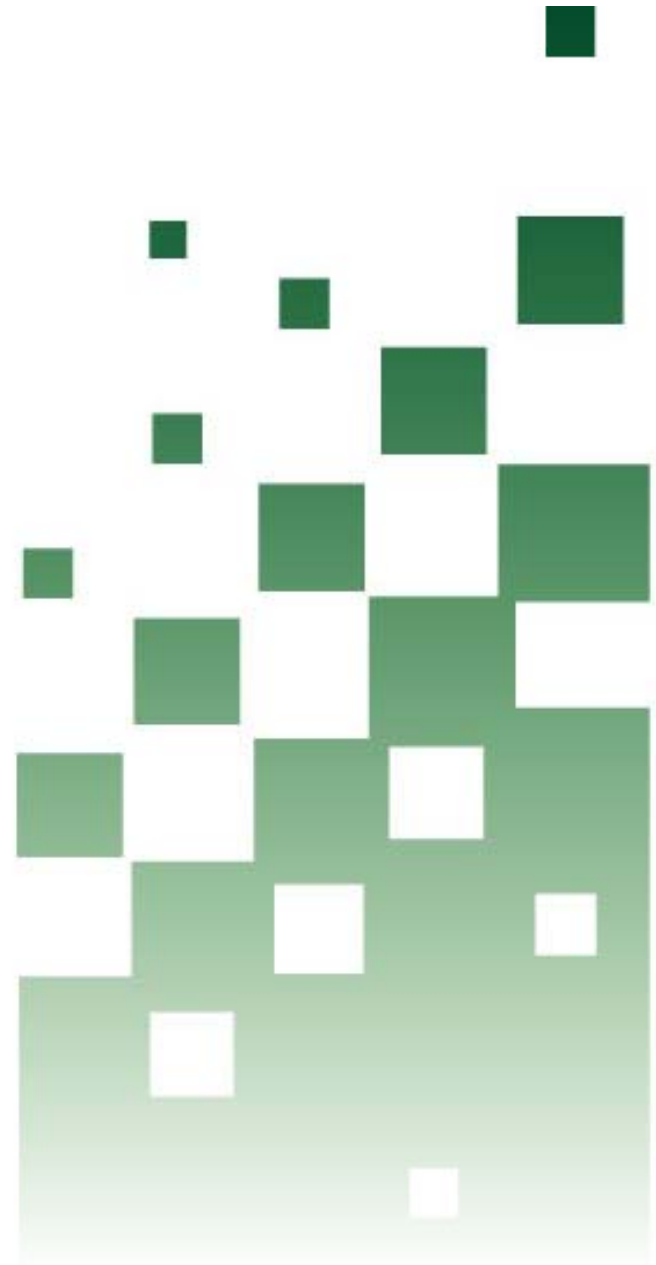
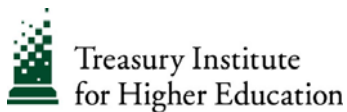


# What's new in ePayment Solutions: A Comprehensive Payable Solution for University of Virginia



## What's new in ePayment Solutions: A Comprehensive Payable Solution

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# A Little About UVa...

- ◆ Institution of Higher Ed, founded by Thomas Jefferson in 1819.
- ◆ Supported by the Commonwealth of Virginia while also nourished by the strong support of its alumni.
- ◆ 13,000 undergraduate and 6,000 graduate students.
- ◆ Operating budget FY 2007, was \$2.0 billion.

## A little Background History

- ◆ State processed our Vendor Electronic payments (EFT).
- ◆ All non-EFT vendor payments received paper checks.
- ◆ Only non-payroll reimbursements were processed electronically (ACH) by UVa.

# What caused us to change?

## ◆ **Restructuring**

- State allowed us to have more autonomy.
- We are now able to process our own vendor electronic payments.
- Fewer daily settlements of money going back and forth between the State.
- UVa had more control of their funds and payment processes.

# What caused us to change? continued

## ◆ **Electronic Procure to Pay**

- Already had catalog shopping and electronic delivery of purchase orders.
- We were processing electronic invoices.
- The missing link was the electronic payments.

## By having an electronic process from start to finish....

- ◆ We could negotiate better discounts from vendors.
- ◆ We could offer vendors faster payment terms.
- ◆ Cost savings of electronic vs. paper.
- ◆ Cost savings of mailing > PO, Inv & paper check.
- ◆ All of these generated revenue to the Agency.

