

Building a “Best-Fit” Treasury Organization

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Lawrence Hirsh is a Director with UHY Consulting and provides treasury and finance transformation, technology, project management, and change management services to strengthen and transform organizations.

He brings extensive experience leading high-impact transformation, treasury, financial operations, FP&A, technology, and accounting efforts.

PROFESSIONAL EXPERIENCE

- Director, Treasury & Finance Transformation Consulting, UHY Consulting
- Partner, Treasury Operations Consulting, Melner Hirsh Associates
- Vice President, Business Optimization, Rose Financial Solutions
- Managing Director Treasury & Finance Operations, Assistant Treasurer, The AES Corporation
- Internal Treasury Consultant, Royal Ahold

EDUCATION AND CERTIFICATIONS:

- Master of Business Administration, University of Maryland, Smith School of Business
- Bachelor of Science in Finance, University of Maryland, Smith School of Business
- Certified Treasury Professional (CTP)
- Certified Scrum Master (CSM)



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Our Agenda

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**Introductions
and About UHY**

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**Treasury at the
Center of the
Organization**

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**Core Treasury
Processes &
Pitfalls**

9

**Measuring &
Managing
Operational
Excellence**

Our UHY Affiliation

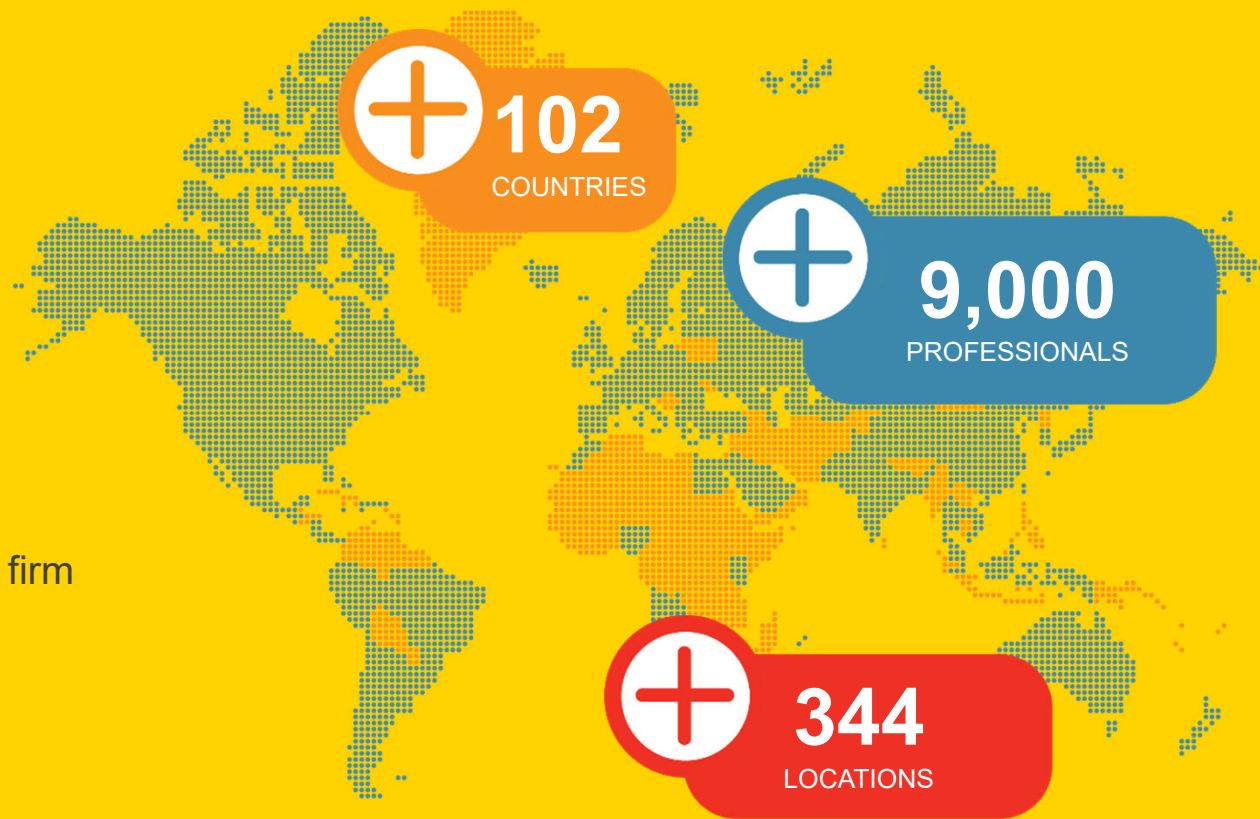
UHY Consulting is a management consulting firm that inspires clients to imagine and realize a company with unlimited potential, leaving lasting results that strengthen an organization and its people.

