

# What if you could take the paper out of payments?

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Together we'll go far



# Agenda

- Primary uses for checks
- Payment fraud trends
- What are the options?
- What are the trends?
- Do have a payment strategy?

# What a difference 8 years makes

2005



2013



# When were checks first used?



321-185 BC

In India, a commercial instrument called *adesha* ordered a banker to pay the money of the note to a third person.



1118 to 1307 AD

Knights Templar introduced a cheque system for pilgrims travelling to the Holy Land or across Europe.



1717

Bank of England pioneered use of a form printed on "cheque paper" to prevent fraud. Once written, the cheque was brought back to the bank for settlement.



1811

Commercial Bank of Scotland was first bank to personalize customers' cheques.

# My organization uses checks for...

**Payroll**

**AP**

**B2C payments**

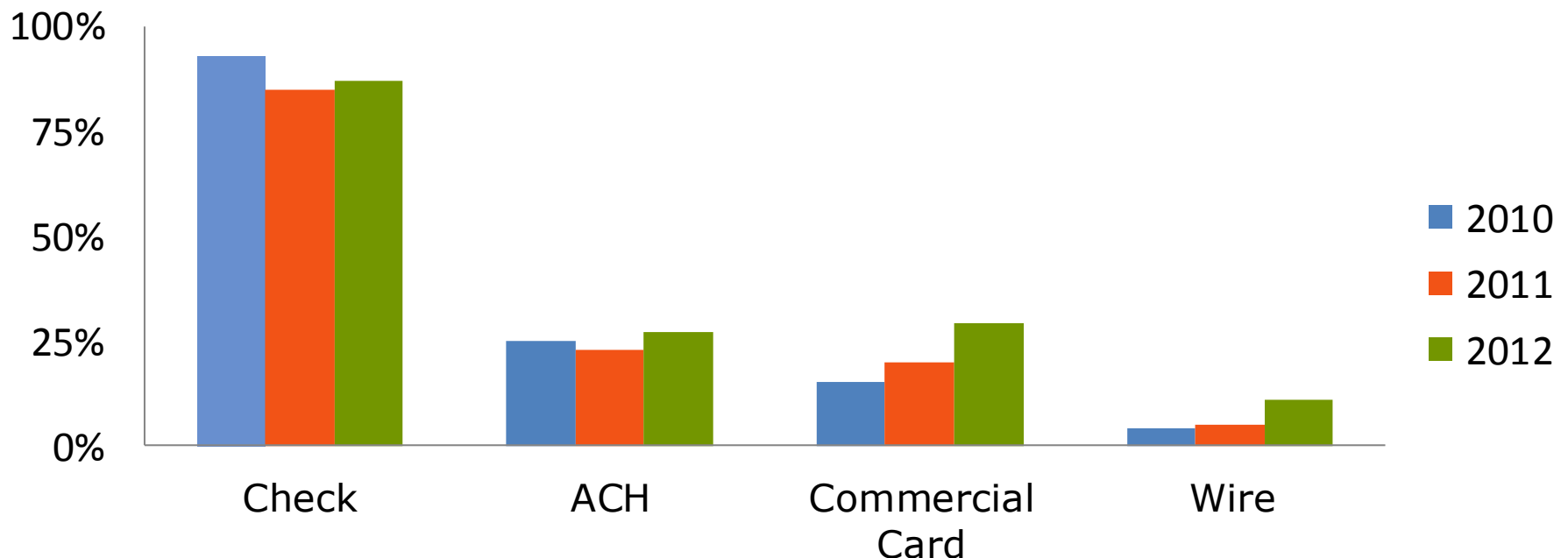
- Claims
- Refunds

**We use checks for  
all disbursements**

# Payment fraud trends

- More than 6 out of 10 of organizations experienced attempted or actual payments fraud in 2012
- Among organizations that suffered a financial loss resulting from payments fraud in 2012, the typical loss was \$20,300

## Payment Forms Targeted



2013 AFP Payments Fraud and Control Study

# Government's face fraud risk from external and internal sources

**87% Fraud instances where checks were the target<sup>1</sup>**

**71% Organizations hit by online fraud<sup>2</sup>**

**60% Fraud incidents that involved employees<sup>3</sup>**

U.S. organizations lose about 7% of revenue to fraud<sup>3</sup>

<sup>1</sup> "2013 Payments Fraud & Control Survey," AFP, March 2013

<sup>2</sup> "State of Security Survey Global Results Symantec, 2011

<sup>3</sup> Association of Certified Fraud Examiners at: [www.stopcheckfraud.com](http://www.stopcheckfraud.com)

# What are the options?

Method	Funding Source	Speed	Consumer /Vendor
Wire	Company account	Immediate and final	Both
ACH	Company account	Next day	Both
Prepaid Card	Company account	Immediate or next day	Consumer
Virtual Card	Company credit line	Same day	Vendor
Check	Company account	Several days	Both