# What Did We Do?

- ◆ Decided to offer a comprehensive payment solution for vendors.
  - Electronic card payments.
  - EFT payments with remittance information for vendors.
  - Last resort of a check.

# Electronic card payments

## ◆ Benefits to UVa

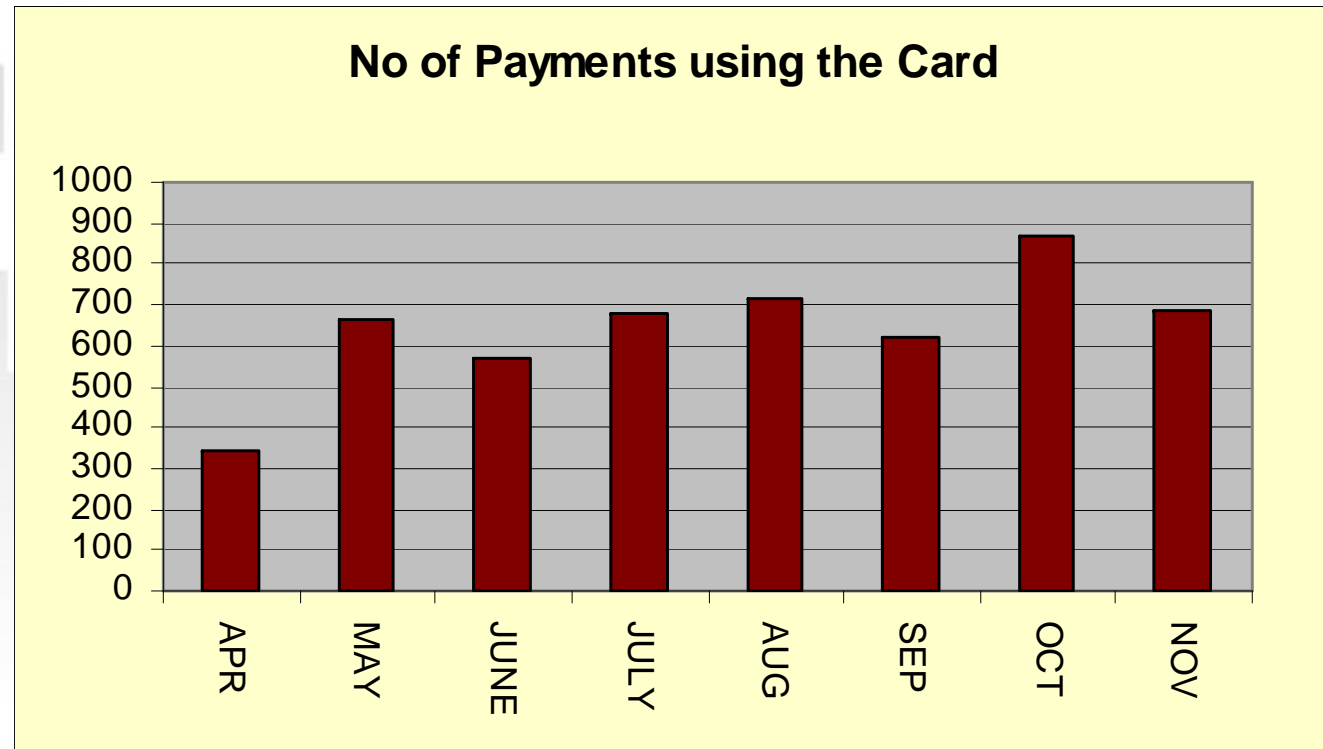
- Generates rebates back to the Institution.
- Increased security.
- Additional float on money.
- Money saved in paper stock cost.
- Money saved in mailing cost.
- Bank fees reduced

# Electronic card payments, continued.

## ◆ Benefits for Vendors

- Vendors gain efficiencies
- Increased security
- We offer faster payment terms for vendors that sign up.
- No trips to the bank
- Payment history in one place.

