volume
- small dollar amount per transaction
- ex: water bills, tax payments
- electronic



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Lockbox Issues

- Need to do cost benefit analysis
- Reduce deposit lag time
- May help avoid adding additional personnel
- Location of lockbox
 - Board concerns
 - Public perception
- Partner with another government



E-Box and Receivables manager

- Your customers pay their bills with online banking services.
- Online bill service providers send payments electronically to units bank
- Bank applies an optional multistep validation process to payments received, as appropriate. The process identifies, filters, and repairs invalid payments or other exceptions.
- The bank consolidates your receivables data from multiple sources into a single file, and then translates it into your specific format.



E-Box (cont.)

- You receive a customized remittance file with correct account numbers and settlement. You apply credits to your customers' accounts.
- The bank processes a consolidated automated clearing house (ACH) credit to your deposit account.
- Coordination with your software regarding accounts
- May save HOURS daily & weekly
- You can have even if you don't have lockbox..... may be worth it!

Credit Cards

- Don't have to go with your main bank
- State contract
 - SunTrust
- Good uses
 - Web
 - mail-in registration
 - deposits over phone
- Use as outsourcing delinquent collections
- Get Debit compatible swipe machines
 - lower bank fees
- Third party credit card vendor can absorb the discount.
- Who is using Chip reading machines – who is not?



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Merchant Fees

- Accounting for Merchant fees - put 100% in your revenue and charge the discount rate to expense
- Convenience fees or not??
 - Used to be related to mode... not type
 - Now VISA/MasterCard allows for gov't
- Build merchant fees into your service/program fees
- Watch out for software partnerships
 - May not be able to go under state contract
- Be prepared – fees can grow



Check Conversion

- Converts checks to ACH
 - Cancels customer's ck
- Presents first (ACH is deducted before checks when banks settle at night)- helps reduce bad checks
- Need equipment and software
 - Bank or other software partnerships
 - Lease to have flexibility to update
- May or may not be cost beneficial



Funds Going Out

- In-house checks/manual paper checks
- Disbursement outsourcing
- Epayables
- Invoice Mgr – Invoice Automation
- EFT to vendors (usually through main software)
- Same day ACH — additional cost – next slide
- Direct drafts by vendors or ACH pushes
 - Pcard payment
 - Utilities
- Wires (most expensive)
- Book transfers?? (really cheap)
- P-card charges
- Petty cash



Same Day ACH

- Implementation:
 - Phase 1 will become effective on September 23, 2016 (credit entries with funds available at end of RDFI processing day);
 - Phase 2 will become effective on September 15, 2017 (credit and debit entries with funds available at end of RDFI processing day);
 - Phase 3 will become effective on March 16, 2018 (credit and debit entries with funds available at 5:00 pm RDFI local time).
- Only International and amounts over \$25,000 are not eligible.



Same Day ACH

- Common Uses according to NACHA:
 - **Same-day payrolls**, supporting business' needs to pay hourly workers, and providing flexibility for late and emergency payrolls and missed deadlines; and enabling employees to have faster access to their pay in these cases;
 - **Business to-Business payments**, enabling faster settlement of invoice payments between trading partners, and including remittance information with the payments;
 - **Expedited bill payments** using both ACH credits and debits, enabling consumers to make on-time bill payments on due dates, and providing faster crediting for late payments; and,
 - **Account-to-account transfers**, providing faster crediting for consumers who move money among various accounts they own.

Disbursement Tools & Issues

- Zero balance accounts
- Positive pay
- Fingerprinting
- Controlled disbursement
- Check supplies
 - copies?
 - Statements
- P-Cards
- Cleared checks
 - images on CD
 - paper storage
 - on-line inquiry
 - Records management issues
- Should we outsource?



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Disbursement Outsourcing

- The bank processes disbursements
 - Separate software may be needed
 - Banks generally partner with someone
- Bank writes & mails checks
- Bank processes ACH's & wires
- Business processes may need to change!
 - remittance advices / EDI
 - check stub info
 - pre-plan with good communication to vendors



E-Payables

- Paying vendors with a merchant/credit card “account”, except there is no card
- Vendors have an account that they can control
 - Vendors sign in and draw down funds
- Does not have to be with “main bank”
 - Go with PCard bank in order to maximize rebate
- Bank does all of the contact & setup work



Does E-Payables make sense?

- Why would Vendors chose E-Payables over ACH?
 - It may help them in processing electronic payments through their system (we struggle with this)
 - Gets them out of potential 1099 issues (bank is responsible)
 - Merchant fees are just a part of doing business
- Is it worth the implementation time & cost?
 - No cost...just a small amount of IT time
 - Bank does all of the vendor contacts
 - Since there is little investment, if vendors drop out, you don't really lose. It is likely that they would switch over to another form of electronic payment.
- Eventually this may go away...catch it while you can!

