

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Utilize an Investment Policy

# 91

**Source:** Book by Steven M. Bragg

**Co Area:**

**Addl Info:** [Accounting Best Practices - 6-13, pg 122 - Contact Dianne Parkerson, 561 297-3946](#)

**Abstract:** Sometimes a controller or treasurer implements all of the cash management best practices and experiences a singular increase in cash flows, only to have no idea of what to do with the money. Consequently, this is an area in which a best practice is needed, not to improve efficiency or profits, but to contain risk.

An appropriate best practice for every company is an investment policy. This is used to define the level of risk a company is willing to tolerate and defines the exact types of investment vehicles to be used (or not used). Such a policy should cover the level of allowable liquidity. For example, the policy may state that any investments over a base level of \$50 million can be invested in less-liquid instruments. Generally speaking, the policy should severely restrict the use of any investments that cannot be liquidated within 90 days, since this gives a company maximum use of the money in case of special opportunities (such as an acquisition) or emergencies (such as a natural disaster destroying a facility).

The other main policy criterion is risk. Many companies have decided that they are not in the business of making investments and so they avoid all risk, even though they may be losing a significant amount of investment income by putting all excess cash in U.S. government securities. Other companies take the opposite tack and attempt to derive a significant proportion of their profits from investment income. No matter which direction a company takes, it is necessary to delineate which kinds of investments can be used, thereby keeping the investment officer focused on a specific set of investment options.

Once the investment policy is in place, the investment officer can use it to standardize the procedure for daily investing activities. For example, if only one type of investment is authorized (a common situation), then a clerk can be authorized to increase or decrease the investment amount each day, using a standard investment form for transmission to the investing organization (e.g., a bank or brokerage house). With this approach, investing becomes a simple and mechanical activity that requires little further management attention.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Use Internet-Based Cash Flow Analysis Software # 93

**Source:** Book by Steven M. Bragg **Co Area:**

**Addl Info:** [Accounting Best Practices - 6-12, pg 122 - Contact Dianne Parkerson, 561 297-3946](#)

**Abstract:** Consider using an Internet-based software to more rapidly marshal the flow of information. An example of such software is provided by eTreasury (which is located at [www.etreasury.com](http://www.etreasury.com)). Under this approach, a user organization signs up with eTreasury, which is paid on a subscription basis, and gives it the company's list of banks and bank accounts. The staff of eTreasury then takes two to three days to contact each bank and arrange for automated porting of the company's cash transactions to the eTreasury site, where they are combined and reconciled. This results in a daily cash position worksheet that the accounting and finance staffs can use to determine the correct borrowing or investing decisions for the day. Because of the great reduction in labor that would otherwise have been required to create the cash position worksheet, this also means that the information will be available much earlier in the day than would otherwise be the case, yielding more time in which to make the best cash management decisions.

In addition to this basic function, the site allows users at remote locations to enter special transactions, such as requests for wire transfers, directly into the site.

This approach also carries with it the advantages associated with any application service provider (ASP), such as the avoidance of any investment in software or hardware, or the information technology staff that would otherwise be needed to maintain an internal installation. Furthermore, the responsibility for keeping the site up and running at all times falls on the supplier, rather than the accounting or treasury department. In addition, eTreasury has a data file download that can be modified for automated porting to a company's general ledger, so that cash transactions can be integrated with internal accounting systems with a minimum of effort.

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**Title:** Internet Banking # 169

**Source:** Texas A&M University **Co Area:**

**Addl Info:** [http://www.sacubo.org/sacubo\\_resources/best\\_practices/2003.html](http://www.sacubo.org/sacubo_resources/best_practices/2003.html)

**Abstract:** Texas A&M University has realized considerably improved efficiency, accuracy, communication, and cost savings from implementing Internet based banking measures. Daily treasury management downloads are retrieved from our financial institutions and stored on a shared drive, which is utilized by accounts receivable department to post deposits. Daily zero balance transactions are extracted from the download and automatically posted into our legacy accounting system. Domestic and foreign wire capabilities are now utilized via the Internet, eliminating modem-based systems. This enhances availability and ease of use, while allowing for faster response and user-friendly interface, as well as accommodation multi-user access and flexibility.