# Card Payments



# Vendor EFT Payments

## ◆ Benefits to UVa

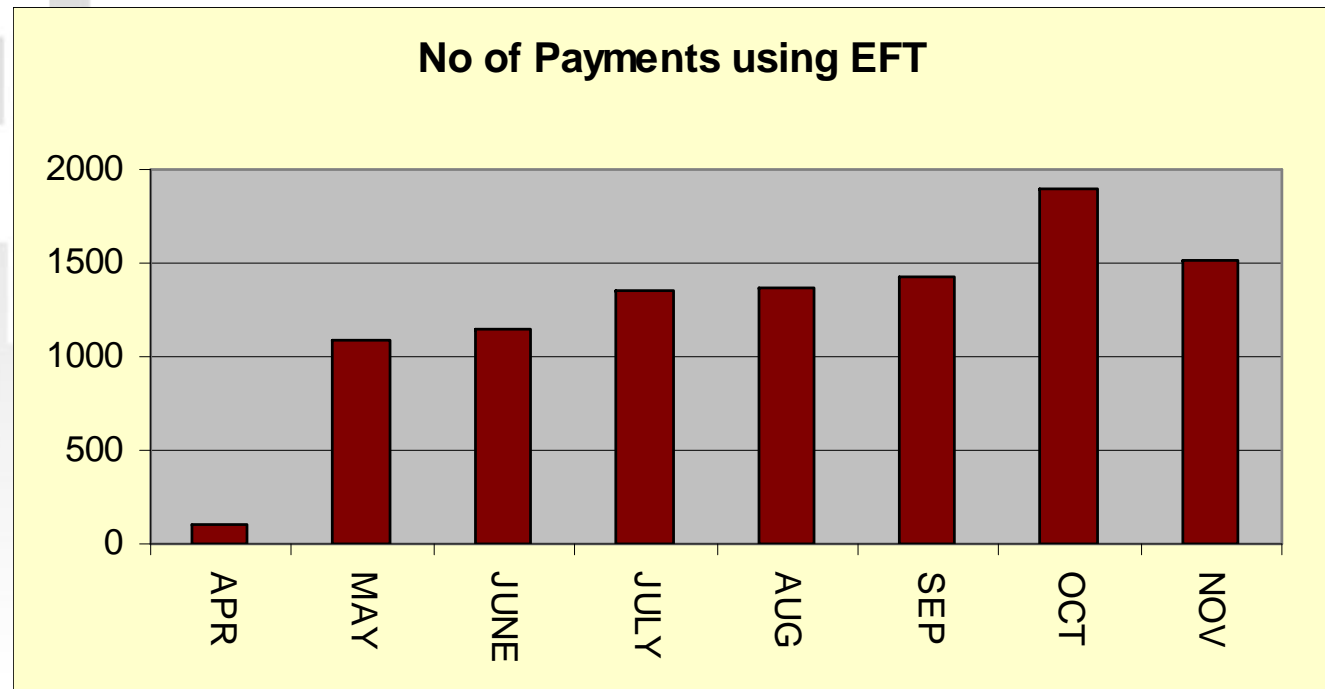
- Saves time and money.
- Fits with existing systems and banking practices.
- Greatly reduces fraud from intercepted checks.
- Solicit vendor discounts for this payment option causing revenue to the Agency.

# Vendor EFT Payments, continued...

## ◆ Benefits to Vendors

- Saves time and money.
- Includes detailed remittance information for easier reconciliation.
- Enhances cash flow by eliminating check float and mailing time.
- Easy to get started.
- Vendor has the option to offer discount and receive quicker payments.

# EFT Payments



# And then there's the check...

- ◆ Still have a need to write checks.
- ◆ Vendors that receive infrequent payments.
- ◆ Mom & Pop shops that are slow make changes.
- ◆ Checks that need to have documentation attached with the payment.
- ◆ It makes better business sense. (US Postal Service checks)

# How We Started?

- ◆ Identified high volume, high dollar vendors. (Performed vendor match)
- ◆ Recommended the card first, EFT second.
- ◆ Bank did the initial work of contacting vendors.
- ◆ Required some system and internal changes.
- ◆ Update our web site and vendor registration forms.

# Lessons Learned

- ◆ Vendors would ask to be removed from credit card after finding out there were fees.
- ◆ Accounts Payable was not familiar with banking practices tied to electronic card payments.
- ◆ Card payments generated more work for the AP group.

# Lessons Learned Continued...

- ◆ Vendors were unsure of the process as well.
- ◆ No written internal processes prior to implementing.
- ◆ Work shifted in the AP area.
- ◆ Daily maintenance of work in the credit card program.
- ◆ Reconciliations

# What we would do differently now?

- ◆ Learn more about how vendors picked up card payments.
- ◆ **MAKE SURE** vendors knew they had to pick up the entire amount of the payment.
- ◆ Make sure vendors understand there could be fees from their card provider.

