

Have you had a “check-up” recently?

Understanding Treasury Diagnostics



Mark K. Webster, CPA, CCM, Partner
Robert Novaria, Partner
Treasury Alliance Group LLC
Specialists in Payments and Treasury Consulting

Risk Assessment Survey

- We have positive pay on all of our bank accounts.
- We have ACH blocks or filters on all of our bank accounts.
- We reconcile all of our bank accounts daily.
- We have current agreements on file for all of our bank accounts.
- We have confirmed the signers on all of our bank accounts within the last twelve months.
- We use dual authentication on all funds transfers.
- We have reviewed and updated our A/P vendor master within the last twelve months.
- We request W-9s from all new vendors.
- We have compared our A/P vendor master to our employee file within the last twelve months.
- We require the use of strong passwords for all log-ons.
- All passwords must be changed at least every 90 days.
- We have installed anti-virus software on all of our machines including staff equipment used for business and the subscriptions are current and set to auto update.
- We review and update our risk management policies annually
- We have conducted a treasury risk assessment within the last year.

And the survey says...

Score 1 point every time you answered no

1-3: You should consider changing some things

4-6: Your operations could use some
improvements

7-9: Your company is at risk

10+ Are you sure you haven't had a loss and just
don't know it yet?

Agenda

- Introduction
- Types of Diagnostics
 - Treasury Risk Assessment
 - Treasury Operations Review
 - Treasury Diagnostic
- Closing thoughts
- Q&A

INTRODUCTION



When did you last hear

I'm in perfect health ...

I haven't had a check-up in years!



Check-up

check-up noun \ˈchek- ,əp\
an examination of a person
made by a doctor to make sure
the person is healthy; also : an
instance of looking at the parts
of a machine to make sure it is
working properly

Merriam Webster Online Dictionary

Why a periodic check-up?

- Check-ups help confirm that everything is OK and catch problems before they become an major issue – or a result in a loss
- Problems typically develop over time
- A second set of eyes is always helpful
- New ideas and alternate approaches can be valuable
- Policy requirement
- Senior management tool

Treasury Risk Assessment

- Focuses on operational risk in the context of overall treasury operations
- Primary goal is to identify potential risk and recommend mitigation
- Operational improvements are often a side benefit

Treasury Review

- A high-level review that focuses on the efficiency and effectiveness of existing treasury operations – including risk
- Primary objective is to identify potential improvements to existing treasury processes and procedures
- May identify potential operating risk as part of the review
- Often self-funding
- Typically takes a day or two and may not include on-site reviews.

Treasury Diagnostic

- Deeper dive into existing treasury operations
- Quantifies and prioritizes recommended improvements
- Typically takes several weeks and always includes on-site reviews and interviews.
- Provides a road map for future improvement

TREASURY RISK ASSESSMENT

Fraud is major problem

- The Association for Financial Professionals (AFP) reports that 74% of organizations were exposed to payments fraud in 2016
- The Association of Certified Fraud Examiners (ACFE) reported that the typical organization loses 5% of revenue to fraud each year
- ACFE also reported that smaller organizations suffer disproportionately large losses
- Both groups found that the presence of anti-fraud controls reduced losses.

Source: 2017 AFP Payments Fraud and Control Survey
ACFE 2014 Global Fraud Study

But not the only problem

- Operational Risk
- Counterparty Risk
- Regulatory Risk
- Interest Rate Risk
- FX Risk
- Financial Institution Risk
- ...

Risk Assessment

- Focuses on identifying areas of potential risk in a company's treasury operations
- Typically includes a review of existing policies and procedures as well as an on-site review
- Issue is risk not operational efficiency
- Goal is to identify potential problems and fix them – not assign blame



Points to consider

- Due to relatively recent regulatory and legal changes, companies are exposed to an increased share of payment risk
- This is especially true if reasonable controls are absent or not working
- Planned changes in card processing will also increase corporate responsibility for card fraud
- Many insurance companies now suggest, and may require, periodic risk assessments

TREASURY REVIEW



What do I get?

