



**MINUTES
CASH MANAGEMENT REVIEW BOARD
MEETING OF DECEMBER 18, 2012
CITY PLAZA BUILDING
445 NORTH BOULEVARD
7TH FLOOR CONFERENCE ROOM**

The items listed on the Agenda are incorporated and considered to be a part of the minutes herein.

Chair Laura Lapeze called the meeting to order. Marella Houghton called the roll.

MEMBERS PRESENT:

Laura Lapeze, as Chair and designee for the State Treasurer
Afranie Adomako, as designee for the Commissioner of Administration
Tom Cole, as designee for Legislative Auditor (Non-voting member)

OTHER PERSONS PRESENT:

Marella Houghton, State Treasury Fiscal Control Manager and Secretary to the Board
Ron Henson, First Assistant State Treasurer
Lindsay Schexnayder, State Treasury Fiscal Control Manager
Carol Leonard, JP Morgan Chase Bank, Senior Client Service Professional
James B. Lodge, Office of Statewide Reporting and Accounting Policy, Consultant
Michael Bridges, Department of Transportation and Development, Undersecretary
Beverly Hodges, Department of Transportation and Development, Financial Services Administrator
Sandra G. Gillen, Office of State Purchasing, Director
Tammy Toups, State Purchasing and Travel, Assistant Director
Brenda Myers, State Purchasing and Travel, Purchasing Manager
Donna Torres, Louisiana State University, Associate Vice Chancellor for Accounting and Financial Management Services

Afranie Adomako moved for approval of the minutes for the November 28, 2012 meeting, seconded by Laura Lapeze, and without objection, the minutes were approved.

Agenda Item 4a was submitted by the Louisiana Department of Health and Hospitals, Medical Vender Administration, and was a request for the Cash Management Review Board's (CMRB's) approval of 1 (one) new Zero Balance Account (ZBA) with JP Morgan Chase Bank in Baton Rouge. It was explained that the new bank account was needed for the purpose of enrolling in Paypoint and E-checks for ACH provider and application fees.

Mr. Adomako inquired about the specific purpose of Paypoint. Ms. Lapeze explained Paypoint is used as a portal for collecting Visa, MasterCard, and ACH transactions from Louisiana Department of Health and Hospitals. Ms. Lapeze confirmed that the State Treasurer's Office suggested the new account be a ZBA so deposits would not be directly posted to the central bank account. This action would allow for payments to be collected and reconciled before being swept into the central bank account nightly. The ZBA is structured for deposits only.

Mr. Adomako moved approval of the request for the new bank account submitted by the Louisiana Department of Health and Hospitals, Medical Vender Administration, seconded by Ms. Lapeze, and without objection, Item 4a was approved.



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Agenda Item 4b was submitted by the Louisiana Department of Transportation and Development (DOTD), and was a request for the CMRB's approval of 2 (two) new Zero Balance Accounts (ZBAs) with JP Morgan Chase Bank in New Orleans as part of the CCCD transition per Acts 865 and 866 of the 2012 regular Louisiana Legislative session. It was explained one account is needed for the purpose of receiving ferry fares, and the second for the purpose of receiving tolls. Per new legislation, the CMRB discussed future action regarding the existing 6 (six) accounts that were originally approved by CMRB on 5/29/09 for a similar purpose. Mr. Adomako inquired about the additional costs of establishing new accounts. Ms. Hodges explained that once the existing accounts are reconciled and distributed among the newly developed accounts, the 6 existing accounts at JP Morgan Chase and the 8 existing trust bank accounts at Bank of New York Mellon will be closed. This will result in the closure of 14 bank accounts and reduce the cost of account fees. The CCCD Trust Fund will also be closed because the bond was paid. Once reconciliation of all accounts has taken place, only 5 accounts will remain active, including the 3 listed in agenda item 4c below. Tom Cole inquired about the 2 (two) requested ZBAs being separate accounts to determine if this is a requirement of the Trust Fund or is it for the purpose of simplifying the accounting process. Ms. Hodges explained that there is no requirement. Confirmation of separate accounts was agreed upon by the Board due to no increase in account fees per the closure of the 6 (six) existing accounts.