# Benefits Realized

- ◆ \$\$\$ savings in vendor discounts and bank rebates.
- ◆ \$\$\$ saved in mailing cost and paper check stock.
- ◆ Completes the procure to pay electronic process.
- ◆ Liquidity planning for Treasury.
- ◆ Gave UVA a strong negotiating tool to generate revenue.

# So what did UVA implement?

- ◆ A full outsourced comprehensive payables solution that would convert it's paper vendor checks into various electronic payments:
  - Credit card payments-Yes
  - ACH payments-Yes
  - Paper checks (what remained)-No
  - Wires-No

# Solution: Comprehensive Payables Solution

## **Easily convert from paper to electronic payments:**

- ◆ Easy-to-implement and cost-effective – Eliminates most of the administrative and IT effort typically required to start an e-payments program
- ◆ Fully integrated end-to-end payment process – Uses your preferred format
- ◆ Single point of origination – Send instructions for all payment types in one file: card, ACH, wire and check printing and distribution
- ◆ Accelerates enrollment program – Multiphase campaign enrolls your vendors
- ◆ Consultative services – Adds value to both the payor and receiver by going deeper into the supply chain
- ◆ Expense savings – Eliminates \$2 to \$10 per check and increases card rebate potential
- ◆ Enhances reporting – Includes supplier-friendly remittance and online access
- ◆ Reduces fraud

# Customer's requirement: value

## Supplier payment analysis and conversion plan:

- ◆ Focus: Converting check payments to card payments
  - No-cost alternative to traditional fee-based payment types
  - Cash payout incentive when annual spend targets are achieved
  - Extends float, increasing cash flow
  - Reduces opportunity for fraud
- ◆ Focus: Converting check payments to Bank's Electronic ACH payment system
  - Accepted by over 53,000 vendors – Ready for immediate conversion to electronic payment
  - Displaces check costs associated with these payments
  - Reduces opportunity for fraud

***Replace 40 to 75 percent of non-payroll AP check volume in twelve weeks\****

*\*TYPICAL ENROLLMENT VOLUME*



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# Customer requirement: include efficiencies for checks

## **Check Outsourcing — An outsourced solution for check production and mailing**

- ◆ Single entry point for all payments (ACH, card, wire, and check)
- ◆ USD and Canadian dollar checks
- ◆ Security paper with advanced features offering protection against duplication and alteration
- ◆ Supports the use of customized stock with no specific limitations
- ◆ Delivery via U.S. mail or overnight courier

*Efficiencies and reduced costs for your vendors who are not quickly converted to receiving electronic payments*

