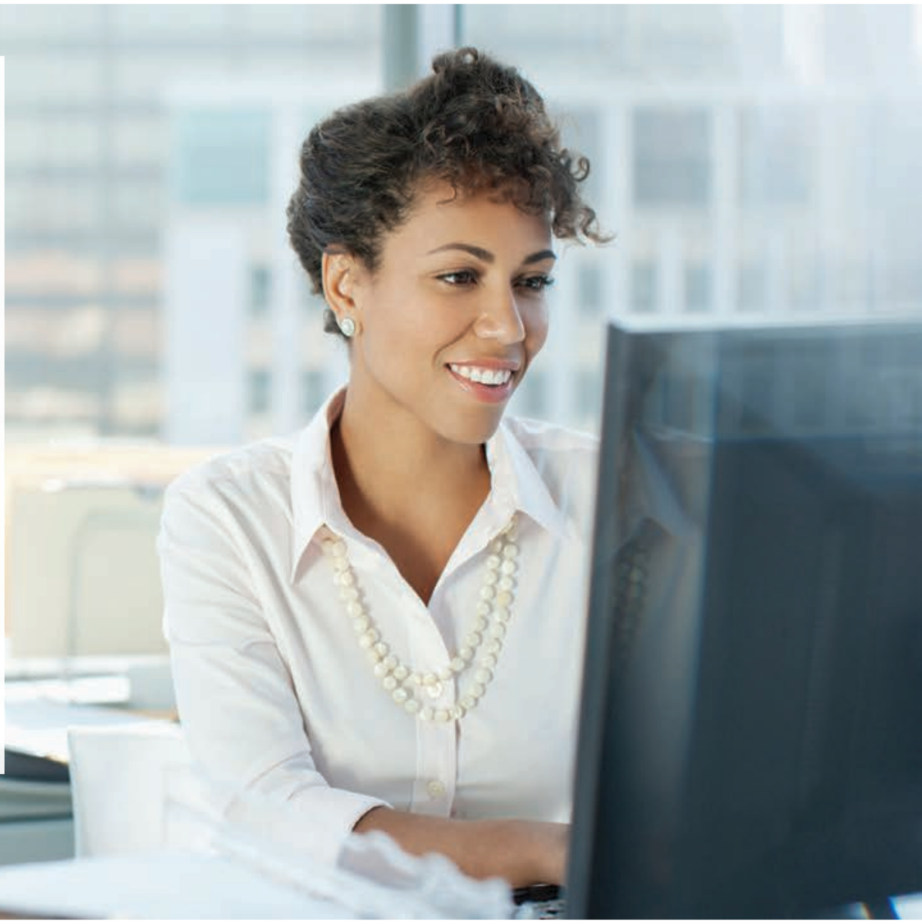
People's United Bank

Produced in collaboration with

Strategic Treasurer



Liquidity, Productivity, and Security

KEY FOCUS AREAS FOR FINANCE AND ACCOUNTING IN 2021

LESSONS FROM THE LAST YEAR

The turmoil from the events of 2020 had significant direct and rippling impacts on accounting, finance and treasury teams. The move to lockdown and the deep economic trough experienced in late March and April had heavy effects on all business during that time, and the recovery has varied greatly based upon industry. The lockdown response challenged businesses in both hard and helpful ways as working from home (WFH) extended from “a few weeks” to many months. Most teams found themselves in a reactive mode, looking to address **three key areas:**

LIQUIDITY

Gathering Cash. Beginning in the trough and continuing, many businesses tapped their credit lines and extended credit facilities where possible. Concerns about collections/accounts receivable remained one of the top concerns throughout the recovery: https://treasurycoalition.com.

Cash Forecasting. Many companies started running more models or scenarios to help them capture earlier images of cashflow and decide how they would respond. Those modeling in Excel were more challenged with daily/weekly updates compared to those capable of running multiple models with more sophisticated tools.

PAPER BASED, MANUAL PROCESSES

Digital Signatures. No longer in the office, many businesses found ways to adapt and adopted secure emails and digital signing, mirroring the move to Zoom and Teams for meetings.

Paper to Electronic (P2E). If no one is in the office to cut checks or receive and post payments, business will halt rather quickly and relationships with key suppliers and customers will be impacted. Many businesses rapidly tapped their banks, their technology firms and their trading partners to make the move to more automated accounts payable and receivable processes rather quickly. Based on the data we are seeing so far, it appears that 2020's challenges helped to accelerate paper-to-electronic movement by 2.0–2.5 years. A crisis can bring out good behavior.