Affiliate of UHY LLP

A Top 30 national professional services firm with over 30 locations across the U.S.

Member of UHY International

Size and strength of a Top 20 Accounting and Consulting Network



UHY Consulting Capabilities and Solutions



Business & Strategy

- Strategic Vision
- Strategy Development
- Organizational Design
- Mergers & Acquisitions
- Turnaround & Restructuring



Organization & Operations

- Project Management
- Change Management
- Performance Management
- Supply Chain Management
- Operational Excellence



Finance Transformation

- Accounting & Finance
- Shared Services
- Treasury Operations
- Finance Automation
-  **BLACKLINE**



Technology Innovation

- Digital Transformation
- Digital Strategy
- Technology Sourcing
- Technology Automation
- AI & Machine Learning



Cybersecurity & Risk

- Privacy & PCI Compliance
- Vulnerability Assessments
- Penetration Testing
- Risk Advisory
- ESG



Resource Solutions

- Interim Staff Support
- Project Consulting
- Permanent Placement



Finance Transformation



Accounting & Finance:

Resolve immediate accounting and finance challenges and enable innovation through people, process, and technologies strategies.



Treasury Management:

Improve financial operations with robust process change and technology solutions for banking, payment, cash, and financing management.



Shared Services:

Identify opportunities and deliver efficiencies through optimization and automation.



Finance Automation:

Leverage automation to increase the efficiency of the record to report process and deliver financial analysis that is actionable.



UHY Consulting: Transforming Organizations

- A \$30 billion restaurant holding company had acquired multiple restaurant brands over a few years.
- UHY strategically aligned those disparate brands into ONE unified platform, bringing greater operational efficiencies and controls to its Treasury and Shared Services organizations.
- The results of UHY's work with the Treasury team:
 - Identified cross functional stakeholders
 - Documented current state processes and technologies
 - Identified pain points, risks, and control deficiencies
 - Assembled a wide range of improvement opportunities to processes, banking, technology, and cross functional interactions.



Leading Practices versus Best Practices

Find the solutions that “best fit” your organization

- Recognize that **no two organizations are the same**
 - People, processes, and technologies differ
 - Business strategies and structures differ
 - Resulting business needs vary
- Tailor a solution to an organization’s uniqueness
- Unlike a **best practices “one size fits all”** approach



Polling Question #1

Today's Objective:

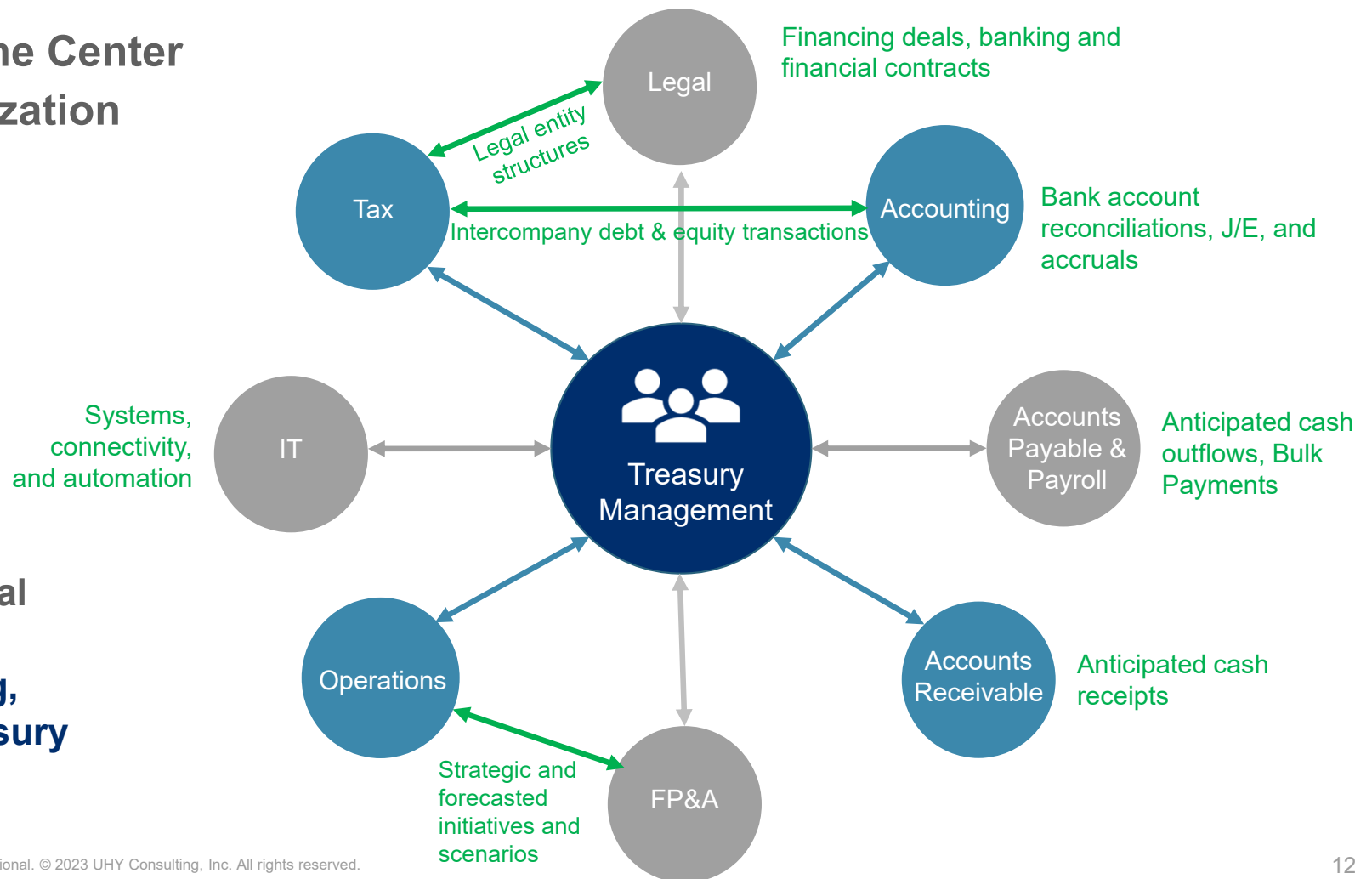
Identify the scope of a robust treasury function, including some common pitfalls, to build your “best-fit” treasury organization.





International holding company made an unplanned dividend payment to its U.S. parent

Treasury at the Center of the Organization

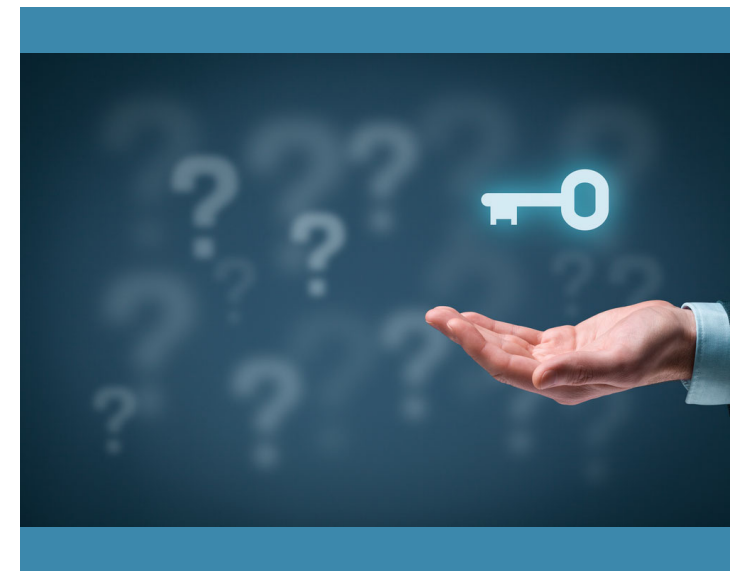


Cross-functional interactions lead to a strong, integrated treasury function.