Mr. Adomako moved approval of the request for the 2 (two) new ZBA bank accounts submitted by the Louisiana Department of Transportation and Development (DOTD), seconded by Ms. Lapeze, and without objection, Item 4b was approved.

Agenda Item 4c was submitted by the Louisiana Department of Transportation and Development (DOTD), and was a request for the CMRB's approval of 3 (three) new Demand Deposit Accounts (DDAs) with JP Morgan Chase Bank in New Orleans as part of the CCCD transition per Acts 865 and 866 of the 2012 regular Louisiana Legislative session. It was explained that each of these accounts is for the collection of specific revenue including, Geaux Pass, toll collections, and LA 1 revenues. Geaux Pass was requested as an interest bearing account.

Mr. Adomako moved approval of the request for the 3 (three) new DDA bank accounts submitted by the Louisiana Department of Transportation and Development (DOTD), seconded by Ms. Lapeze, and without objection, Item 4c was approved.

Laura Lapeze then turned the meeting over to Donna Torres, Associate Vice Chancellor for Accounting and Financial Services with Louisiana State University (LSU) to provide ePayables information in respect to how this process has been implemented and utilized at LSU. Ms. Torres explained that the ePayables program allows a vendor to collect payment with a "ghost" credit card account, thereby increasing spending on credit cards and reducing costs related to check distribution and postage.

LSU created a project team of accounts payable staff, information technology analysts, and Bank of America staff in order to generate a business plan. The business plan proved to show no change to the accounts payable process and no change to the invoice approval process. However, the vendor records had to be modified. Vendors are given the option of whether they want to receive



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payment by check, credit card, or ACH. The speed at which invoices are processed did not increase. The invoices are still paid based on the payment terms negotiated.

If the vendor elects to receive payment through the ePayables program, they will receive an email from LSU providing direction on how to access their credit card account and draw down payment on the listed invoices. The email requests that the payment be drawn down within 72 hours. LSU monitors the draw down process on a weekly basis of which invoices have been submitted for payment and which invoices have been drawn down. If too much time passes, the vendor is contacted to find out why they have not drawn down the funds.

Mr. Henson inquired about the vendor's preference for payment. How often is a vendor allowed to make changes to the payment option? Ms. Torres stated vendors may change the payment option whenever they choose and may opt to be paid via check for some services and ePayables for others. Ms. Torres explained that if regular food service invoices are of a large amount, the vendor may not want to use ePayables for that service because the ePayables fee may be too high. However, that same vendor may elect to use ePayables for special event dining or other services where the fee is not too high. This requires a separate vendor number for the same vendor.

LSU did not want to find themselves in 18 months with unclaimed property for ePayables payments that have not been drawn down. LSU assigns a check number to every ePayables invoice so that when the vendor draws down the funds on that invoice LSU actually goes through a process to clear those checks. In the event there is unclaimed property to be transmitted to the state, LSU will have such a mechanism in place which falls in LSU's normal processes.

LSU had 468 active ePayables vendors as of November 30, 2012. LSU has 45 vendors who have opted out of ePayables and switched back to check or ACH. Vendors are encouraged to switch to ACH rather than check in the event that they choose to opt out. LSU has approximately 7500 active vendors.

Mr. Henson inquired about the primary bank utilized by LSU. LSU's primary banking services are with Chase Bank. LSU's ACH through ePayables is transmitted through Bank of America. Ms. Torres noted that LSU does have ACH outside of ePayables which are transmitted through Chase Bank.

Ms. Torres stated some of the reasons why vendors opt out of ePayables are listed below:

- Some feel credit card transactions are too high, especially if there are large dollar payments
- University and government institutions typically do not participate.
- Some companies do not accept credit cards
- Some vendors feel that the reconciliation process is too cumbersome

During the meeting, Ms. Torres distributed copies of the electronic payment summary for July 2010, which was the inception month for Paymode and ePayables. Paymode is the system used to make ACH payments. The payments made under each method were each close to \$600,000. She also provided a copy of the same summary for November 2012, which shows payment of \$4 million for Paymode and



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approximately \$800,000 for ePayables. Ms. Torres noted that LSU's ePayables payments have been as high as \$1.3 million. LSU usually averages \$900,000 a month.

