



THE DISBURSEMENT BOOK
Defining B2B Disbursement Decisions

A Practical Guide

2009

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Introduction

Disbursements are defined simply as the payments made by a corporation (or other organization). These payments include trade payables (payments made to suppliers of goods and services), payroll, dividends paid to shareholders, as well as other miscellaneous payments.

The company making the disbursements has some control of how and when payments are made. The paying company (“payor”) usually may select the payment media used (cash, check, ACH, wire, etc.) and, to a reasonable degree, the timing of the payment. As shown in Figure 1, the majority of corporate payments in the U.S. today are still made by check. For this reason, check disbursements are the focus of this guide.

Overall the number of checks written in the U.S. has begun to decrease. Many consumers have begun to use credit and debit cards and on-line bill payment services to pay for their purchases and bills. Corporations are also shifting some disbursements to non-check payments although the overwhelming majority of payments made by and made to corporations in the U.S. are still payments by check. The following tables in Figure 1 illustrate the continuing high level of business to business check writing.

Figure 1

Methods of Payment

Payments Made BY Corporations;
Percent of Total Payment Transactions

| | Corp. with annual revenue >\$500 million | \$100 to \$500 million | \$40 to \$100 million |
|-------------------|--|---------------------------|--------------------------|
| Check | 59.3% | 70.8% | 77.2% |
| ACH | 24.0 | 16.0 | 11.8 |
| Wire Transfer | 11.8 | 8.1 | 6.7 |
| Credit/Debit Card | 4.1 | 4.5 | 3.8 |
| Cash | n/a | n/a | n/a |
| Other | 0.8 | 0.06 | 0.5 |

The larger companies seem to be a little further along in converting paper checks to alternative payment mechanisms, however, even in the largest category, 59% of their payments are still made by check.

Payments Made TO Corporations;
 Percent of Total Payment Transactions

| | Corp. with annual revenue >\$500 million | \$100 to \$500 million | \$40 to \$100 million |
|-------------------|--|---------------------------|--------------------------|
| Check | 50.3% | 61.9% | 68.0% |
| ACH | 22.5 | 15.9 | 11.7 |
| Wire Transfer | 14.7 | 14.4 | 10.2 |
| Credit/Debit Card | 9.0 | 9.0 | 7.3 |
| Cash | 3.4 | 2.7 | 2.8 |
| Other | 0.1 | 0.1 | 0.0 |

As with the “Payments BY” table, the “Payments TO” companies are dominated by checks.

Source: Phoenix-Hecht Cash Management Monitor™

Corporations find that checks are widely accepted, relatively inexpensive, easy to produce and provide a good audit trail. They also provide the additional benefit of float.

Chapter 1

Controlled Disbursement and Related Services

The basic checking account represents only a part of the overall package of services needed to effectively manage corporate check disbursements. When shopping for a new disbursement provider, companies should inquire about the prices and alternatives for each of the following basic services and related “extras”:

1. Controlled Disbursement

Controlled disbursement refers to a disbursement account arrangement where the total dollar amount of all checks that will be cleared on a given day are made available to the corporate treasury manager early enough to allow same day funding. Historically, banks around the country have come up with many different and innovative ways to create these controlled disbursement arrangements. Since such arrangements are extremely valuable to the effective management of treasury resources, we predict that banks will work to keep controlled disbursement viable, even as image presentment becomes the primary method of check clearing. Most banks can report all check presentments by 10:00 a.m. All checks presented after the bank’s notification deadline are “held over” for presentment until the following day.

2. Positive Pay

Fraud protection is an important role of the treasury manager. Experienced treasury managers utilize a service called “Positive Pay.” In such an arrangement, the check issuing organization sends an electronic file to the bank each time checks are issued (as often as daily). For each account, this file contains the check serial number, dollar amount and date issued for every check written that day (or week, etc.). The bank accepts this file and accumulates these records to build a “check issued” file.

As the checks that have been presented for payment are processed, the bank’s checking account system compares each check to the “check issued” file. When the dollar amount, serial number and issue date match, the item is accepted (paid). If an exact match is not found, the bank attempts to discover the reason why. If the encoded dollar amount is wrong, many banks will simply correct the error and accept the item. If the check number has already been paid (duplicate item), the amount has been altered or the item is simply not on the issue file, the bank notifies the company of the “suspect” item. Such notification is via the bank’s Web reporting product, often with the accompanying email or text message stating that there are suspects. Each business day the company is given a period of time to “decision” the item. An image of the suspect item can be viewed via the Web in order to make a pay/no pay decision. If no decision is made, the item is decided by the “default” agreement coded on the account, which is either pay all items or return all items unpaid.

Essentially, the account is being reconciled on a daily basis. In this way, Positive Pay provides very strong protection against many common types of check fraud. The use of Positive Pay is strongly recommended. To limit the bank’s liability for fraudulent items, some banks will not sell a disbursement account without the Positive Pay feature. (See the discussion of check fraud).

3. Positive Pay with Payee Name Verification

This is an option that is now offered by the majority of banks. The payee name is provided to the bank in the issue file and items presented for payment that do not match the payee name on file will be shown as suspects. More counterfeit check fraud is now occurring with altered payee names.

4. Balance Reporting

The “controlled” part of controlled disbursement comes from banks providing the check issuing companies with accurate dollar totals for checks clearing the account each day. These clearing totals can be delivered via many different mechanisms, including faxes, e-mail messages and reports on Internet-based balance reporting or treasury management systems. How the information arrives is usually less important than when the information arrives and the accuracy of the dollar amount. Most major cash management banks have found ways to have this information available by 10:00 a.m. The prices and methods of pricing for reporting options tend to vary quite a bit among different banks. It is recommended that care be taken when shopping to ensure that the complete cost to get the daily clearing totals is known.

5. Stop Payments

Treasury managers occasionally need to put a “stop” on checks issued or released in error. Under UCC4, stop payment orders are only good for six months (many banks will automatically renew the stops for a second six months) and then they expire. The price for this service typically varies depending on how the stop payment request is sent to the bank (via fax, e-mail, telephone, Web-based system or file transmission). Also, be sure to verify precisely when the stop payment will actually take effect. Some banks require one business day to confirm that the check to be stopped is not in the current day’s work.

6. Reconciliation

Every checking account maintained by your organization should be reconciled promptly each month. Daily or weekly reconciliation is preferred. This function should be done by someone who does not have access to the issuing of checks on the account in question. Fortunately, banks all provide many services that make this task easier and more efficient. The bank will (for a fee) provide an electronic file (as well as a paper report/listing) of all the checks cleared on the account. This can be done on a daily, weekly or monthly basis.

