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# Simple financial strategies

to help schools in 2020 and beyond

By PA School District Liquid Asset Fund



**It would be an understatement to categorize 2020 as a “challenging year.” As a matter of fact, the word most often used to describe 2020 has been “unprecedented,” meaning “never done or known before.”**

While our world has dealt with global pandemics before, it is the first time we are dealing with one during the modern era, which leads to truly interesting observations. Organizations that have been forward-thinking and modern have handled the current crisis relatively well, and many other organizations are looking at reviewing how they do business today and going forward. Here are three questions to consider:

**Question # 1:** Is your school paying your vendor via Automated Clearing House payments (similar to direct deposit payments to employees) versus traditional check-writing processes?

If the answer is yes, please move on to Question #2.

If the answer is no, please review some important benefits you may want to consider:

1. ACH is a secure process that saves money (checks, printing, mailing costs), and a significant amount of resources.
2. The modern world has essentially fully converted to the ACH process, including the Social Security Administration, which no longer issues checks.

## Summary

In recent years, the ACH process has made major achievements. Still, many schools have been left behind because of the believed cost and difficulty of implementing the new technology. Perhaps it's

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the “we have always done things this way” approach. Paper invoices, paper checks and paper records increase the chances for fraud and mistakes – wasting both time and money.

Most schools, if not all, are most likely familiar with using ACH payments for their employees. Most employees are currently being paid using the electronic ACH system because it gets rid of paper checks, trips to the bank, delays, fraud, and all the hassles involved with receiving and depositing paychecks.

**Question #2:** Has your school considered utilizing a secure procurement card program that has a proven track record of safety and rebates?

If the answer is yes, please move onto Question #3.

If the answer is no, noted below are benefits to consider.

1. Interest earnings on investments will essentially be close to zero for the foreseeable future. By utilizing a proven procurement card program, your school could earn rebates on monies it was going to spend anyway.
2. Some of the main features of a good procurement card program are merchant category control and daily, weekly or monthly transaction limits, along with transaction amount limits.
  - a. Shorter procurement cycle time
  - b. Staff reductions in procurement and/or accounts payable, or reallocating these staffs to other value-added activities
  - c. Spend data availability

### **Summary**

Too often, earning a rebate is the focus of a procurement card program, but this is merely icing on the cake. Consider a common transaction amount such as \$400. If your organization earns 100 basis points for that transaction, the rebate equates to \$4.00, but Procurement Purchase to Pay (P2P) process savings are so much greater. Industry studies have consistently shown that the procurement card process can save an estimated \$2.00 - \$8.00 per transaction when compared to a traditional purchase order.

**Question #3:** Has your school reviewed its current outstanding debt for any potential cost savings via a restructuring?

If the answer is yes, you are done!

If the answer is no, a meeting with your financial representative is strongly recommended. This is a great time to potentially refinance existing debt to save some monies for not just 2020, but for the years ahead.

These three simple strategies could provide some cost savings, perhaps even a small cash infusion to help your school.