

THE SMALL BUSINESS AUDIT - MIDWEST STYLE

by [Steve Brown](#)

Today, we have a team in Chicago discussing profitability at banks. The theme at the workshop is how to be more like Chicago. This is fitting because if there is one city in America that epitomizes hard work, customer service and capitalism, it is Chicago. Founded in the late 1600's as a fur trading hub, when furs waned, the City turned to shipping. When that matured, it was trade, then real estate, then grain, then cattle, then rail transportation, then manufacturing of tools, machinery and household goods; finance and even gov't research (the Manhattan Project was started here). Chicagoans have always had a keen eye towards diversification, which is why it is no surprise that two of America's greatest department stores, Montgomery Ward and Sears, were founded here. The City's need for constant expansion is a great backdrop for banks looking to generate more revenue. To be more like Chicago, we recommend banks conduct a "cash management audit" for their small and mid-sized business clients once a year to spur diversification, profitability and earnings growth. Most small business finance types have little experience managing a treasury function, which is why advice on cash management ranks high as an area where bankers can assist. A cash management audit is an exercise relationship managers go through with each of their key accounts. The optimal time to do this is in April and May. The objective of the audit is really four-fold: 1) Makes sure the banker has an understanding of the account's business and is updated as to recent changes; 2) Gives bankers an opportunity to request the latest financial statements; 3) Makes sure the customer knows what products and services are available; and, 4) Allows the banker to do some selling which might include a trial period of key cash management services to increase cross-sell. The audit should include a focus on understanding the seasonality, cyclicity and processes around cash moving in and out of the business. Both the bank and the customer should have a clear understanding of expertise and capabilities of personnel. This is an excellent time to verify that personnel turnover (both at the customer and at the bank) has not impacted security, loss of service and that all records are up to date. A review of account analysis should also be done to validate whether the customer is using the best products and in the optimal way. Hopefully, your bank has an online business banking platform, so this review is the perfect time to make sure customers can download transaction data, initiate payments, process wires, conduct ACH transactions and retrieve/generate archive statements. In similar fashion, reviewing the use of bill pay, RDC, virtual lockbox, positive pay, mobile banking and other services are important. If you don't already have it, the two services that we highly recommend adding to your cash management platform are international and electronic invoicing. Our International Services are free to add, increase your bank's capabilities and increase needed fee income. Our platform delivers a web-enabled front-end that allows your customer to send/receive multiple currencies by wire, aggregated in one spot - a feature that few other platforms have. The other recommended service is electronic invoicing. Here, antiquated customer invoicing processes can be changed and costs can be saved by going electronic. This service generates fees, adds balances and makes the account less interest rate sensitive. Chicago is nicknamed "The City of Big Shoulders" and the "Heart of America" for good reason. It is truly our kind of town and is an example of how banks can utilize a cash management audit to spur better diversification and enhanced customer satisfaction (or as they say here - more Brotherly Love).

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BANK NEWS

M&A

Camden National Bank (\$2.3B, ME) will buy 15 branches from Bank of America in the state, picking up \$414mm in deposits. Camden will pay a 3.70% premium on deposits.

Fed Survey

A new CNBC survey of 53 economists, fund managers and strategists finds 51% think the Fed policy is just right; 49% think the Fed will keep interest rates exceptionally low through late 2014 (up from 40% in Mar); 21% predict a recession in the next 12 months; and 55% do not expect Bernanke to be chairman after 2014.

More Time

The CFPB will give banks and others more time to provide public comment on how overdraft programs impact consumers, extending the deadline from Apr 30 to Jun 29.

No Grad Jobs

Analysis by Northeastern University researchers finds that as of the end of 2011, about 1.1mm or 54% of graduated students holding bachelor's degrees (under the age of 25) were jobless or underemployed. This is the highest percentage in 11Ys. The study also found graduates with degrees in nursing, computer sciences, teaching or accounting were the most likely to find jobs; while least likely were graduates in anthropology, zoology, philosophy, humanities or art history.

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