Furthermore, if you provide a file of the checks issued, the bank can provide an “issued-not paid” report to keep track of checks that have not yet cleared. In addition, banks offer a variety of ways to handle the actual paid checks. These include providing check images on CD-ROM, file transmission or via the bank’s Web-based information reporting product.

7. Zero Balance Accounts (ZBA's)

Most banks can structure automatic funding arrangements for all of the checking accounts you may want to open at a particular banking entity. Most banks also offer at least three-tier ZBA accounts (Master, Parent and Child). Many banks require that a controlled disbursement account is funded via a ZBA account structure.

ZBA's are very simple yet very powerful tools that allow you to maintain separate accounts (providing more precise control of funds, clear audit trails and easier reconciliation) while requiring you to monitor and fund only one Master account. ZBA's provide many accounting and control benefits for what is typically a modest maintenance fee. Most ZBA services post one "net" debit or credit to each account on a daily basis, which minimizes the number of transactions that must be reconciled.

8. Image Processing

The utilization of digital paid check images can reduce check storage costs and make the retrieval of paid (or about to be paid) items very efficient.

Most check image systems can deliver the images via the Internet by secure transmission or via their corporate Web information reporting product or on a CD-ROM. Companies should work with their bank to develop a "paid check image" storage strategy. More banks are offering long term archival of paid checks for up to 7 or 10 years with retrieval via the Internet.

9. Sweep Accounts

For accounts that receive deposits (especially unexpected late in the day wires, for example) a sweep account can be of great value. With a sweep, the bank's checking account system transfers any excess balances remaining in the account and automatically invests these funds overnight. Interest rates paid, investment choices, fees charged and the time of day of the sweep vary widely from bank to bank.

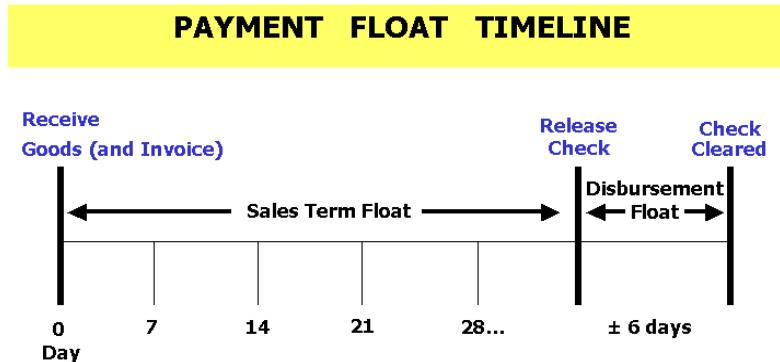
Sweep accounts are either mid-day or end of day sweeps. Some sweeps link a company's investment sweep account with its line of credit, ensuring that funds are not borrowed and invested simultaneously.

Many banks offer an investment portal via their Internet treasury product where the choice of sweep investment can be changed by the customer.

Chapter 2 Payment Float and Its Measurement

Payment float is the overall delay in final payment, starting from the receipt of goods (or services) and extending until good funds are given up. As shown in Figure 2, the larger part of the payment float timeline is the “sales term float.” Sales terms on invoices often indicate that payment is due in 30 days, for example, while the second part of the payment float timeline (disbursement float) is typically less than seven days.

Figure 2



During the sales term float period, someone in accounts payable verifies that the invoice is valid, that the goods or services indicated were indeed received in suitable condition and that any other required accounts payable and purchasing department approvals have been received.

Having survived all of the payor company’s purchasing and payables approvals, each payment must be assigned a check release date. To avoid confusion with the date that is on the seller’s invoice (i.e. the “due date”), the term “check release date” is used as the date selected by the payor on which the check payment is put in the mail. Note that the check release date is often a day or more later than the date that is printed on the check (the check date). Also, the day that a check is signed and sealed in an envelope is often earlier than the check release date.

Check Release Decisions:

Let’s examine some of the choices payor’s have in selecting check release dates:

- A. **Pay Early** (release checks before date indicated by the sales terms on the seller’s invoice): Some accounts payable supervisors want to run a “tight ship” where invoices to be paid are processed on a strict “first in – first out” basis. In other cases there might be a very high volume of invoices and a relatively small number of payables clerks, making the focus on through-put. Paying early is usually not considered a “best practice” in cash flow management.

- B. Pay on Time** (release checks on the date indicated by the sales terms on the seller's invoice): A frequent question relates to the seller's due date versus the check release date. Courts have ruled that if the buyer has mailed his payment by the "due date" indicated on the invoice, the obligation for timely payment has been met. The payor does not have to release checks early to ensure that the seller actually receives the payment by the invoice due date. The reasoning here is that after the check is in the mail, the payor no longer has control of it.

Note: These payment practices apply to business-to-business payments. Consumers must pay by the due date or suffer the "late payment fee" blues.

The postmark date usually governs when the seller will allow a trade discount to be taken.

- C. Pay a Little Late** (release checks beyond the "due date" but not so late as to upset the suppliers): Buyers know that most suppliers will tolerate minor delays in payment. Therefore, many companies devise accounts payable procedures that effectively take advantage of this tolerance. Since most accounts payable checks are printed by machine, companies frequently create their payable checks in batches. This, in turn, often leads to "running the checks" less than daily, typically once a week. Thus, the check release date decisions come down to "will the item in question be included in this week's batch of checks or next week's?"

For example, one such policy might state: "All payments that have been approved and are due on or prior to Thursday of this week will be printed and released on Thursday of this week. Approved checks due on Friday of this week through Thursday of next week will be held until next Thursday's check run."

The delay imposed by this procedure ranges from zero days for approved Thursday payments to six days for approved payments due on Fridays. In this example, payments are released, on average, 3 calendar days beyond their due dates. The payor enjoys an average of three added days of float as well as an easy-to-manage check release schedule.

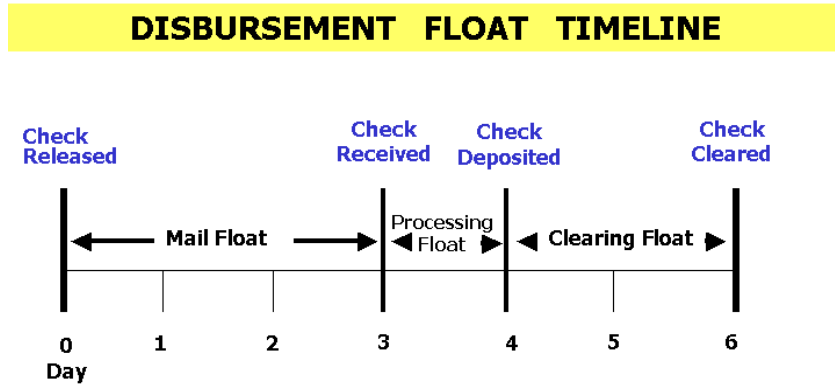
- D. Pay Late** (release checks weeks beyond their stated due dates): Paying late is usually a blatant strategy to use the supplier's resources rather than the payor's own working capital. There is no question that suppliers know which of their customers are chronic "late pays." Suppliers that extend trade credit all have mechanisms such as the aging of accounts receivables to monitor customers' payment histories. Suppliers also have many ways to get even with their "late pay" customers, including increasing prices or reducing the level of service provided. More extreme measures include changing sales terms (i.e., perhaps requiring payment before shipment) and even refusing to sell to late paying customers.