# Checks aren't going away

57%

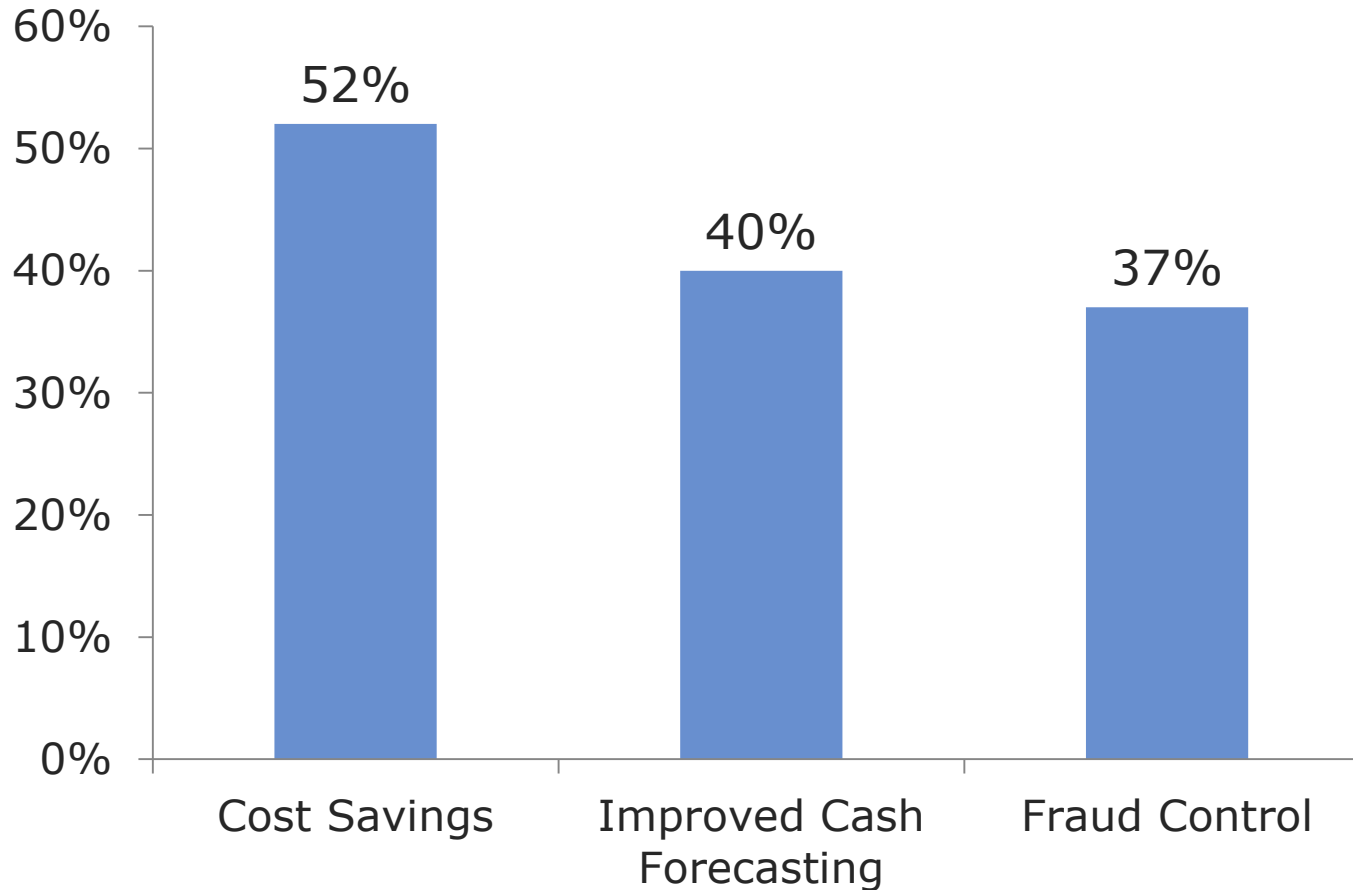
Payments made by check in  
the typical organization today

74%

Was the number in 2007

*Source: AFP Electronic Payment Survey*

# How organization's benefit from electronic payments



# Cost benefits to moving to electronic payments

Average cost per transaction cost by payment type

	Payment method	Cost per transaction
Paper	Paper checks	\$7.15
Electronic	Wire transfer	\$9.86
	ACH	\$4.72
	Commercial cards	\$3.96

**Average savings: \$3.19 per transaction**



# Disbursement trends

- **Payroll** – Employers are **moving to electronic pay**, and many have set the goal to be 100% with a combination of ACH and prepaid cards
- **AP** – Organizations want to **manage cash flow** and in addition to ACH, many are now leveraging virtual cards
- **Consumer disbursements** – **ACH where possible**, many still on checks and a growing segment moving to prepaid cards