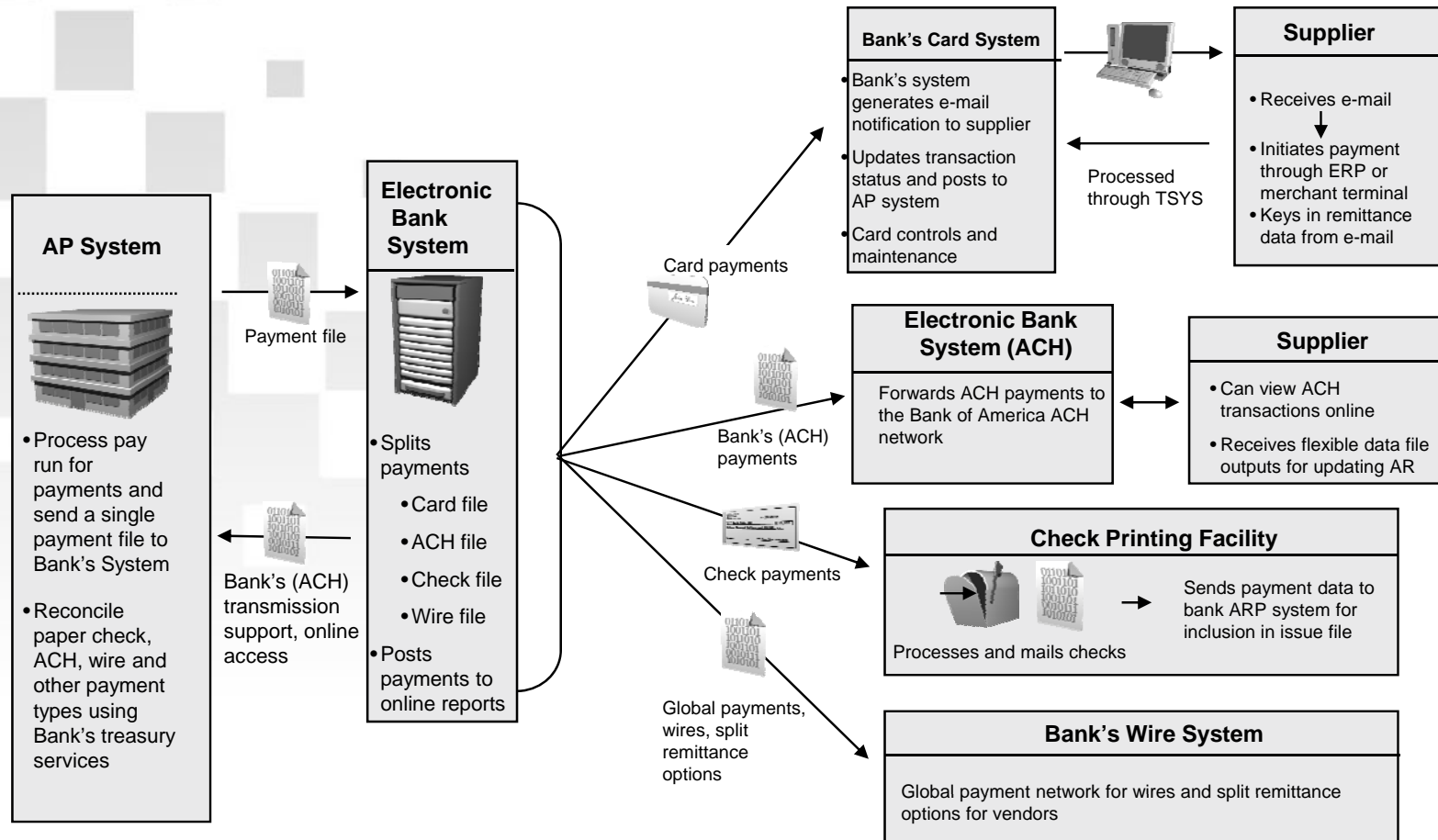
# Customer requirement: minimal client resources

Bank does the heavy lifting of identifying checks to convert to electronic.

- ◆ Vendor enrollment – Highly effective, rapid adoption with little effort on your part
  - Timely payment, enhancing vendor satisfaction
  - No need for payee to change bank accounts
- ◆ Supplier network – Eliminates the need to maintain authorizations and bank accounts
- ◆ Quick and easy integration to your system
  - Support for high- and low-end technology interfaces
  - Works within your systems environment and business rules
  - Configurable process limits and privileges
  - Secure, Web-based, real-time reporting

*Easy integration with no process changes and minimal IT requirements*

# How the service works: Payments Initiation



# Vendor enrollment

Analysis

Execution

- Bank segments vendor file based on:
  - Most suitable payment method (card or ACH)
  - Vendor value (# transactions, logical payment groupings)
- Facilitates a thorough client review of proposed vendors/suppliers for each payment method – requires client approval prior to **execution**