Well-managed companies should have procedures that ensure that checks are released consistently in a timeframe that is neither too early nor too late given the company's desired level of supplier satisfaction.

Disbursement Float

Checks that are delivered by mail (in contrast to hand delivered payments such as paychecks) have three distinct segments of disbursement float.

Figure 3



Mail Float: Mail float is measured from check release date until the date when the payee (or their lockbox processor) receives the payment from the Postal Service.

Processing Float: Processing float is measured from the day of mail receipt until the check is deposited (the date the depositor's account is given ledger credit).

Clearing Float: Clearing float is measured from the date of ledger credit (the date shown on the receiver's bank statement) until the date the check is presented for payment at the payor's bank. The check clearing date is the business day on which funds are deducted from the payor's checking account. Note: clearing float is defined from the point of view of the person writing the check. The check writer enjoys the disbursement float (and can invest the funds represented by the released check) until the check *clears* the account. The payor typically is not concerned about whether a check is in the hands of the Postal Service, the lockbox processor (or their supplier's cashier/accounts receivable area) or somewhere in the check clearing system. The only concern for payors is when the check will clear against their account – the point when the disbursement float ends.

Managing Float

Now that the different components of disbursement float have been defined, let's examine how corporate treasury professionals measure float and manage it.

Mail and Processing Float

Mail float is the time period in which one can truthfully say, “The check is in the mail.” Mail float begins on the date of check release and continues until the payment is delivered by the Postal Service to the payee or a remittance (lockbox) processor. Note that the payor can determine and control the check release date (point when the payment has been given over to the Postal Service), but has no way to know when the payment has been delivered by the Postal Service. In fact, when using a lockbox service, even the receiver of the payment (the payee) does not know when the check moves from the Postal Service to the lockbox processor. Typically, it is only after the payment envelope has been opened and the check has become part of the payee’s deposit that the payee can be sure that the check has been received. Thus, in a lockbox environment, the disbursement mail float and processing float are difficult to separate.

For payments that are sent directly to the supplier’s location rather than a lockbox, we can record the date of mail receipt. With “office receipts” we can get distinct measures of disbursement mail float (date of check release until the date of check receipt) and disbursement processing float (receipt date to date of ledger credit for the deposit of the check). Knowing the exact length of the mail and processing float for checks received at a company’s office can be very useful to bank cash management salespeople who want to sell lockbox services to a company, but such precise float information is usually of little value to the company issuing the check.

Good business practice dictates that payors send their remittances (payments) to the address indicated on the suppliers’ invoices. There are some companies that will endeavor to extend their overall disbursement float by mailing to an alternate address. Examples include mailing to the supplier’s office rather than their indicated lockbox or to one of the supplier’s lockboxes that is further away from the payor’s location than the indicated lockbox. A rare and even more extreme practice is to ship payables checks to a location remote from the remit to address of the company being paid in order to extend disbursement mail float. Clearly, these mis-mailing schemes are not recommended.

Check Clearing Float

The average clearing time for a given set of disbursement checks will vary depending on the bank on which they are drawn. This statement is based both on empirical tests and on the understanding of how deposited checks are handled by banks. This differential clearing speed enables treasury managers to select disbursement bank sites that will generate greater (or lesser) amounts of disbursement float.

Checks deposited into corporate accounts at the major (top 50) U.S. banks will normally clear in zero, one or two business days. Of course, weekends must be added to the mix since inserting Saturday and Sunday into the check collection timeline converts “one day” items deposited on a Friday into three calendar days of collection time. With the advent of image exchange, two day items are disappearing. Image exchange has also eliminated geographic advantages between disbursement banks.

Float Measurement Issues

It is a complex task to accurately estimate the disbursement float a company will enjoy from drawing checks on alternative banks. Typically, companies pay hundreds of different suppliers and therefore the disbursement checks issued are deposited in dozens or even hundreds of different banks. The day of week and time of day when a check is deposited impacts its clearing speed. Furthermore, even the dollar amount of a check affects its clearing time. Checks for large dollar amounts are frequently expedited and do, in fact, clear faster than checks drawn for smaller dollar amounts.

The Phoenix-Hecht Check Clearing Study

To help treasury managers compare disbursement sites, Phoenix-Hecht actually measures the clearing times for checks drawn on over eighty different disbursement locations. The actual checks are deposited in lockboxes or over-the-counter at major cash management banks all across the country. The Check Clearing Study is conducted twice a year, in the spring and in the fall. Altogether, over 100,000 individual checks are measured in the Clearing Study each year.

The Clearing Study results are reported to bank subscribers in the form of large tables of observed clearing times for thousands of “drawn here–deposited there” combinations. The clearing data is expressed in calendar days (not business days) and is “smoothed” (i.e., the results from the two most recent clearing tests are averaged together to increase the stability and statistical reliability of the clearing times).

The banks that subscribe to the Clearing Study have access to the clearing times from all of the disbursement points studied, but may release only their own bank’s results. Corporate treasury managers often request the Phoenix-Hecht Check Clearing Times from prospective disbursement banks when evaluating alternative disbursement sites.

An example of a Clearing Study Report for a disbursement bank in Fort Wayne, Indiana is shown in Figure 4 on the following page. Since the example is a partial page, it includes deposit locations only in the first 5 of 12 Federal Reserve Districts.