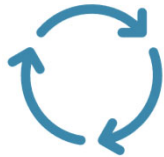
Treasury at the Center of Finance

Key Questions for Treasury from the C-Suite

- How much cash and liquidity will we have?
- What is the minimum cash we need to maintain, and why?
- How are we banked?
- What is the upcoming debt service and maturity schedule?
- How is our financial risk being managed?
- How can we upstream cash to the parent, or send cash to fund a subsidiary?



3 Core Treasury Operations Process Areas



1

Daily Cash Management



2

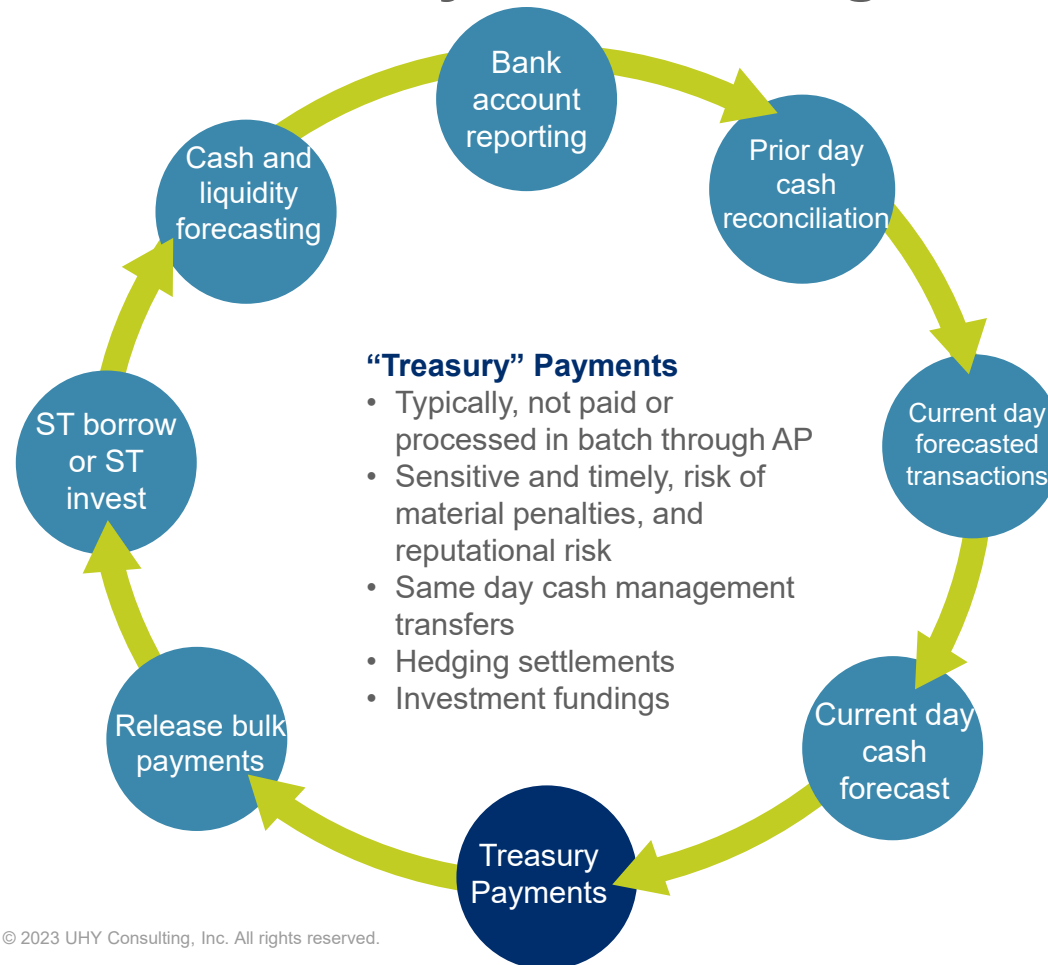
Financing and Banking



3

**Accounting, Reporting, and
Technology**

Core Process Area 1: Daily Cash Management



Common Pitfalls: Daily Cash Management



Bank account reporting: transactions and balance

- Are you manually retrieving daily bank reporting?
- Do you use a consumer or small business bank?



Prior day cash reconciliation

- Do you manually reconcile?
- Are your cash transactions cleared against forecasts; discrepancies evaluated; and J/Es specific rather than generic?