# Do you have a payment strategy?

**Collect**  
data



**Analyze**  
data



**Define and**  
**deploy** strategy



**Achieve**  
**results**



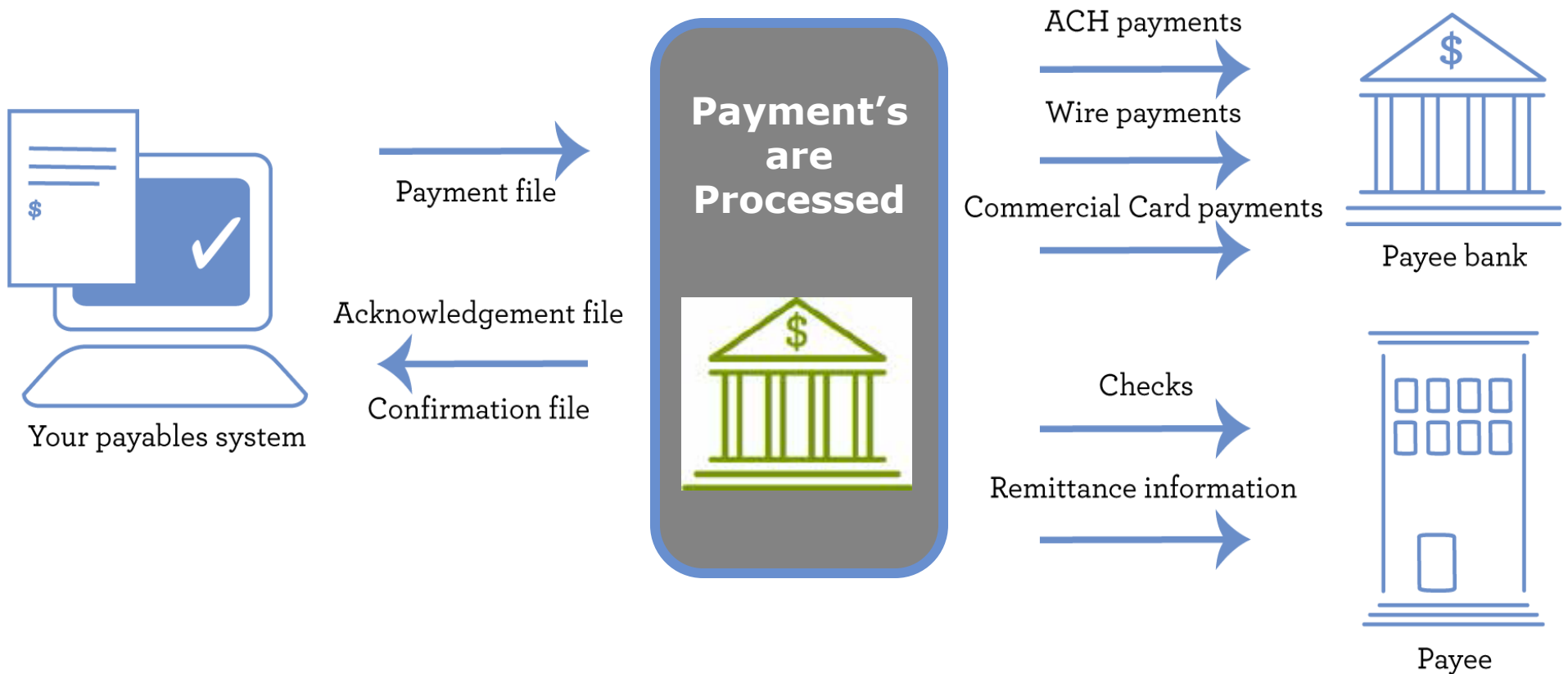
Reduced payment issuance costs **1**

Cost of funds impact **2**

Payment discounts **3**

Card revenue share **4**

# Automated payment workflow



# Commercial cards are flexible

## Traditional



*Employee makes point-of-sale or online purchases*

## Procurement



*Department makes purchases*

## Virtual-use



*ERP generates payments, each with a unique account number, maximizing payment security and control*

# Does size matter?

It depends...

Primary difference is Accounts Payable – Organizations with a larger supplier base may see more benefits from the use of ACH and commercial cards with supplier on-boarding processes

The **type** of disbursement is more important:

- **Who** is your organization paying?
- Are the disbursements **recurring or one-time**?
- **How fast** do you need the funds to get to the payee?
- What are the **disbursement amounts**?
- What are the **disbursements for**?



# How virtual -use accounts work for AP



You receive invoice

You authorize payment

Your AP system transmits payment file to card system  
Card system generates single-use account number for each transaction

Card system emails supplier payment is available  
Supplier logs into portal and retrieves information  
Supplier processes payment and receives funds

Settlement file imports into your system and reconciles transactions

# Case Study – Local Government in SC

Both recurring and one-time Vendor disbursements for varying amounts

<b>ACH</b>	<b>Wire</b>	<b>Commercial Card</b>
Core supplier payments	Large Transactions for immediate and final payment (Capital expenditures)	Invoice payments to suppliers who accept commercial cards
Out of pocket expenses for employees	International vendor payments	Employee travel and small dollar payments

# Case Study – Local Government in SC

<b>Customer Benefits</b>	<b>Vendor or Supplier Benefits</b>
Minimizes fraud associated with paper checks	Receives payment faster depending on payment type
Revenue share opportunity (@\$140,000)	Apply payment to multiple internal accounts
Reduced paper checks by 20% in first year – Saving @ \$28,600	Faster posting due to electronic remittances
Simplified 1099 reporting	