- A high-level review that focuses on the efficiency and effectiveness of existing treasury operations
- Typically takes a day or two and may not include on-site reviews.
- Primary objective is to identify potential improvements to existing operations but may identify risk issues as well
- May focus on a specific area
 - Receipts
 - Disbursements
 - Reconciliation
- Often self-funding

Assess the situation

- Starts with your account analyses
- How many accounts do you have?
- How much are you paying for bank services?
- Are your fees reasonable?
- Are there excess idle balances?

COMMERCIAL ACCOUNT ANALYSIS
 STATE STREET BANK
 ACCOUNT OFFICER NAME (YYYY MM-DD)

ACCOUNT NAME
 ACCOUNT # (FED ID)
 ACCOUNT TYPE (REG)
 CDTN (CASH) (NON-CASH)

ACCOUNT ANALYSIS
 OPENING BALANCE
 CLOSING BALANCE

PERIOD: 01-01-18 TO 01-31-18
 ACCOUNT NUMBER: [REDACTED]
 REPORT DATE: [REDACTED]

ACCOUNT #	ACCOUNT NAME	CURRENT BALANCE	OPENING BALANCE	CLOSING BALANCE	PERIOD
001	REVENUE ACCOUNT ONE	\$1,000.00	\$1,000.00	\$1,000.00	01/01/18 - 01/31/18
002	REVENUE ACCOUNT TWO	\$1,000.00	\$1,000.00	\$1,000.00	01/01/18 - 01/31/18

PERIOD: 01-01-18 TO 01-31-18
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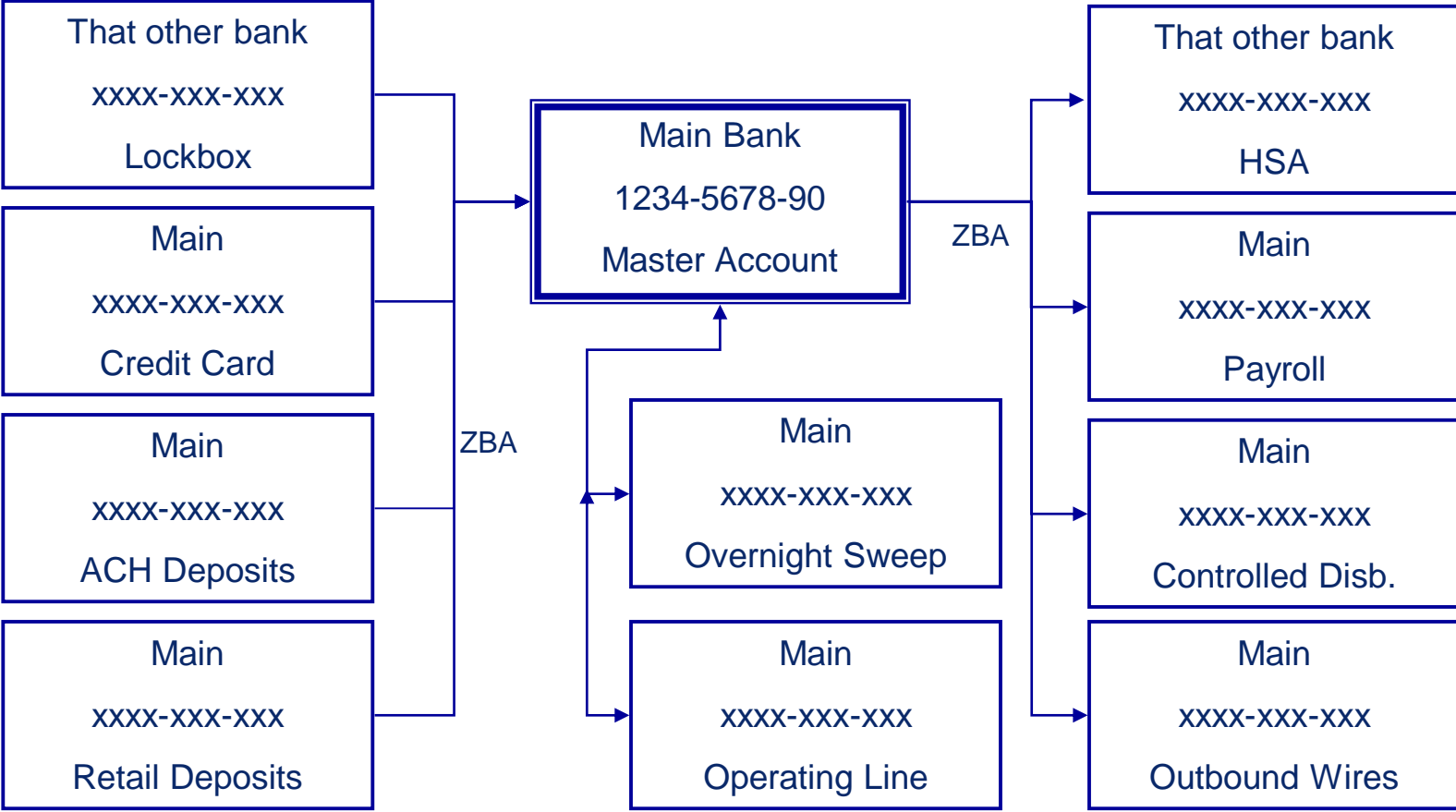
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Funds Flow Diagram