On-line foreign wires supply us with the ability to compare exchange rates, providing the University a significant savings and greatly increasing our purchasing power. Positive pay enables us to view added and deleted issues through the Internet and approve or reject exceptions on-line. Our legacy accounting programmers have developed feeds into positive pay to eradicate duplicate entries when adding or deleting issues. Positive pay reduces fraud and provides readily available information to verify check status through check imaging. Check imaging allows current check images to be accessible to multiple users on-line with a click of a button.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Automated Processing of A.C.H. Payments # 316

**Source:** University of Minnesota **Co Area:** Division of Research

**Addl Info:** <http://www.universitybusiness.com/page.cfm?p=44> (Scroll down)

**Abstract:** The federal government looms large in the finances of big research universities. The University of Minnesota, for instance, receives more than \$400 million a year from hundreds of agencies for thousands of grant payments and other transactions. The money comes in smoothly enough—especially since the government adopted its two-year-old policy of paying via automated clearinghouse (ACH). But figuring out where it was supposed to go, until recently, was another story. The solution: embed extra data into ACH files, using a simple \$150-a-month brokerage product provided by the university's bank.

Use your payee line to help identify and disperse Federal grants that come in lump-sum ACH payments. The University of Minnesota no longer has to spend weeks sorting out each payment of the \$400 million a year that comes in this way

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**Title:** Credit Card Processing # 317

**Source:** Indiana University **Co Area:**

**Addl Info:** <http://www.universitybusiness.com/page.cfm?p=44> (Scroll down)

**Abstract:** Credit cards account for more than half a million transactions, totaling \$160 million at Indiana. The university processed more than 540,000 transactions, totaling almost \$160 million—more than 80 percent of it from tuition payments. The volume of credit card transactions has been increasing at a steady 10 percent annually, and today, Indiana has 191 merchant locations: 179 campus terminals for over-the-counter payments, plus 12 Web-based merchants ranging from the bookstore to continuing education.

Students like the convenience, but processing costs were becoming overwhelming. The solution: The university worked with its bank to create an automated processing system. Now sales data flow directly into the appropriate revenue accounts, and it is easy to track fees by individual departments—at no added cost.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Online tuition payment plans # 318

**Source:** Prince George's CC & Purdue University **Co Area:**

**Addl Info:** <http://www.universitybusiness.com/page.cfm?p=44> (Scroll down)

**Abstract:** Working closely with an outside vendor, two institutions offer students new flexibility in making payments. The schools, for their part, see some bonuses—a reduced bad-debt rate, additional registrations, and greater use of the online payment option.

When students at Prince George's Community College in Largo, Maryland, and at Purdue University—Calumet in Hammond, Indiana, started asking for tuition payment plans, the institutions had some concerns of their own. Prince George was committed to working with its legacy computer system, and it was concerned that a payment plan would boost its bad-debt rate. Purdue—Calumet was in the midst of trying to migrate financial transactions onto the Web, and it wanted any tuition program to advance it toward that goal. Both needed to keep costs down.

The two schools turned to FACTS Tuition Management System of Lincoln, Nebraska, a third-party provider of a new Web-based processing service called e-Cashier. E-Cashier processes down payments and full-tuition payments, sets up budget payments as part of the online registration process, and customizes several payment schedules for withdrawals from bank accounts or credit cards for universities. Students get to the FACTS system by linking through their home school's Web page. FACTS, which serves more than 300,000 students annually, makes its money by charging a sign-up fee of \$25 to \$45. (Plus, it earns interest on the float.) The two schools worked closely with FACTS to get a system that suited their needs.

