

Internet Banking
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Texas A&M University has realized considerably improved efficiency, accuracy, communication, and cost savings from implementing Internet based banking measures. Daily treasury management downloads are retrieved from our financial institutions and stored on a shared drive, which is utilized by accounts receivable department to post deposits. Daily zero balance transactions are extracted from the download and automatically posted into our legacy accounting system. Domestic and foreign wire capabilities are now utilized via the Internet, eliminating modem-based systems. This enhances availability and ease of use, while allowing for faster response and user-friendly interface, as well as accommodation multi-user access and flexibility. On-line foreign wires supply us with the ability to compare exchange rates, providing the University a significant savings and greatly increasing our purchasing power. Positive pay enables us to view added and deleted issues through the Internet and approve or reject exceptions on-line. Our legacy accounting programmers have developed feeds into positive pay to eradicate duplicate entries when adding or deleting issues. Positive pay reduces fraud and provides readily available information to verify check status through check imaging. Check imaging allows current check images to be accessible to multiple users on-line with a click of a button.

Texas A&M University was Texas' first public higher education institution, having its start in 1876 as a land-grant college. Since then, the University has held various federal land-, sea-, and space-grant designations. Its dedication to the discovery, development, communication, and application of knowledge in a wide range of academic and professional fields has helped the University become one of the top 50 universities in the United States (U.S. News & World Report, 2001). Texas A&M also has worldwide connections, sending students on study abroad programs, partnering our research and faculty resources with over 30 countries, and even working with CONACYT, Mexico's equivalent of the National Science Foundation.

Former President Ray Bowen announced in 1997 a plan that would make Texas A&M University one of the ten best public universities in the nation by the year 2020 without losing the University's distinctiveness and diversity. Texas A&M University has always reached for the top, and the Vision 2020 plan is consistent with this strategy –

determined to make the University better, enhancing its current strengths and eliminating its weaknesses.

Currently, the University boasts of a current enrollment of over 36,000 undergraduate students, over 8,000 graduate students, and almost 500 professional students. Its Galveston campus has an enrollment of 1,400 students, including about 80 graduate students.

Vision 2020 created twelve imperatives to guide the University towards its goals. The seventh imperative discusses increasing our access to intellectual resources. Part of this imperative focuses on utilizing the technology available to the University wherever possible. Financial Management Services, one of many divisions within Texas A&M University, has applied this imperative to our banking systems. The implementation of Internet-based banking systems has provided us with treasury management tools, enhanced domestic and foreign wire capabilities, positive pay access, and check imaging. The need for an improvement in our banking systems was dictated by a few pressing issues. The first involved the fact that Texas A&M cuts thousands of checks monthly. The old process meant storing the cancelled checks in a building. Because of our volume, storage space for our cancelled checks was running low. We did receive a report from the bank that listed all of the checks that had cleared that month, so if someone wanted to find out if a check had been cashed, that report had to be located. Another issue prompting this change arose when a check was reprinted due to customer non-receipt. If by chance both the original and reprinted checks got cashed, the University had no way of knowing until we had received our bank statement the next month. At this point, someone would have to send out collection letters and put the University at risk of

losing that money. One other major reason to improve our systems concerns our ability to send a vendor a check in foreign currency. The old process meant sending a letter to our bank requesting the draft and picking up the check whenever they processed it. All of these issues necessitated a change in our banking methods.

The first step in implementing web-based banking services was to contact the three banks we do business with to see if all three offered these services and to check on the pricing differences, if any. Most banks offer some type of web-based services, but the level of services may differ. For example, one of our banks allows us to print our foreign drafts at our desk, but the other bank will not. One of our banks will let us save our downloadable report criteria, and one of them will not in the same efficient manner. All of the banks did have similar setup processes, though. The first step is to have the bank(s) assign an implementation officer that will help the institution through the set up process, making sure the correct paperwork is filled out and making sure demos are performed. The bank will set up the initial accounts on the banking system, but it will be the responsibility of the institutional security officers to grant access to the individuals needing the services. The beauty of Internet Banking is that the Internet is available to everyone, so no additional capital equipment is needed. In fact, many of the modems used to operate the modem-based banking systems can be eliminated. Since most of the same duties will be performed, i.e. wire transfers and inquiring on paid checks, no additional personnel is needed. The fact that everyone has access to the Internet does necessitate security officers playing their role, but since most banking software prior to Internet services required security also, the Internet does not necessitate additional security personnel. Internet banking simply changes the form of security needed. Instead