# Vendor enrollment

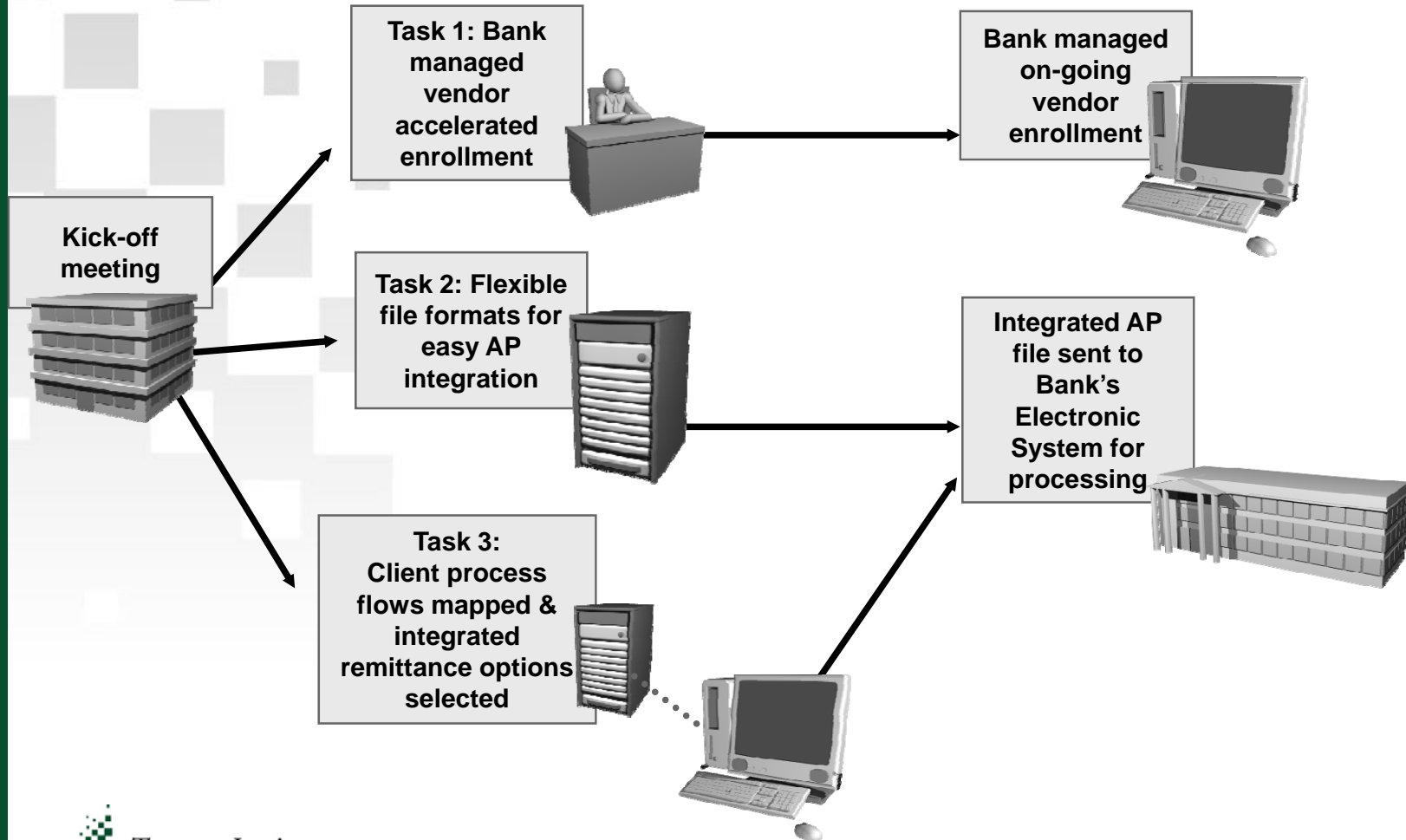
## Results

## Ongoing Support

### Vendor Activation

- Client requests credit card account, advises vendor of its 16 digit account number for use in their AR system
  - Client reviews vendors who decline card method for potential ACH receipt
  - Weekly report advises active ACH vendors with their associated Electronic Bank System identifier (to be added to vendor profile in the client's AP system)
  - Credit Card suppliers flagged appropriately in the client's AP system
  - Electronic payments begin
- 
- New vendor welcome packet:
    - Electronic Bank System brochures
    - Sample letters – card, ACH
  - Ongoing new vendor enrollment reporting
  - Specialized campaigns as requested
  - Ongoing communications of new activated vendors

# Implementation process



# AP system requirements

- ◆ Add credit card and ACH payment types to AP module
- ◆ Edit the vendor master record for vendors accepting electronic payments
  - Set the default payment type to credit card or ACH based on the vendor enrollment
  - Add bank's system membership identification for vendors receiving payments
- ◆ Transmit an integrated payment file to the Bank.
  - Systematically transmitted payment file without requiring a user to manually import

# Getting started

- ◆ Vendor analysis
  - Provide a vendor payment history file for the most recent 12-month period
    - Include vendor name and address, total paid and number of payments per vendor
  - Provide data elements for robust cost savings analysis
    - Include your average cost of a check<sup>1</sup>, direct check production costs<sup>2</sup> and short term funds rate (float value)
- ◆ Marketing strategy
  - The Bank will return a proposed marketing strategy for vendor acquisition
  - The Bank will work with you to identify desired targets to begin campaign
- ◆ Pricing/service proposal letter presented for review
- ◆ Contracts for services provided for signature