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**Title:** Are You Being Served? Trends in University Financial Services (Article) # 319

**Source:** University Business - Mag for College & Univ Admin **Co Area:** FAU Foundation

**Addl Info:** <http://www.universitybusiness.com/page.cfm?p=860>

**Abstract:** In 2003, American consumers spent \$112.2 billion on higher education, reports the U.S. Department of Commerce Bureau of Economic Analysis. As large a number as this is, it is dwarfed by the \$267 billion in endowment assets that the National Association of College and University Business Officers ([www.nacubo.org](http://www.nacubo.org)) reports was held by U.S. and Canadian institutions. Even if you subtract Harvard University's (Mass.) colossal \$22.1 billion, the number is staggering.

Most of Harvard's money is managed in-house, by the 175-person staff of Harvard Management Co. And that's unusual. Few institutions have the in-house resources to meet their investment objectives while generating the 17.5 percent increase in assets that Harvard reported in 2004. Even the university's closest peer, Yale (Conn.), generated a 15.5 percent increase on its relatively smaller \$12.7 billion endowment, and it uses outside service providers to help it do so.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Does Your Treasury Measure Up? Treasury Best Practices # 322  
**Source:** Treasury Institute for Higher Education **Co Area:**  
**Addl Info:** <http://www.treasuryinstitute.org/>  
**Abstract:** The Treasury Institute for Higher Education was developed to promote better treasury practices in schools and universities. The Institute's primary objective is to enhance treasury operations in larger institutions through providing worthwhile content through it's website ([www.treasuryinstitute.org.](http://www.treasuryinstitute.org/)), and by facilitating advanced educational programs designed for senior treasury resources at it's annual forum. The Institute is an independent not for profit organization governed by an Executive Committee and supported by its Founding Partners. The Executive Committee identified eight areas of expertise, or value sets, that the Institute will offer content and programs to assist treasury officers.  
  
Various presentations - <http://www.treasuryinstitute.org/resourcelibrary/index.html>

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**Title:** Best Practices in Cash Management: Information and Automation Are Key # 624  
**Source:** Business Finance Mag.com **Co Area:**  
**Addl Info:** <http://www.businessfinancemag.com/magazine/archives/article.html?articleID=14558&highlight=best%20practice#relatedArticles>  
**Abstract:** THE ORGANIZATIONAL SPOTLIGHT is pointed squarely at the treasury function as businesses recognize the need to develop better methods for managing cash flow. Spurred by the need to develop solutions that support Sarbanes-Oxley compliance -- and by companies' increasing activity in global markets with divergent payment terms -- finance executives are standardizing and improving cash-management activities and turning to tools that monitor cash balances in real time enterprise wide. In fact, treasurers today are striving to automate virtually every activity in the cash-management function.  
  
The other thrust in treasury operations is toward implementing new tools and methodologies to deter fraud -- a rising threat to business. Attempted check fraud alone has risen to over \$5 billion in recent years. Various safeguards, including positive pay, are helping companies and banks protect themselves against major losses.  
  
In this special section we explore some of the best practices that leading companies are adopting to build a stronger treasury function through automation. And we examine the controls that businesses -- with the help of their banks -- can implement to take a bite out of fraud.  
  
May need to scroll down to see document. This is a 10 page document.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** When Disaster Strikes, Treasury Can Strike Back # 626  
**Source:** Business Finance Mag.com **Co Area:**  
**Addl Info:** <http://www.businessfinancemag.com/magazine/archives/article.html?articleID=14465>  
**Abstract:** Here's how to ensure cash management activities aren't crippled by unfortunate events.

The events that historically have been the focus of disaster recovery planning -- fire, floods and hurricanes, for example -- certainly have exacted tremendous financial and human costs. However, they are statistically predictable and fairly well understood. In contrast, some types of disasters that have more recently emerged, such as cyber-crime, terrorist attacks and rolling blackouts, are more difficult to predict, and many organizations are still learning how to protect themselves against them. That makes planning for these risks extraordinarily challenging.

Several shifts in the business environment have raised the profile of disaster planning -- also known as business continuity planning -- in the past few years, particularly within treasury. For starters, cash management operations have become increasingly dependent on their IT systems. Most treasuries now are linked by computer networks to other departments within the enterprise and to their banking partners. A problem in any part of a system can spread rapidly.

May need to scroll down to see document. This is a 5 page document.