Figure 4 - Sample Page - Clearing Study

Phoenix-Hecht Clearing Study™
Smoothed Clearing Time for Drawee Point:
Drawee Location: Fort Wayne, IN (0749-RCPC)

Type of Deposit: Lockbox
 Clearing time in Calendar Days

| Fed District | Check Deposited in: | Current | Previous | Change |
|---------------------|----------------------------|----------------|-----------------|---------------|
| 01 | Boston, MA | 1.05 | 0.95 | 0.10 |
| | Portland, ME | 1.25 | 1.25 | 0.00 |
| | Manchester, NH | 1.40 | 1.40 | 0.00 |
| | Providence, RI | 3.20 | 3.50 | -0.30 |
| | Hartford, CT | 0.20 | 0.70 | -0.50 |
| 02 | New York, NY | 1.70 | 2.30 | -0.60 |
| | Newark, NJ | 1.90 | 2.10 | -0.20 |
| 03 | Philadelphia, PA | 0.20 | 0.40 | -0.20 |
| | Wilmington, DE | 2.10 | 2.50 | -0.40 |
| 04 | Cleveland, OH | 0.00 | 1.30 | -1.30 |
| | Cincinnati, OH | 0.30 | 0.30 | 0.00 |
| | Pittsburgh, PA | 0.22 | 1.62 | -1.40 |
| | Columbus, OH | 0.30 | 0.90 | -0.60 |
| 05 | Richmond, VA | 0.00 | 0.70 | -0.70 |
| | Charleston, WV | 1.10 | 1.40 | -0.30 |
| | Baltimore, MD | 2.00 | 2.70 | -0.70 |
| | Charlotte, NC | 0.30 | 0.80 | -0.50 |
| | Columbia, SC | 1.70 | 1.70 | 0.00 |
| | Washington, DC | 1.40 | 1.50 | -0.10 |

* The first data line on this table shows that the expected check clearing time for checks drawn on the Fort Wayne, Indiana RCPC (checks with Routing Transit Numbers beginning with 0749 ...) and lockbox deposited in Fed District 1, in the City of Boston, is 1.05 calendar days. The prior study smoothed average clearing time was .95 calendar days which indicates a change (current less previous result) of .10 calendar days.

Finding the Check Clearing Study Data

Corporate treasury managers may get copies of the Check Clearing Study pages from banks they are evaluating by making their requests directly to the banks in question. Many cash management banks offer multiple disbursement sites and therefore may send several sets of numbers. A list of disbursement sites currently studied can be found on the Phoenix-Hecht Website at www.phoenixhecht.com. The check clearing data may also be requested on the Phoenix-Hecht Website.

Using the Clearing Study Data

The most accurate and powerful way to use the check clearing data is to combine it with information about where your disbursement checks are deposited (data from your accounts payable system). If you are dealing with a small number of suppliers, you could do the analysis using a spreadsheet program. However, companies usually have hundreds of suppliers. This is less of a problem than you might expect since typically most of the disbursement dollars go to a limited number of key suppliers. In these cases, not all suppliers need to be included in the analysis – only enough to get the total percentage of dollars included up to the 80 to 90% range. Most reviews are better handled by your bank using the Phoenix-Hecht Disbursement Model.

The analysis would be set up similar to the following, utilizing clearing times for items sent to a lockbox. (A separate table of times found in the Clearing Study should be used for checks not sent to a lockbox):

Figure 5

| EXAMPLE SPREADSHEET TO COMPARE CHECK CLEARING FLOAT | | | | | | | | |
|---|-------------------------------|------------------|-------------------------|--------------------|----------------------|--------------------|-------------------------|--------------------|
| Supplier | Avg. Mo. Dollars ¹ | Deposit City/Zip | Bank 1 Colorado Site | | Bank 2 Texas Site | | Bank 3 Delaware Site | |
| | | | Days ₂ | Float ₃ | Days ₂ | Float ₃ | Days ₂ | Float ₃ |
| ABC | \$151,300 | Cleveland | 2.70 | 408,510 | 2.60 | 393,380 | 1.56 | 236,028 |
| DEF | \$142,800 | Seattle | 2.60 | 371,280 | 2.60 | 371,280 | 2.31 | 329,868 |
| GHI | \$140,300 | Dallas | 1.50 | 210,450 | 0.80 | 112,240 | 1.47 | 206,241 |
| JKL | \$136,000 | Baltimore | 1.70 | 231,200 | 2.65 | 360,400 | 1.44 | 195,840 |
| MNO | \$124,500 | Milwaukee | 1.60 | 199,200 | 2.30 | 286,350 | 1.71 | 212,895 |
| PQR | <u>\$119,700</u> | New York | 1.55 | <u>185,535</u> | 1.90 | <u>227,430</u> | .95 | <u>113,715</u> |
| Total | ⁵ \$ 814,600 | | ⁴ | 1,606,175 | ⁴ | 1,751,080 | ⁴ | 1,294,587 |
| Total float days | | | ⁶ | 1.97 days | ⁶ | 2.15 days | ⁶ | 1.59 days |

The average monthly dollars disbursed to the suppliers [¹] is data that you would get from your accounts payable files. The estimated days of clearing time data [²] is taken from the Check

Clearing Study data provided by the banks included in the analysis. Note that this involves some map work to correlate the deposit city (or zip code) to the corresponding (nearest tested) deposit location in the clearing study data. The supplier float numbers [3] are calculated for each supplier by multiplying the average dollars [1] by the estimated float days [2]. The process is repeated for each supplier and all of the disbursement site alternatives. The total estimated float [4] for each site is simply the sum of the individual “supplier” float numbers [3]. Note that the total float numbers calculated will be quite large since they are dollars x days (so called dollar-days of float). You may want to divide the total float [4] (dollar-days) by the total of the dollars disbursed amount [5], which will bring the answers back to days of float [6].

The Disbursement Model

An easier way to calculate disbursement float is to have your bank make use of Phoenix-Hecht’s Disbursement Model. Most major cash management banks and consultants have access to this model. The Web-based model is always updated with the current check clearing times for all tested sites as part of its internal database. The model also has a powerful data entry module that will automatically translate each payee’s “remit to” zip code into the appropriate Clearing Study deposit site, saving the user the “map work” of assigning payees to deposit locations.

Valuing Float

Now that we know that check clearing data is available and alternative disbursement sites can be compared, we can examine how to value the differences in clearing float. For example, let’s assume that the Phoenix-Hecht Disbursement Model (or a spreadsheet program) has calculated the check clearing float for the current drawee point and two alternatives. In Figure 6, we have expressed these float estimates in (calendar) days.

Figure 6

| Float Improvement Calendar Days | | |
|------------------------------------|-----------------------------------|----------------------|
| Bank | Estimated Check Clearing Float | Float Improvement |
| 1. Current Bank | 1.45 | - |
| 2. Bank ABC | 2.35 | .90 |
| 3. Bank PQR | 2.20 | .75 |

Clearly both Bank ABC and Bank PQR will provide added average check clearing float. Since changing disbursement banks always involves some effort and expense, we need to calculate the value of the added float we expect to achieve.

Valuing float requires that we know the following information:

1. Principal: The amount of money that will be disbursed.
2. The appropriate rate of interest: Cost of Capital.
3. The average amount of additional check clearing float expected.

The “principal” amount is your estimate of the dollars that will be paid with checks drawn on the alternative accounts being considered. Usually a company’s accounts payable area can provide very accurate information concerning the dollar amounts of checks issued in the past. Bank statements for the current disbursement account are also an excellent source of this data. Care must be taken to include only those types of payments that will flow through the “new” checking account. Exclude payroll checks if they will not be drawn on the new account. Also exclude any payments made by wire or ACH. If your company is seasonal, it is recommended that you gather data from peak and off-peak periods so as to include changes in dollars (and payees) with checks disbursed at different times of the year. In all cases, be careful about the timeframe represented by the disbursement sample.