RISING AND EVOLVING FRAUD

Criminals have bills to pay too. The multiple years of increasing fraud losses and more sophisticated threats didn't end in a "cease-fire" when COVID-19 hit. In fact, a net 53% of respondents to a Treasury Coalition survey in October stated that they had seen increased fraud attempts aimed at their organization during WFH (up from a net 36% and 46% during earlier periods). In another Strategic Treasurer survey, 21% of respondents who noted experiencing fraud in 2020 stated that some or all of the fraud was related to COVID-19.

KEY FOCUS AREAS FOR 2021

While many companies have been responding and adapting to the challenges during 2020 in near real-time, it is appropriate to share some general guidance that applies to most businesses, whatever their size and resource level. Some you may find to be both clear and easy to implement. Others may require a conversation with your banker. Take the time to think and talk through these items.

CONTINUED FOCUS ON LIQUIDITY AND AUTOMATION

The need for liquidity is expected to continue, and automation (or paper-to-electronic) is providing many businesses both cost efficiencies and improved liquidity. Getting the "slack" or "float" out of the system holds great rewards whether your mindset is accounting or treasury.

Credit Discussions. Many businesses are looking at renewing their credit earlier and for a longer tenor where possible. What are your needs based upon your various models? Talking with your banker is prudent and one key measure.

Collection/Receivables and Payables. Moving to electronic (P2E) certainly helps with efficiency and the ability to scale without adding armies of employees. More important in challenging times is the ability to receive collected funds more quickly and achieve better visibility to that activity. Errors, or defects, delay payments. Manual processes create more errors. Moving to electronic payments increases efficiency and improves your liquidity. Having a conversation about how to move to more automated processes has never been a more welcome discussion on the part of your banker and your customers and vendors.

P2E for Efficiency and BCP. Business continuity planning (BCP) was stressed during the extended and continuing WFH situation. Financial process automation provides improved resiliency and better BCP by leveraging your bank or a 3rd party platform.

ENHANCING SECURITY AND CONTROLS

The threat level is increasing due to more sophisticated adversaries that are leveraging technology, and their tactics are catching more and more small and mid-sized organizations. These organizations don't have the large-scale security teams that a global, multinational corporation possesses. Businesses need to leverage resources and tools that protect their transaction, defend their accounts and strengthen the team.

Daily Visibility and Reconciliation. For operating bank accounts, the default standard (a minimum standard of good corporate conduct) is to have visibility to all of your bank accounts and transactions on a daily basis. This allows for rapid and more accurate cash positioning and provides treasury or accounting an opportunity to notice anything anomalous while there is more time to act. Speed matters in detecting fraud, and rapid reconciliation has saved many organizations. Daily reconciliation is certainly a great target and one that may require automation and data to achieve efficiently.

Account Structure. A small business will typically start off with an operating account. Every transaction will flow through that account: collections, disbursements, payroll, line of credit, etc. As the business moves to medium-sized or commercial size, the number of accounts will typically expand to accommodate different transactions. If your organization has reached $25mm+ in annual revenue or has more than six bank accounts, but you don't have a concentration account to help with the mobilization of cash and segregation of activities, you'll want to have a conversation with your bank.

Account-Level and Transaction-Level Controls. Suffering a loss when it could have been easily prevented can't be easily explained away. Banks have a range of security services that protect both accounts and transactions from fraudulent activity. From positive payment for checks, to multifactor authentication and a range of electronic controls to manage transactions and payees, these services are vital. It is far less painful to have a conversation with your banker now about layering in controls to protect your most liquid assets and company reputation than to have a discussion in the future about why it is so rare to be able to recover stolen funds. What are the ways you can have payee information (address and banking) validated?

Staff Training. Sometimes part of the system is the weakest link in your defense, but most companies have methods of automatically updating their systems and firewalls. Far too often, however, the weakest link is staff. This includes AP, accounting, executives, payroll and treasury. How are you "upgrading" your team's abilities and knowledge?

Here are a few sources to consider:
- Ask your banker for information
- IC3.gov
- SecureTreasury.com

To access more educational information, or get in touch to put these insights into action, visit:

www.peoples.com/getstreamlined

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