Receipts

Disbursements



Assess the situation

- How does money move through your company?
- What systems/processes are critical to that movement?
- What banking services do you currently use?
- Which (and how many) banks do you do business with?
- How much time do you spend on treasury management?
- What's your biggest headache?

Look for improvements

- Are you paying for services you're not using?
- Are you leaving excess balances lying idle?
- Do you have too many accounts?
- Do you have the right accounts?
- Are there new services that will make their life easier?
- What are their peers/competitors doing?
- How can you fix their "big" headache?

Develop an action plan

- Prioritize the recommendations
- Look for “low hanging fruit”
- Keep it realistic
- Make it self funding if possible

TREASURY DIAGNOSTIC



What's the difference

- A treasury diagnostic is a deeper dive into treasury operations.
- Typically takes several weeks and always includes on-site reviews and interviews.
- Quantifies and prioritizes recommended improvements
- Provides a road map for improvement
- May be done in response to a specific problem
- Often done as part of a larger engagement such as a banking RFP

Assess the situation

- Understand what's being done today
 - The "As-Is"
- Visualize the desired or ideal situation
 - The "To Be"
- How do we get there?
 - What are the gaps?

Typical Deliverables

- An assessment of current treasury processes and procedures with suggestions for streamlining and improvement (as-is operations).
- A comparison of the as-is processes to commercial best practices.
- Assessment of treasury controls to ensure compliance with recognized best practices.
- Operational design for an end-state treasury structure, bank account architecture and banking services
- Identification of any “quick-win” recommendations
- Summary of technical, banking and human resource requirements, including cost-benefit analyses, for any recommended changes,
- Recommended next steps and high-level implementation plan.

CLOSING THOUGHTS

Key Points

- Your business needs a periodic check-up just as much as you do
- Effective controls can mitigate risk, but only if they're being used
- Successes are as important as problems
- Would you cancel your insurance policies just because you haven't had a recent problem?

Questions and Certification



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<http://www.linkedin.com/e/gis/81318/37CD3F56BA8F>

Contact Information

Mark K. Webster, CPA, CCM, Partner
Phone (216) 932-1678
mark.webster@treasuryalliance.com

Robert Novaria, Partner
Phone (630) 403-2123
Bob.novaria@treasuryalliance.com

Treasury Alliance Group LLC
www.treasuryalliance.com