It is appropriate to use your company’s cost of capital to value the float benefits from changed disbursement sites since we expect those benefits to continue for many years into the future. Nevertheless, companies that borrow money often use their marginal borrowing rate since the funds *created* by the increased float are typically used to reduce the company’s short term debt. Companies that have excess cash (and therefore invest funds regularly) are tempted to use their overnight investment rates. However, this improperly assigns a short term investment rate (generally a comparatively low rate) to a long term source of funds.

It is recommended that treasury managers discuss the “appropriate interest rate for our company” with their supervisors prior to presenting their estimated savings to the Chief Financial Officer. In our example we will use an interest rate of 10% per annum to value the float.

To illustrate the process, let’s assume that \$90 million will be disbursed by checks drawn on the example account next year. This becomes the principal amount for our calculation. The Disbursement Model (or spreadsheet) has calculated the expected additional float for each alternative drawee site under consideration; (in our example: .90 days for Bank ABC or .75 days for Bank PQR).

Using the formula (principal x interest rate = interest earned) we get the following:
$$\$90,000,000 \times .10 = \$9,000,000 \text{ per year}$$

Unfortunately we don’t have the use of the principal for a full year. We don’t even have the use of these funds for an additional full day! The annual “interest” earned amount must be converted to the interest earned for the period of additional float. Let’s do this in two steps; first find the value of one calendar day’s float, and second, find the value of the fraction of a day that is expected for the two alternative banks.

The annual disbursement amount of \$90 million must be divided by 365 to get the value of one average day’s disbursement ($\$90,000,000 \text{ per year} \div 365 \text{ days} = \$246,575 \text{ per day}$). Adjusting this one day principal amount for the example banks we get:

Bank ABC's Float Benefit:

- ◆ $\$246,575 \text{ disbursements per day} \times .90 \text{ days} = \$221,917 \text{ float gain on an average day.}$
- ◆ $\$221,917 \times .10 \text{ (interest rate)} = \text{annual benefit of } \mathbf{\$22,192.}$

Bank PQR's Float Benefit:

- ◆ $\$246,575 \text{ disbursements per day} \times .75 \text{ days} = \$184,931 \text{ float gain on an average day.}$
- ◆ $\$184,931 \text{ (float gain)} \times .10 \text{ (interest rate)} = \text{annual benefit of } \mathbf{\$18,493.}$

In conclusion, the value of the additional float expected by changing disbursement sites to either bank appears to be more than enough to justify such a change. This assumes that both banks are acceptable to the company, offer competitive service features and have prices that are reasonably close.

In some cases, the float numbers for different banks are within 0.15 days and should be considered statistically equal. In this example, selection of the "best" disbursement bank for the company should be made by evaluating the many price and service feature differences that seem to always exist in these types of selection situations. The estimated float benefit is simply one of several factors to weigh in the selection of a new disbursement site.

Chapter 3 Fraud and Its Prevention

The Fraud Problem

Fraud is a major problem for companies and their banks. The FBI estimates that check fraud costs businesses in the U.S. more than \$5 billion a year; with 64% of all corporations having been victimized and over 175,000 fraudulent checks being presented daily. These losses are split 90% to corporations and 10% to banks and other financial organizations.

The main reasons for increasing check fraud are the changes in technology. Color copiers, scanners and laser printers that accept MICR ink cartridges all make the creation of valid looking checks easier than in the past. Technology can also be an important weapon in the war against check fraud. Most fraudulent checks are the results of counterfeit, altered or stolen checks.

Results from Phoenix-Hecht's surveys of companies with annual sales greater than \$40 million show that almost all corporations are aware of both the magnitude and rate of growth of check fraud.

A significant percent of all respondents reported having a major fraud issue in the prior two years. The reported incidences ranged from a low of 22% among smaller companies on up to 35% for the largest companies. As expected, the overwhelming majority – 87% of these issues – involved fraudulent checks. Less than 1% involved wire transfers.

Figure 7

| Increased Concern Over Check Fraud | | | |
|------------------------------------|-----------------------|------------------------|-----------------------|
| Scale 1 to 5 with 5=High | \$40-\$100 Million | \$100-\$500 Million | Over \$500 Million |
| 2003 | 3.29 | - | - |
| 2004 | - | 3.60 | 3.99 |
| 2005 | 4.22 | - | - |
| 2006 | - | 4.41 | 4.51 |
| 2007 | 4.31 | - | - |
| 2008 | - | 4.48 | 4.53 |

- Alternate year studies

Positive Pay as a Fraud Loss Deterrent

Corporate check fraud risks can be reduced many different ways. The list of steps to prevent check fraud is quite long. The following suggestions are presented as a good starting point.

A Positive Pay service reduces the corporation's liability for losses under UCC. When checks are printed, the check generation software creates a transaction file that is transmitted to the disbursing bank. The file contains the check serial number, date of issue and amount. When a check is presented at the drawee bank for payment, the bank first compares these three items to the "issue file" built from the Positive Pay transmissions to see if the check is valid. Only if there is a match of the check details will the check be honored. The bank will show the following as "suspects" to the company for their "decisioning."

- ◆ checks that do not match the company's issue file
- ◆ checks that do not equal the issued dollar amount
- ◆ duplicate checks
- ◆ checks that carry dates long past (stale dated checks)

Most banks now offer Positive Pay with Payee Name Verification. Alterations in the payee name now represent a significant amount of the check fraud in the marketplace. Adding Payee Name Verification to your Positive Pay service is highly recommended. Be sure to verify whether Positive Pay with Payee Name Verification is available at the teller counter at your bank.

Utilizing a Positive Pay service has become increasingly important as the banking industry moves to settle check payments by clearing check images rather than paper items.

Reconciliation

Every account should be reconciled promptly every month. UCC 4-406 requires bank customers to reconcile their bank statements within a reasonable time (30 days) and to report unauthorized items immediately. Talk to the cash management representatives from each of your disbursement banks to ensure that the appropriate type of reconciliation services are being provided for each of your disbursement accounts. If possible, more frequent reconciliations are recommended than monthly.

Make sure that your accounts are coded to return all items older than a specified date: i.e. 90 or 180 days. Do not assume that printing a "void after 90 days" legend on each check will actually make this happen. You must have Positive Pay and then request that your bank code the account so that all items older than a certain date be returned or be shown as Positive Pay suspects. It is recommended that a short time frame be used for payroll checks (7-14 days) and slightly longer (45-60 days) for accounts payable. Once the account is properly coded by the bank, the printed legend should be used.