P-Cards

- Don't have to use main bank
- State contract is Bank of America
- Experience in local government
- Flexibility in authority levels
- Fees
 - joint bidding
 - try to get \$0/card
- Electronic download to general ledger
- Automated distribution system to card holder
- On-line access
 - all kinds of reports
 - authority/limit
 - exceptions
- References
- Integration w/system



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Fraud Control

- POSITIVE PAY WORKS!
 - Check number & payment amount match
 - Vendor match
 - Positive Pay for ACH
- Check paper and ink is still important, just don't overdo on bells & whistles
- Bank should handle investigations once detected
- Need good internal control policies
 - Especially for areas like Pcards
 - Be mindful of security of cks, acct #'s, etc
- Security of sensitive information issues



Reconciliations

- FULL
 - Positive pay
- Partial
 - disbursement side
 - paid listing
- Determine how to transmit & share info with your bank
- RECONCILE ON A TIMELY BASIS!
- Reconciliation means that you reconcile the bank balance **to the general ledger** balance

Safekeeping

- Main bank vs. third party
- Market values
- On-line services
- How are fees charged?
 - per transaction
 - based on market value
 - discounts
- Location



On-Line Services

- Effects ALL services
- Wires/ACH's
- Reports
 - check/ACH returns
 - intra-day balances
 - previous day balances
 - positive pay
- Safekeeping
- Lockbox
- Other services
 - check inquiry
 - stop payment
 - acct transfers
- Business continuity
 - Can do from home
 - Phone Apps
 - Make sure you have a backup plan



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Statements & Fees

- Monthly analysis
 - Banking services
 - Merchant services
- Check your prices!
 - Watch out for FDIC insurance....most banks are passing this on now
- How to Pay?
 - Actual dollars (drafted out each month)
 - Compensating balance
 - Earnings credits (basis points)



How to pay for fees?

- This is a real expense that should show up as an expense, regardless of how the fees are paid
- Earnings Credit/Compensating Balance
 - Banks may not be able to offer you more interest, but they have more flexibility with the earnings credit
 - Record earnings credit as interest....you are making an investment decision!
 - Really helps offset the FDIC hit



How to Account for Merchant Fees?

- Make your revenue whole
 - Don't want it to look like your collections are down
- Record the "discount" as an expense
 - That is what it truly is!
 - No different than check processing fees
- Where in your general ledger do you post the banking fees?
 - Finance vs allocating out to function based on revenue type



Other Services

- Mortgage programs (for employees or community)
- Employee programs/benefits
- Trustee services
- Investment management and broker services
- Installment purchases
- Underwriter
- Financial advisor

The above services can be tied into contract but try not to link these services to the contract.



Yahoo – Wells Fargo Headline News

The screenshot shows the Yahoo Finance website for Wells Fargo & Company (WFC). The main header includes navigation links for Home, Mail, News, Sports, Finance, Weather, Games, Groups, Answers, Screen, Tick, Mobile, and More. Below the navigation is a search bar and a secondary menu with links for Finance Home, My Portfolio, Market Data, Yahoo Originals, Business & Finance, Personal Finance, CNBC, and Contributors. The main content area displays the WFC stock price at 53.17, up 0.19 (0.36%) from the previous close. It also features a 'Beat the market' button and a 'Get the app' button. The 'Headlines' section lists several news items, including 'Early Glance: Banks companies AP (Mon 11:05AM EDT)', 'Wells Fargo Commercial Banking Taps Kim Abello to Head ESOP Unit Business Wire (Mon 9:25AM EDT)', and 'Wells Fargo Names Monica Cole Division Manager in Southern Region Business Wire (Mon 9:11AM EDT)'. A 'Yahoo! Weather' sidebar is visible on the right, displaying the forecast 'The forecast is beautiful.' and a 'Check it out' button.



Keep in Touch

- Schedule periodic meetings/calls with your bank reps
 - Quarterly or semi-annually
- Know how to do things “manually”
 - Business continuity
 - Know who to call, telephone services, etc.
- Investigate new services
 - Constant new changes



Request for Proposals

- PLAGARIZE!!
 - Look in list serve archives or put in new request
- Team up with other jurisdictions in your area
- Review your current bank services
- List your needs & wants
- Think about efficiency improvements
- State your requirements clearly
- Assign a contact person



Request for Proposals (cont.)

- Hold a pre-bid conference
 - point out significant items
 - talk about terms & conditions
- Standard cost form
 - mandatory
 - make them conform to your terms
 - electronic
- Negotiation is OK
 - do it jointly too!
- Cost is not everything
 - references & your experience
 - customer service record



Why a Joint RFP?

- Works well if you have jurisdictions with similar goals & operations
- Enjoy good pricing due to combined volumes
 - banks more eager to cut fees to get the “joint” business
- We serve the same citizens
 - big picture is better for them
- Learn about different services



Joint RFP Process

- Establish goals
- Develop a timeline with deadlines
 - go backwards
 - commit to meetings, conference calls, e-mails
- Commit to a joint decision
- Establish RFP format
- Assign pieces to each unit



Joint RFP Process

- Understand ALL operations
 - odd services
- Draft review
- Understand terms & conditions and the mandatory requirements
 - be prepared to reject bids
- Stay in close contact with other units



Why it hasn't happened recently?

- Avoidance due to the pain associated with changing banks!
- Software changes/implementations – everyone's timing is different
- Wake County went through an RFP process and the "winner" must offer same pricing as the county
 - Benefits all of us cities without having to go through RFP process!!