Common Pitfalls: Daily Cash Management



Current day forecasted transactions and positions

- Are your current day forecasts obtained, timely, accurate, and used?
- Does your organization borrow and invest short term simultaneously?



“Treasury” payments

- Are your time or reputation-sensitive payments executed through AP?

Common Pitfalls: Daily Cash Management



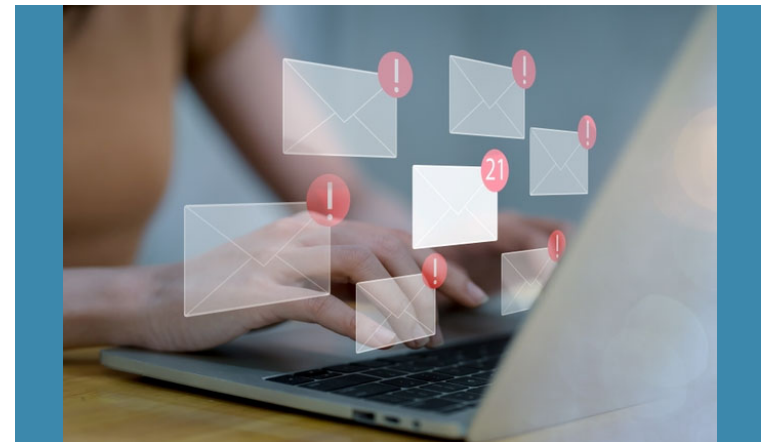
Release bulk payments

- Is your Treasury too involved?
- Are you extensively using wires and checks?



Short-term borrow or invest

- Does your Treasury Policy cover:
 - Short-term investment guidelines?
 - Cash utilization guidelines?
- Is your short-term borrowing and investing actively managed?





Lack of a short-term cash and liquidity forecast caused significant unplanned work

Core Process Area 2: Financing and Banking

Debt and Capital Markets

- Intercompany & 3rd party
- Short-term borrowing & lending
- Long-term financing & refinancing
- Debt lifecycle management
- Hedging & Risk Management

Bank Relationship and Account Management

- Bank partners
- Relationship management
- Bank account portfolio, services, netting, pooling
 - Legal & tax involvement on portfolio
- Account signatory and user management

Intercompany Strategic Transactions

Common Pitfalls: Financing and Banking



Debt and Capital Markets

Spreadsheets, emails, & trust!

- The company is manually tracking and managing the debt lifecycle.
- Instruments and structures are not periodically reassessed to assure that they remain competitive and appropriate.



Intercompany Strategic Transactions

Forgot to plan? You'll pay a price!

- Transactions are not sufficiently cross-functionally planned and executed.
- There are gaps in the legal entity structure chart or the understanding of the chart.