Image delivery systems consist of image-based document processing products used to convert paper documents into digital images that can be stored, retrieved and delivered in a variety of ways. Electronic imaging makes it possible for a bank to replace paper checks with an accurate electronic representation. Images may be generated by the disbursement bank, the bank of first deposit or other institutions in the check clearing process. Customers receive these images via the

bank's Web-based information reporting product or via Secure FTP transmissions of images or via CD-ROM.

With regard to check fraud, imaging is used in conjunction with Positive Pay to allow online "decisioning" of suspect items by viewing the item. It is also used to allow same-day retrieval of recently paid items for research.

Good Housekeeping: Keep signature plates, keys to the check signing machine, etc. in a secure place – even during business hours. Reducing the risk of check fraud should be part of every treasury professional's job description. Carefully read your bank contracts and understand your company's liability for fraud losses. Your banks and the companies that sell check printing supplies will be happy to assist you in a review of your check production procedures and recommend ways to reduce your risk of check fraud.

Tight Inventory Control: Establish tight control over the storage and distribution of check stock. It is a good idea to conduct frequent audits to account for every check in your inventory.

Review Your Treasury Management System: Go over the list of bank accounts and checkbooks. Determine if the payments being made out of each checkbook could and should be made from some other, more controlled location. Close all unneeded checking accounts.

Keep Your Banks Updated: Be sure to keep signature cards and other account documentation up to date. These documents define who is allowed to withdraw your company's money. Avoid publishing the authorized check signing signature in publications such as the annual report where it can be easily scanned.

Use a Laser Printer for Manual Checks: Many companies sell check printing systems (modified laser printers, MICR ink and software) that can take blank check stock (check quality paper that has only the background designs pre-printed on it) and produce finished checks. The output from these systems – the checks – include your company logo, a signature, have all of the required elements of the MICR line in magnetic ink and are ready to be inserted into an envelope. Some of these systems also incorporate printing elements that are difficult to reproduce (such as micro printing and use of unique print fonts) all of which reduce the risk of check fraud.

If you must produce a manually typed check, use a single-strike fabric security ribbon, not the self-correcting ribbons found on most typewriters.

Buy Good Paper: Companies are often tempted to save a few dollars by purchasing lower quality check stock. Don't do it! Today's better check stock (including "blank" stock used with laser printers) can be purchased with literally dozens of fraud protection features including artificial or simulated watermarks, copy void pantographs, chemical reactive paper, inventory control numbers on the back of the checks, warning banners, special colors, patterns in the background and special ink. The use of a highly secure check stock will deter many forgers.

Use ACH Debit Blocks, Filters or ACH Positive Pay: In some cases, you may allow certain vendors to debit your account for amounts they are owed. There are a range of ACH products that can assist you in limiting ACH debits to those which are authorized transactions against your accounts.

- A. An ACH debit block can be placed on any account by your bank and it will block all ACH debits that are presented against your account.
- B. An ACH filter allows only certain debits to be processed against an account. In most banks, a debit block will allow all debits from a given ACH originator number to be processed. ACH originator numbers are the 10 digit numbers that identify an ACH company originator. There is a danger in placing debit filters on payroll accounts when using a third party to process payroll. Frequently, the same third party payroll processor will use many different ACH company originator numbers when processing your payroll and the debit to your account for payroll and taxes. On an account with an ACH filter, if a valid ACH company originator is not provided to the bank as a permitted transaction, you may actually have legitimate ACH debits returned and not processed.
- C. An alternative to ACH debit blocks and filters is a product frequently nicknamed “ACH Positive Pay.” Usually the way this product works is when an ACH debit is presented against an account, the debit suspends for a period of time (i.e.: until 2:00 p.m.). The company receives an email that there are ACH debits to be reviewed. The company has an authorized person review the item and allows it to be paid or to be returned. This is done via the bank’s Web-based information reporting and transaction initiation product. Once a transaction is paid, some banks have a feature where all future debits from that ACH originator are automatically paid. ACH Positive Pay is easy to use and eliminates the chance that a legitimate ACH debit is returned, as with an ACH filter.

Take Steps to Eliminate the Possibility of Internal Fraud: Make sure that there is a clear separation of duties with all of your treasury personnel. Those that have authority to sign checks should not be those who reconcile the bank accounts. Enforce vacation policies. Ensure that you have clear documentation of treasury policies that govern initiation of wire transfers, origination of ACH credits and checks. Most internal fraud is done by that long-time employee that comes in early, works late and skips vacation.

Consider Outsourcing Some or All of the Disbursement Volume: Most financial institutions offer an Integrated Payables product. This is where your company sends the bank an electronic file of the payments to be made. Usually the file is in EDI 820 Payment Order format. The bank then originates the required wires, ACHs, purchasing card payments and checks on the specified dates as indicated on the file. For the check payments, the services typically include not only the printing and signing of the checks, but also the envelope stuffing and mailing of the remittances.

Many of the check payments made by companies could alternatively be made by ACH, wire or through an indirect payment vehicle such as a procurement card or credit card. Clearly, all of the alternative payment methods *change* the risks involved rather than completely eliminating them. However, in many cases the new risks are smaller than the former paper check risks.

Check fraud is a crime of opportunity. While no prevention method is foolproof, specific practices can reduce exposure to check fraud by complicating the criminal’s task. Utilizing multiple security practices encourages criminals to seek easier targets.

Consider Implementing a Purchasing Card Program to Reduce the Number of Checks that you Issue Each Month to Vendors: A purchasing card program can be used by a wide variety of

employees across your company, from centralized purchasing to managing fuel and maintenance of car and truck fleets, to those traveling on corporate business that have T & E needs, as well as maintenance personnel and plant managers throughout your company's footprint. While initially used for small dollar purchases, many companies are now doing large dollar purchasing as well.

Each card can be coded for a complex set of factors that include permitted merchant category codes (MCC), blocked MCC's, maximum transaction limits, maximum spending per day, per week, per month, per cardholder cycle, total credit limit, as well as geographic restrictions. "Ghost" accounts can be set-up for central purchasing accounts, where no physical card is actually issued.

By using P-Cards to place orders, the costs associated with processing requisitions, purchase orders and check requests are dramatically reduced. An effective P-Card program can enhance policy compliance, vendor relationships, transaction monitoring and security, as well as the reconciliation of what is being spent.

The two key aspects of a successful purchasing card program are the reporting available and the amount of the rebate paid to your company based on your company's annual "spend."

Most reporting is Web-based and by cardholder so that the cardholder, management and accounts payable can review cardholder activity. There are many levels of detailed reporting available from the card issuers based on whether the program is Visa or MasterCard. Some accommodate different languages and all accommodate currency conversion and roll up reporting in a single currency. Some systems allow cardholder review and manager approval on line. Each transaction can usually be split into many allocations. Detailed Web-based reports are available to be downloaded to your ERP or general ledger system. Care should be taken that the data can be downloaded in a format that your system can accept. Typical formats include Excel, Word, PDF and plain text.