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**Title:** Investment Policies # 635  
**Source:** Texas State University System **Co Area:**  
**Addl Info:** <http://www.lsc.edu/Admin/TSUSInvestmentPolicies2005.pdf>  
**Abstract:** Investment Policy of the Texas State University System. Policy was converted to PDF as an image rather than text and therefore am unable to copy any of it for this abstract information. The 23 page document appears to be quite detailed.

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Treasury Institute for Higher Education # 652  
**Source:** Treasury Institute for Higher Education **Co Area:**  
**Addl Info:** <http://www.treasuryinstitute.org/>  
**Abstract:** The Treasury Institute for Higher Education was developed to promote better treasury practices in schools and universities. The Institute's primary objective is to enhance treasury operations in larger institutions through providing worthwhile content through its website ([www.treasuryinstitute.org](http://www.treasuryinstitute.org)), and by facilitating advanced educational programs designed for senior treasury resources at its annual forum. The Institute is an independent not for profit organization governed by an Executive Committee and supported by its Founding Partners. The Executive Committee identified eight areas of expertise, or value sets, that the Institute will offer content and programs to assist treasury officers.

11/07 site has been redesign and user may have to search for these topics.

- \* Investments (Cash and Operating Assets)
- \* E-Business
- \* The Financial Market Place
- \* Balance Sheet - Asset and Liability issues in Working Capital
- \* Treasury Risk
- \* Sources and Services - the Management of Relationships
- \* Career Development in Treasury
- \* Business Environment Issues

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**Title:** Best Practices for Re-Evaluating a Company's Cash Management Concentration Strategy # 741  
**Source:** Bank of America Business Capital **Co Area:**  
**Addl Info:** [http://corp.bankofamerica.com/public/public.portal?\\_pd\\_page\\_label=products/abf/capeyes/archive\\_index&dcCapEyes=indCE&id=344](http://corp.bankofamerica.com/public/public.portal?_pd_page_label=products/abf/capeyes/archive_index&dcCapEyes=indCE&id=344)  
**Abstract:** One of the core objectives of the corporate treasury function is to quickly aggregate and make best use of incoming cash. Whether it's funding daily operations or capital improvements, erasing debts or investing for the future, the monetary needs of today's evolving companies continue to grow. This article looks at overcoming obstacles, analyzing payments and collections, and concentration tools.

To meet these challenges head on, companies must leverage well-executed concentration strategies. This entails transferring cash among operating units and bank accounts, and funneling funds into master accounts for good use.

This article is one of a series - full list of Treasury & Risk Management articles can be found at [http://www.bofabusinesscapital.com/resources/capeyes/article\\_archive.php?bucket=9](http://www.bofabusinesscapital.com/resources/capeyes/article_archive.php?bucket=9)

## **BEST PRACTICES, Controller's Office - Treasury**

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**Title:** Bank Reconciliation Automation Streamlines University's Cash Receipts

# 979

**Source:** University of Texas at Dallas

**Co Area:**

**Addl Info:** [http://www.sacubo.org/sacubo\\_resources/best\\_practices\\_files/2009\\_files/PDFs/09\\_BP\\_Bank\\_Reconciliation\\_Cash\\_Receipts.pdf](http://www.sacubo.org/sacubo_resources/best_practices_files/2009_files/PDFs/09_BP_Bank_Reconciliation_Cash_Receipts.pdf)

**Abstract:** The bank reconciliation automation project has streamlined the University's monthly bank reconciliation processes and allowed us to reduce the amount of time it takes to complete the reconciliation from an entire month to three days. This was accomplished by taking advantage of the bank's sub-account structure to segregate the types and sources of the University's revenue streams. To match the receipts for each sub account, the University restructured the way cash receipts are recorded in the accounting system, so that at month-end, receipts in each of the bank accounts can be automatically matched with ledger accounts in Financial Records System.

Not only does this process save time at month-end, it improves the efficiency of recording cash receipt journal entries for the different departments that accept cash on a daily basis. It gives us the ability to reconcile bank activity to departmental deposits on a daily basis, and reduces the number of in-transit items at the end of the month.