of having to issue passwords for modem-based software packages, the security involves passwords for Internet-based software packages.

As previously stated, an Implementation officer should help the institution through this process. The banks that offer Internet services will probably email the forms and have you fax and/or mail the forms back. Texas A&M University did have our legal department analyze the forms and make changes they felt were necessary. The implementation officer did treat domestic banking issues differently than foreign banking issues, but the initial account setup covered both areas. The time from the very first contact with the bank to being able to download reports should not take more than two months. Being able to wire money might take another month or so because additional security measures are taken for that piece of the Internet system.

Once the Internet system is in place, the benefits are numerous. Depending on the area of the banking system, the benefits and cost savings differ:

Treasury Management

Texas A&M University receives both current day and prior day downloads on a daily basis. This provides several advantages. As customers send the University payments via ACH, we can see immediately when we receive the funds and can post them appropriately. We no longer have to wait for the bank statement and have outstanding items, nor do we have to call the bank continuously to verify whether or not we have received specific funds. We can also monitor that any money that has been taken from our accounts has been authorized. As most people know, when fraud is involved, the sooner the fraud is identified, the easier it is to recover.

Check Imaging

Time and space benefit the most from this piece of Internet banking. Check imaging simply means that all of our paid checks are now on CD. Prior to this method, Texas A&M University had two rapidly progressing problems. The first was due to the volume of checks that Texas A&M issues on a daily basis. The bank was giving us all of our cancelled checks back. Someone had to file them, some place had to store them, and that place was simply getting smaller and smaller. Then, if someone needed a copy of the check, the check had to be pulled from storage, copied, and then re-filed. If someone just needed to know if a check had cleared the bank, he had to find the report that the bank sent and search for the check number in question. Now, though, someone can simply look on the CD for the check image. This check image can then be printed and faxed, or emailed to whomever needs it. The departments benefit from the quickness of this process, as well as the vendors. Internally, our department has the ability to better utilize the storage space.

Positive Pay

This piece of the puzzle has been extremely beneficial in catching fraud and duplicate checks being cashed. Texas A&M University's accounting system sends a file to the bank nightly listing all the checks cut the night before. As checks come into the bank to be paid, the bank "marks" the check as paid. If a reprint was done on that check number, and the second check comes in for payment, the bank sends Texas A&M an exception report, so we can decide if the check should be paid or rejected. If a check should not have been issued to a customer, Positive Pay aids in this process as well. When the check is voided in our accounting system, that entry feeds to the bank that

night and cancels that check in the bank system. No more stop payments! Again, if that cancelled check comes in for payment, Texas A&M will receive an exception report so a decision can be made to pay or reject the check. The Positive Pay system also provides the capability of viewing the checks on-line. This way, if the situation does come up that a duplicate check tries to pay, Texas A&M can compare signatures to check for fraud.

Wire Transfers

Foreign wire transfers have improved dramatically since Internet banking. We can now see the exchange rates at different banks and compare those rates to make an educated decision as to which bank to wire funds from. In a six month time period, Texas A&M University was able to save over \$2,400. Texas A&M University is also able to print foreign drafts straight from our desktop printers, saving everyone involved time. Most importantly, as a department, we have been able to provide other departments with quicker turnaround times.

Overall, the efficiencies created by Internet banking have helped out our department internally by saving space, time, and money. Our external departments have seen better customer service, and we are able to rely more on ourselves than on the banks to get the information we need when we need it.