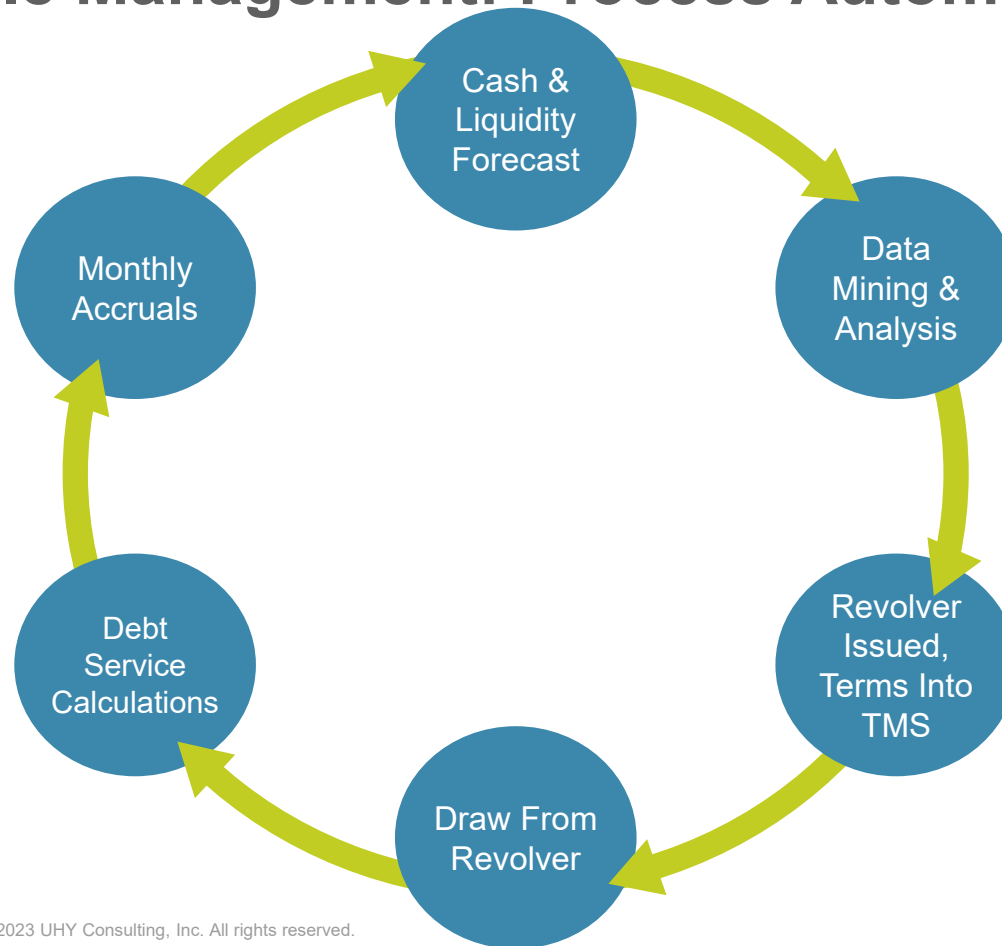


Bank Relationship and Account Management

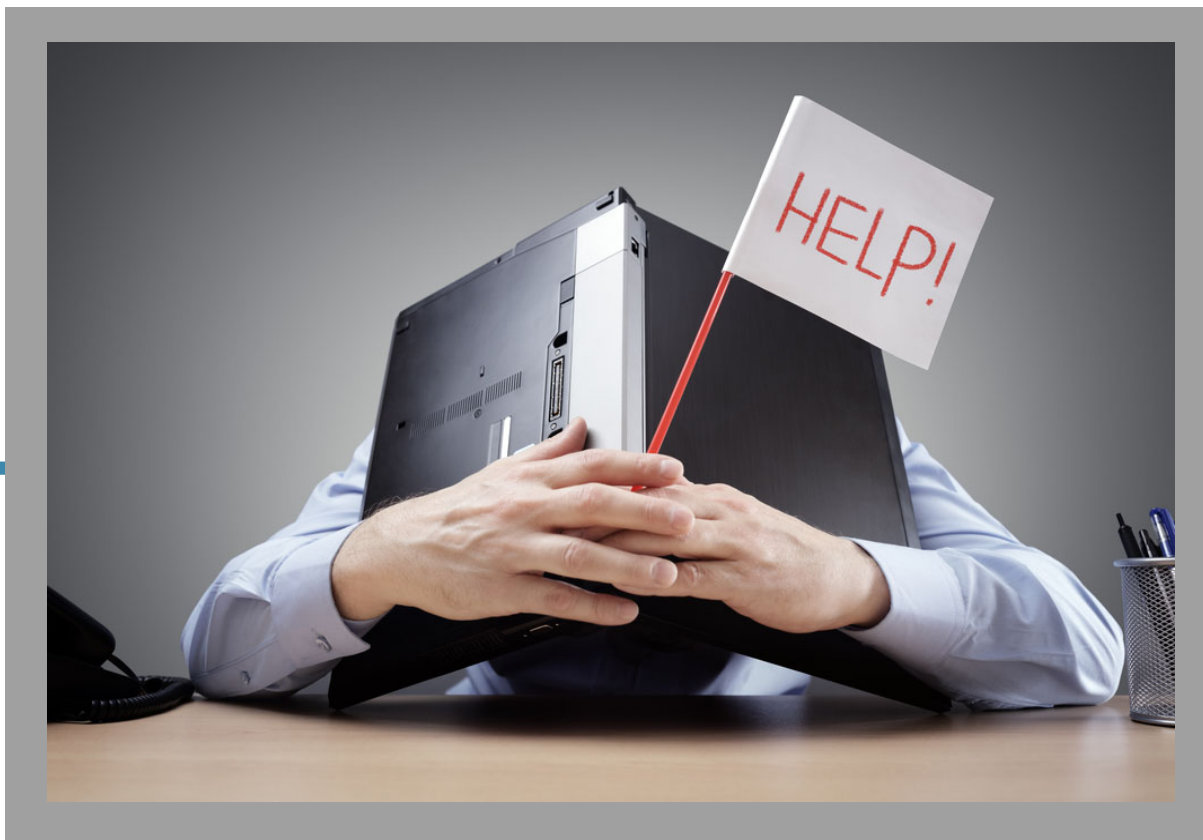
Manual systems and no audits!

