



# Set Up for Success: Best Practices in Working Capital for Higher Education

Higher education institutions are progressive and dynamic in their approach to learning environments, teaching styles, and research methods—and there’s opportunity to bring the same innovative ethos to the treasury functions that drive colleges and universities forward. With the right tools and technologies, treasury professionals at these institutions can take on a more strategic role in building the school’s long-term success. By finding new ways to do more with less, you can make working capital work harder to achieve your institution’s missions

## Unlock cash in your value chain

A wide range of innovative solutions are available to treasury professionals today. When it comes to optimizing working capital, institutions are evaluating internal processes to digitize and lower payment processing costs while freeing up working capital.

There are multiple ways to unlock cash within an institution’s value chain, from pushing out payment terms with suppliers to maximizing use of early payment discounts.

More broadly, colleges and universities should seek further processing efficiencies by centralizing payments management whenever possible, automating payment file production, and outsourcing check print and mail practices so that the business office can focus on core activities.

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## Integrate accounts payable

Operating a college or university requires services from numerous vendors, and therefore multiple accounts payables categories. While some vendor services, such as dining, are often outsourced, many remain managed by the institution, like building maintenance, utilities, technology, department-specific supplies, publications, payroll, and others. These result in disbursements through multiple payment channels, including wires, checks, electronic payments, and cards. Taking advantage of technologies to streamline and integrate all of the institution's payment types can produce meaningful results in efficiency, control, and savings.

With the advent of multiple system connection options and industry standard formats, payment integration through a single, secure batch file transmission to your financial services provider has become more accessible to institutions of all sizes. Integrating your accounts payables processes often results in significantly faster processing, a more streamlined workflow, and fewer errors. Consolidated and centralized reporting and tracking of an integrated payables file can also support improvements to cash flow forecasting, risk management, and audit trails, and make it easier to take maximum advantage of supplier terms and discounts.

## Accelerate receivables

Tuition management is the core of receivables in higher education institutions, though there are other income streams that must be tracked and deposited every day.



Collecting payments efficiently is a key component of maximizing working capital, and there are several tools and techniques designed to optimize receivables management.

- **Turn payments into available cash more quickly.**

While the last five years have seen a downturn in tuition payments by check, outsourcing tuition check processing to your lockbox service provider remains an efficient and effective remittance processing strategy. Advancements in Artificial Intelligence (AI) technology—like Intelligent Character Recognition (ICR) and Optimal Character Recognition (OCR)—continue to improve the efficiency, quality, and accuracy of tuition lockbox services by quickly reading data like student account number, invoice amount, and amount paid. By outsourcing and automating check processing, institutions can reduce risk, cut costs, and improve timeliness of payment application and reporting—therefore improving service to students and parents.

- **Offer students a more convenient way to pay.**

Self-service web payment platforms, which allow students and other payers to initiate electronic Automated Clearing House (ACH) payments directly from a browser, enable easier, faster transactions for all concerned.

- **Minimize the volume of time-consuming checks in the Bursar's office.**

For other categories of incoming payments, collecting funds electronically for both one-time and recurring payments from businesses and students through the national ACH network helps add efficiency and predictability to cash flow. The ACH network can also streamline payments that begin as paper checks—ACH check conversion extracts information from checks to create a one-time electronic payment that eliminates further paper processing. These solutions can offer lower processing costs, faster availability, and reduced incidence of non-sufficient funds since ACH transactions are presented first in most bank's processing schedules.

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## • Expedite deposits.

There are many reasons why check payments might be made to the Bursar's and Cashier's offices, whether it is outstanding balances on bills, student fees, parking, library fees, or fines. While not always the largest value payments, they contribute to the overall stream of receipts to the institution and should be expedited in the same way as all other payments. Easy to use certified desktop devices are considered a best practice for scanning and depositing these checks quickly and easily. Remote deposit capture eliminates the need to go to a branch to make a deposit, reduces the burden of paper processing, and provides a later deposit window for current day processing.

## Manage liquidity strategically

Ongoing improvements to an institution's payables and receivables infrastructure help to better position it for optimal management of operating cash. Creating the right liquidity structure can reduce operating expenses associated with payables and receivables by leveraging operating accounts that earn an associated Earnings Credit Rate (ECR) to offset bank service fees. During peak revenue cycles, when an institution's operating balances exceed funds needed to offset treasury management fees, customers can benefit from a hybrid account, which further heightens the operating account's efficiency by earning interest on those excess balances.

To round out the institution's liquidity management strategy, Money Market and term deposits in the form of certificates of deposits provide yield on funds that require less daily liquidity.



## Take control of risk management

In addition to implementing new tools to optimize cash flow and return potential, educational institutions must take steps to protect the systems, information, and funds already in place. By nature, institutions must process and store significant amounts of sensitive Personal Identifiable Information (PII) for students and employees. Keeping this information secure is paramount, both for protecting community members and for maintaining trust in the institution.

With 81% of organizations affected in 2019, payment fraud is reaching all time highs.<sup>1</sup> And although digital crime is on the rise, paper checks are still the primary target. Given the increasingly sophisticated software and printers available to fraudsters, institutions that rely on paper-based payment methods must be extremely vigilant of fraud risk. To protect against increasingly elaborate and widespread fraud threats, it's important to take advantage of new ways to mitigate risk. These include:

- **Payment controls**, such as positive pay for check and ACH disbursements, as well as ACH blocks and filters, enable you to specify payees and payable amounts to your bank in advance, along with instructions for handling unexpected presentments.
- **Multi-factor authentication** verifies identity with a user ID and password plus one or more stronger factors such as a digital certificate.
- **Next-generation transparency** comes with online reporting and analysis capabilities as well as indelible audit trails for maximum accountability.
- **Centralized entitlement control** enables you to decide who can spend money, how much, and under what circumstances. Electronic dashboards let you define, administer, and revoke role-based permissions and guardrails, such as spending thresholds, spending categories, and requirements for dual signatures.

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The human capital, resources, and infrastructure required to fuel a high-caliber higher education institution rely on the ability of the treasury office to support ongoing operations and long-term goals. With the right tools, treasurers can drive institutional success by applying a strategic lens to treasury management and ensuring that treasury functions run as efficiently as possible. Help optimize working capital by streamlining collections, saving time and resources, making better use of savings and investments, reducing risk, and gaining better visibility into day-to-day-operations. If you aren't already taking full advantage of these techniques, talk to your bank about how you can deploy resources to help your college or university maximize its financial position.

**For more ideas about how to advance your institution's treasury strategies, contact:**



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<sup>1</sup> Payments Fraud and Control Survey Report, Association of Financial Professionals, 2020.  
<https://dynamic.afponline.org/paymentsfraud/p/1>

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