Many bank card issuers have a rebate program that pays the corporation a percentage of the annual total spending on all cards (i.e.: the annual "spend"). Rebates vary widely from approximately 50 basis points up to 125 basis points.

The acceptance of purchasing card programs is reflected in recent Phoenix-Hecht research shown in the table below;

Figure 8

| Over \$500 MM | 2004 | 2006 | 2008 |
|---|-------|-------|-------|
| Currently using P-cards | 60.0% | 61.0% | 63.8% |
| Plan to start using within two years | 37.0% | 34.7% | 37.1% |
| Percentage of vendor transactions to be converted | 21.1% | 23.0% | 20.2% |
| Over \$100-\$500 MM | | | |
| Currently using P-cards | 34.8% | 37.3% | 47.7% |
| Plan to start using within two years | 25.4% | 22.2% | 24.3% |
| Percentage of vendor transactions to be converted | 14.1% | 17.5% | 14.4% |
| \$40-\$100 MM | 2003 | 2005 | 2007 |
| Currently using P-cards | 22.8% | 24.1% | 26.1% |
| Plan to start using within two years | 21.9% | 22.3% | 17.6% |
| Percentage of vendor transactions to be converted | 18.0% | 19.8% | 10.6% |

Source: Cash Management Monitor

Consider starting a Stored Value “Payroll” Card program to replace the issuance of paychecks to employees who do not have banks accounts. In many manufacturing, food processing and construction businesses there are employee populations who do not have bank accounts and therefore cannot receive direct deposit of their paychecks. Further, these groups use check cashing agencies to cash their paychecks. This practice increases the opportunity for counterfeit check fraud, and in certain cases the employer may be liable to the check casher even when a fraudulent check is cashed. (See holder in due course under UCC4A and consult your legal counsel if you have questions.)

The alternative to this is to implement a “stored value” or payroll card program for these employees. These programs are especially useful with large groups of temporary workers or where there is high turnover of employees and direct deposit is not a practical solution. With a payroll card, the net amount of the employee’s pay is deposited to a ghost account number at the issuing bank. The employee can then use the card to make ATM withdrawals and can use the card as a debit card at any retailer that accepts debit cards.

The key considerations when evaluating a payroll card program are the cost per card, what ATM fees will be passed back to the employer and the type of support available to your employees with issues of lost or stolen cards.

Chapter 4 Selecting a Disbursement Bank

Many units within a company are impacted by the choice of banks, therefore all of the organization's needs should be considered when selecting a new disbursement bank. This includes the divisions that will actually issue the check payments (accounts payable, payroll, or other), the accountants that reconcile the accounts, the auditors, purchasing, and of course, the treasury management group.

Banks to Consider: Typically, corporations shop several banks before awarding a major piece of treasury management services activity. This bidder's universe usually includes banks that are members of the credit facility and banks that are currently providing treasury management services. Additional banks may be added to the list for various reasons including their geographic location or past business prospecting efforts. Companies want to have enough banks bidding to ensure that they are getting competitive pricing.

Define Needs: Pay special attention to those exception situations such as placing stop payment orders, communicating with the bank about Positive Pay exceptions and retrieving an image of a paid check. The bidders need to know the number of accounts and an estimate of the number of checks to be issued in a typical month. It is important to compare pricing on options, extra services and other related services because often the sum of all of these little add-ons and extra services exceeds the basic price of the "checks paid."

Identify Important Differences: At first it may appear that all of the features mentioned by the potential disbursement banks sound similar and difficult to distinguish. At least three important differences can be measured: the estimated fee price (including all related services), the value of float differences, and the differences in quality (as measured by an independent third party). Each of these important differences will be discussed in the chapters that follow.

Most selection processes include an evaluation of operating characteristics. The following list includes the most important RFP questions. These questions can be expanded if the company has any special needs.

Key RFP Questions

I. Information Reporting

- A. What are the reporting times for clearing totals?
- B. Are reported amounts final?
- C. What funding alternatives are available?
- D. How soon after a check has been paid can an image of the item be reviewed via the Internet?

II. Fraud Prevention

- A. Describe how the bank's Positive Pay process works.
- B. Payee verification options – Is a "Payee Positive Pay" option available? If so, please describe how it works.
- C. Will the "payee" portion of Positive Pay work if the check is converted to an image by the bank of first deposit or cleared using an image exchange or an image replacement document (IRD)?

- D. Does the bank's Positive Pay with Payee Verification work at the issuing bank's teller counters?
- E. Are minor encoding errors corrected by the bank or reported as Positive Pay suspect items?

III. Cost

- A. Provide a complete "pro forma" account analysis statement reflecting all of the services requested at the volumes indicated.
- B. What has been the price increase each year for the past three years for the services requested?

IV. Operational

- A. What alternatives are available for storage and retrieval of paid checks?
- B. How long are the images of paid checks archived for retrieval via the Internet?
- C. Does the bank's corporate Web-based treasury reporting product allow you to look up the status of a check (paid or not paid) and then place a stop payment? What timeframe does the system review for the status of each check (180 days or several years, etc.)?
- D. Provide the Phoenix-Hecht Clearing Study™ results for the disbursement site(s) being offered.
- E. Provide the bank's current Phoenix-Hecht Quality Index™ grades for controlled disbursement, Positive Pay and related image services, as well as customer service questions (see Figure 10).

Chapter 5

The Future of B2B Payments

Check imaging takes on a new meaning for banks and their customers with the passage and implementation of the Check Clearing for the 21st Century Act (Check 21). The legislation provides the legal framework for banks that receive check deposits to truncate the physical check. Regulations to support the act are incorporated into Reg CC. More importantly, no legislation prohibits the voluntary exchange of check images for settlement of payments. Converting the paper check to a clearable image can occur at any point in the check deposit, capture, check clearing or check return process. Most banks are moving to private bi-lateral image exchange agreements with specific banks. Usually these arrangements are done under the guideline of an organization like SVPco (owned by the largest 25 U.S. banks), Viewpointe or Endpoint Exchange.

Eliminating the physical transportation of the paper checks holds the promise of significant cost savings for banks. The term “check truncation” more accurately indicates actions which “interrupt” the delivery of the original check to the paying bank for settlement. Check truncation differs from check “conversion” (so-called “e-check” ACH transaction codes such as POP, TEL, WEB, ARC, BOC, RCK) in that check law continues to be in force (Reg CC versus Reg E). The e-check conversion programs being conducted are all currently focused on checks written by consumers.

The banking industry derives considerable revenue from providing controlled and other disbursement services and will likely try to protect corporate customers from the loss of these services for as long as possible. In the following discussion we examine how check truncation will impact corporate disbursement practices and services.