- Tracking and management are manual.
- Banking partners, structures, and services are not periodically reassessed.

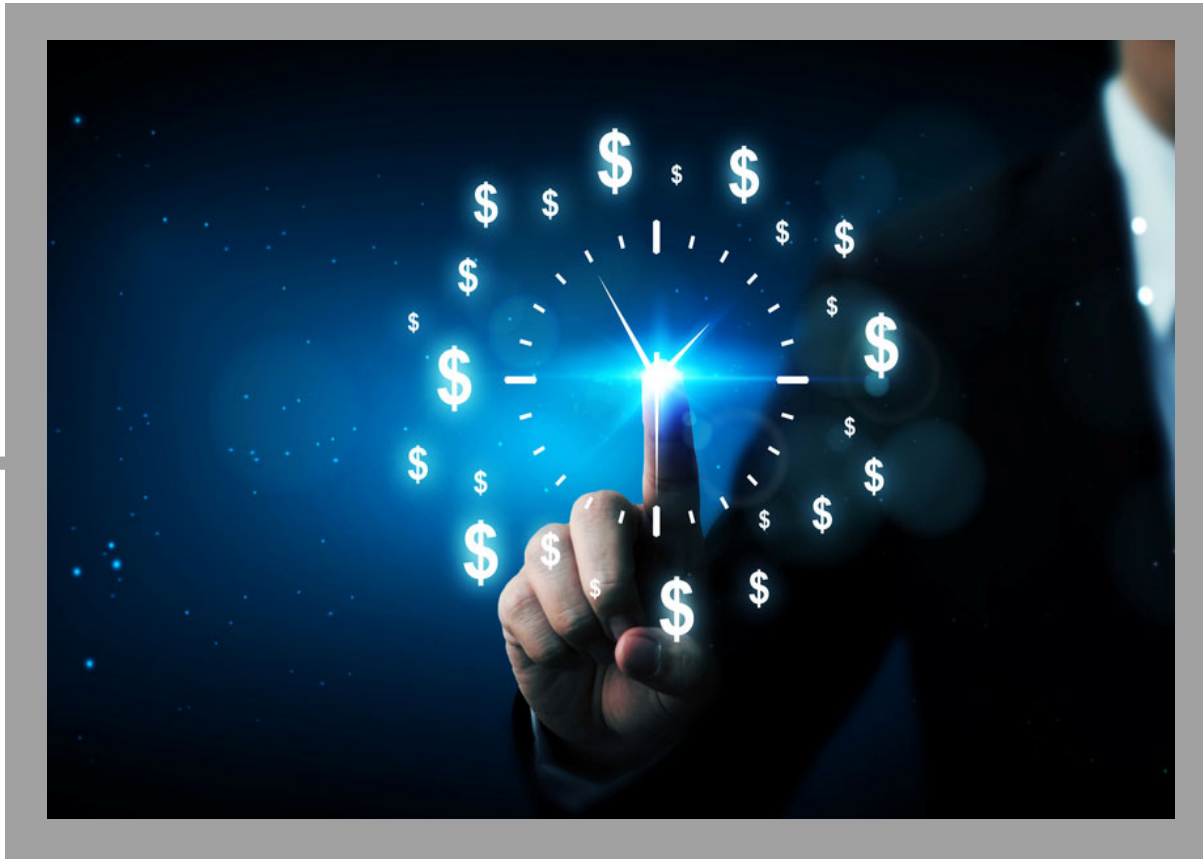
Debt Lifecycle Management: Process Automated!



Polling Question #2



We pay bank fees?