Mr. Henson inquired about LSU's marketing strategy for vendors enrolling into ePayables. Bank of America (BOA) contacts the vendor. It is considered a joint effort between BOA and LSU. Currently LSU is in the middle of their third sign up round. Round one took six weeks, and round two took four weeks. LSU provides a vendor payment file to BOA. This allows BOA to see which vendors accept Visa or MasterCard payments currently through ePayables and these are the vendors targeted.

The rebate structure is a graduated table that depends upon the spending on the card. There is no rebate on ACH payments. The "spend" to ePayables vendors will blend with the "spend" on the LaCarte cards. As the "spend" on the LaCarte cards increase, the rebate percentage increase. The rebate structure is defined in the LaCarte contract.

Mr. Adomako inquired if this is a cost-saving measure or a cost-shift measure. Ms. Torres stated in her opinion that this is a cost-savings measure because checks are not being processed, postage is not being used, and LSU does not deal with the handling of returned checks. The process has also been revenue generating for LSU. Since 2010 through January 2012, LSU has received \$232,000 in rebates. LSU will have another rebate in January of 2013. The spend in ePayables last year was \$11.6 million. Through November 2012, the spend has been \$9.1 million. The rebate related to ePayables is estimated to be an additional \$150,000 per the contract year.

Mr. Henson inquired about how BOA can afford to provide the rebates. Ms. Torres stated that BOA can afford to give this rebate due to the merchant processing and discount rate on all the Visa purchases. The vendor pays the merchant processing fees; however, the vendor does not have to deal with lost checks.

Mr. Henson stated that the State Treasurer is responsible for distribution of all appropriations. Difficulties are foreseen allowing a third party to distribute payments without any kind of control over the disbursements. The Treasurer's office has been trying to push vendors to accept ACH payments since 2002. Since 2002, 16 to 18 percent of vendors have elected to be paid with ACH. This amount is not considered evidence to make the transition.

Mr. Adomako expressed his concern that if we have not been able to enroll vendors in ACH, and there is no ePayables, then the alternative is maintaining the check process. Week after week, checks outnumber EFTs in the number of transactions, not dollar amount.

Ms. Torres recommended that the State should mandate the use of ACH. Mr. Henson stated that trying to mandate ePayables and ACH would be controversial. The public is resistant to change. It took a long time to switch to direct deposit for payroll checks. Mr. Henson explained the importance of anticipating bumps in the road in order for the transition to be successful.

Mr. Adomako inquired about the amount spent in 2012 using the various payment methods. Tammy Toups at State Purchasing provided the following information: Suppliers accepted



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approximately \$27 million from ePayables, \$106 million from P-Card, and \$296 million from Visa. It is estimated that the state of Louisiana would get \$2.1 million dollars in rebates on 8,000 transactions.

Mr. Henson stated that the Treasurer's Office recently completed the Central Banking Services contract through RFP. A portion of the RFP included historical volumes of types of transactions. The respondent vendors used this data as a basis upon which to calculate their lowest acceptable charge for those transactions. Chase Bank won the RFP. There are concerns that a transfer to ePayables will impact the matrix of Chase Bank's volume of transactions and ACHs. However, it is not known how many people would take advantage of ePayables. Donna stated that LSU's Central Banking Services are with Chase Bank; however, they have not encountered this issue.

LSU currently has credit card transactions with BOA, where the Bank pays the bills for LSU and then sends the university one invoice. The Treasury pays only one check to BOA instead of 20 individual checks to vendors. This is understood as a positive float which Treasury gains extra days to earn interest. Under this proposal, BOA sends an invoice once a month. The additional days to earn interest can vary from 25 days to 60 days. It was also noted that the rebate goes to the general fund.

Mr. Henson summarized that the main issues with the proposal lies with participation from vendors, the recent contract with Chase Bank, and the State Treasurer Office's control over the disbursement of funds. In order for the Treasurer to feel comfortable with this plan, contact with the State Treasurer's lawyers is compulsory. It was agreed upon by Mr. Adomako and Mr. Henson that the Board would speak internally about the ePayables program and the next step in this process.

There were no Other Business topics to be discussed.

Mr. Adomako motioned to adjourn, seconded by Ms. Lapeze, and without objection, the meeting was adjourned.