Security Features on Check Stock

Most sight review security verifications that occur at the paying bank are significantly compromised by image presentation or the presentation of an IRD (Image Replacement Document). This might lead one to conclude that security features on check stock become less important, but actually the reverse may be true. The indemnity provided by the Check 21 legislation against loss “due to the receipt of a substitute check instead of the original check” applies when security verification of the original check likely would have detected a fraud but was not possible with image exchange or an IRD. Similar provisions will also be in the bank agreements that govern full image exchange. Also, it is important to remember that the original check made it partially through the clearing process and was available for security detection until being truncated. Thus, for example, a teller at the bank of first deposit might still detect a fraudulent item. As truncation moves outward beyond the first handling, fraud detection from check security features becomes more problematic. Many banks are now capturing the image of the check at the teller counter. This is called “branch capture.” The liability for a loss due to the conversion of a check under Check 21 now lies with the entity that converted the item to an image. If you are utilizing remote deposit capture, make sure that you understand what your liability is under the service agreement with your bank. Chances are good that 100% of the liability for a fraudulent item will be passed to you.

Positive Pay with Payee Verification

Most banks will argue that Positive Pay can offset any additional exposure to fraud that occurs due to loss of check stock security features. It is conceivable that Positive Pay will become a mandatory feature for corporate disbursement accounts, even when the bank requires an additional

fee for the service. Corporations should consider the service a “necessary” feature of corporate disbursement.

Controlled Disbursement Notification

For a time horizon of two or three years, the sanctity of the controlled disbursement service will certainly be preserved (i.e., a morning notification of total funding requirements). The IRD is subject to paper processing deadlines (8 a.m. presentment) and banks will mutually protect their controlled disbursement endpoints in all bi- and multi-lateral agreements that govern image exchange. This will also be independent of any change in Reg Q, which currently prohibits the payment of interest balances in corporate accounts.

Disbursement Float

The disbursement clearing float enjoyed by the corporation on an account is impacted by the sum of the clearing float for checks that are cleared by the depositing banks. Actual clearing times for individual checks are based on many factors, including day of week, time of deposit, dollar size and the identity and location of the drawee bank and deposit bank.

Figure 9

**Phoenix-Hecht Clearing Study
National Average Clearing Times**

| Drawee Fed District | Lockbox Deposits | Over-the-Counter Deposits |
|----------------------------|-------------------------|----------------------------------|
| 01 | 1.19 | 1.55 |
| 02 | 1.52 | 1.99 |
| 03 | 1.49 | 1.94 |
| 04 | 1.19 | 1.61 |
| 05 | 1.02 | 1.42 |
| 06 | 1.16 | 1.58 |
| 07 | 1.06 | 1.44 |
| 08 | 0.76 | 1.22 |
| 09 | 1.01 | 1.46 |
| 10 | 1.16 | 1.63 |
| 11 | 0.87 | 1.27 |
| 12 | 0.85 | 1.20 |

The eventual level of 0-day image clearings is more difficult to determine. Periodic exchanges of image files which reduce the bandwidth capacity required will make it possible for a wholesale lockbox to capture controlled disbursement items by an early morning deadline and transmit an Image Cash Letter file to the paying bank in time for controlled disbursement funding reporting. In this way, 0-day presentments will occur and will deteriorate disbursement float. Likewise, the Federal Reserve product schedules allow for premium deadlines early into the morning and permit 0-day clearings. All in all, predictions of how much 0-day disbursement float will occur are still just guesses.

Disbursement Fees

We anticipate that the expenses of maintaining a controlled disbursement account will actually increase as the banks charge more for the value of the notification. There will also likely be higher fees for anti-fraud services and the fees associated with maintaining an image archive. While the total of all paid item costs to the bank will eventually decrease, for the near term they will increase, and banks will have incentives to recover both increasing paper unit-costs and the investment in image equipment and software. Although overall paper volume will decrease, there will be winners and losers among bank participants; thus, there will be differing cost pressures for the providers. Corporations may see increasing pricing differentials among disbursement banks.

Conclusion

Checks remain the dominant type of B2B payment, even though there is growth in ACH and card payments. Image presentment has accelerated the presentments of checks at drawee banks, but there continues to be an advantage to controlled disbursement accounts. We believe that advantage will continue as early morning presentment deadlines are honored between image exchange banks with bi-lateral clearing agreements. Clearing times of various banks can be measured for your specific check disbursement patterns via the Phoenix-Hecht Disbursement Model, which uses the latest Clearing Study data.

All treasury practitioners should minimize fraud by employing the anti-fraud products and practices described in this book, not only for check payments, but for ACH debits as well.

Today's disbursement practices, including check issuance, direct transmission of ACH and wire files and Integrated Payables solutions require more frequent reconciliation of bank account activity and additional audit controls as the banking system continues to evolve in its use of image presentment and increases emphasis on electronic payments.

Figure 10

**SAMPLE BANK – “QUALITY INDEX” RATINGS
PHOENIX-HECHT QUALITY INDEX**

| PRODUCTS | Grade |
|---|--------------|
| <i>Wholesale Lockbox</i> | |
| Speed of processing | A+ |
| Accuracy of processing and reporting | A |
| Timeliness of receiving images | A+ |
| Quality of images | A+ |
| Overall features and capabilities | A+ |
| <i>Wire Transfer</i> | |
| Timeliness of initiation and processing | A |
| Overall features and capabilities | B |
| <i>Balance Reporting</i> | |
| Timeliness of information | B |
| Accuracy and reliability | B |
| Overall features and capabilities | B |
| <i>Controlled Disbursement</i> | |
| Timeliness of notification | A |
| Consistency of notification | A+ |
| Accuracy of notification | A+ |
| Retrieval of archived images | B |
| Quality of images | B |
| Overall features and capabilities | B |
| <i>ACH</i> | |
| Speed of error correction | B |
| Accuracy of processing and reporting | A |
| Overall features and capabilities | B |
| <i>Depository Services</i> | |
| Accuracy of processing and reporting | B |
| Timeliness of processing and reporting | C |
| <i>Internet Services</i> | |
| Ease of use | B |
| Overall features and capabilities | B |
| PERCEPTIONS ABOUT BANK | |
| Innovation | D |
| Service customization | B |
| Product specialists | B |
| Customer service | C |
| Customer calling program | B |
| Prospect calling program | D |
| CASH MANAGEMENT RELATIONSHIP MANAGER | |
| Calling officer knowledge | B |
| Understands international cash management | B |
| Anticipates service needs | D |
| Informative on new services | D |
| Prompt call follow-up | B |
| Problem resolution | C |
| Accessible when needed | B |
| Understands your business and industry | B |
| Overall effectiveness | B |



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