Bottlenecked month-end activities and strained timelines caused by manual bank reporting

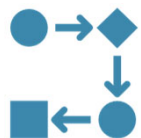
Core Process Area 3: Accounting, Reporting, and Technology

Treasury / Accounting Handoffs

- Bank account reconciliation
 - Treasury: Daily Cash Recon of “Treasury accounts”
 - Accounting: Periodic Ledger Reconciliation
- J/Es, accruals, reversals
 - Treasury: Delivers to ERP
 - Accounting: Reviews and posts
- Treasury liquidity assessment for pre-bulk payment release

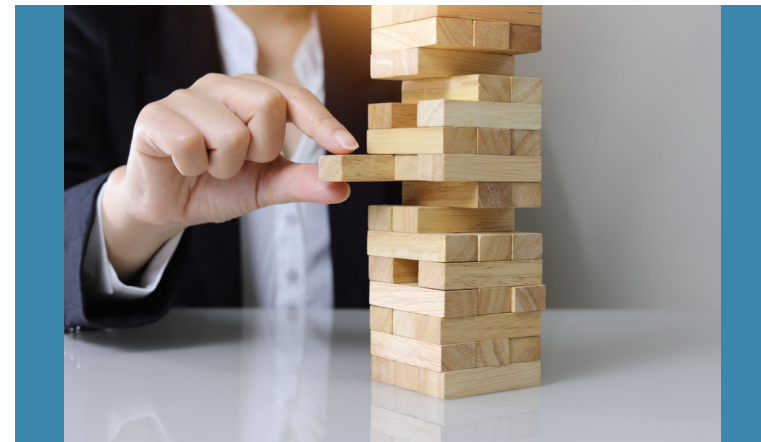


Common Pitfalls: Accounting



Treasury / Accounting Handoffs

- J/Es are manually created or delivered to the ledger.
- Treasury is not posting J/E to the ledger.



Polling Question #3

Core Process Area: Accounting, Reporting, and Technology

Treasury Reporting and Analysis

- Types of Analyses
 - Operational efficiency, sufficiency-vs-excess
 - Performance versus Budget, Policy, KPIs
 - Automation & technology adoption
- Reporting Areas
 - Cash & liquidity positions, forecast, optimization
 - Debt portfolio, revolver capacity
 - Investments
 - Banking
 - Deals & Transactions



Common Pitfalls: Reporting



Treasury Reporting and Analysis

- Key drivers are not identified, reported on, or communicated.
- Action is not taken to remediate deviations from targets.



Core Process Area: Accounting, Reporting, and Technology

Systems and Services Administration

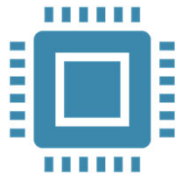
- TMS
- Bank reporting & connectivity
- Market data
- ST investment portal
- FX trading portal
- Connectivity to other systems



Technology Considerations: When should you consider a Treasury Management System?

- Debt issuances or debt portfolio is significant, complex, or challenging
 - Bank relationships, accounts, currencies, or countries are large or complex
- Large number of intercompany cash or non-cash strategic transactions
 - Significant volume of international cash movements
- Current processes and controls are manual, error-prone, and time-consuming
 - Revenues > \$100M may imply sufficient complexity
- Cash is tight – structural or temporary
 - Cash is flush – structural or temporary
- You require a large staff to manage your operation

Common Pitfalls: Technology



Systems and Services Administration

- IT owns, dictates, and administers all systems.
- Treasury is not fully leveraging technology.





Measuring and Managing Operational Excellence

Measure what matters. Manage what you measure.

Sample treasury metrics

Banking	# Cash Management Banks, Accounts, Un/Restricted
	# Bank Accounts Reporting Electronically (Prior Day, Current Day)
Cash Efficiency	Actual Cash Balance –v– Optimal Cash Balance
	ST Investment Balance, Yield, Adherence to Policy
Cash and Liquidity Forecast	Time Horizons for Daily, Weekly, Monthly Cash Forecasts
	Forecast Accuracy
Debt	Revolver Utilization, Capacity
	Outstanding Debt per Relationship Bank
	Cost/Benefit per Relationship Bank

Polling Question #4

Treasury – Be a Strategic Partner

A robust treasury function:

- Performs the daily cash management cycle
- Executes financings and manages the banking portfolio to meet operational and strategic requirements
- Analyzes and reports on key metrics to improve the operation
- Owns its technology stack and takes a technology-forward view to push automation and efficiency
- Exchanges information with Accounting and other teams



How can your treasury function **best fit** the needs of your organization?

Questions

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