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Cashiering: Migrating from Cash and Checks to Digital Payments

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Are you looking to gain efficiencies in cashiering using technology and business partners?   If your institution wants to enhance or maintain quality customer service for students, parents, alumni and other constituents, this may be the right time to investigate a move away from in person or mailed in transactions and towards all digital payments for tuition and/or other fees now collected and processed by campus cashiers.

Prior to COVID-19
Prior to the COVID-19 pandemic, a growing number of colleges and universities had either moved away from accepting "over-the-counter" payments in their cashiers or student accounts offices, or were considering options to minimize the handling of cash and checks. Many other institutions had taken advantage of technology to manage the depositing of paper checks by scanning documents and sending electronic files to their depository banks for crediting.

While many of these efforts have been focused on simplifying the receipt and handling of tuition payments, campus cashiers also may be responsible for processing and depositing payments for such varied items received by other offices and/or auxiliary business units, such as, donations, athletic events, parking, dining, library fees, and non-credit courses and programs.

Functioning as institution's bank
Needless to say, many cashiers' offices function as the institutional bank – receiving, processing, depositing and accounting for a plethora of funds and departments within the school. Much time and many resources are spent ensuring that necessary internal controls and audit trails are in place to verify receipt of and accounting for monies. Factoring in timely receipting, handling and reconciling of funds performed by others beyond the Cashier's Office has the potential for delaying deposits, crediting accounts improperly, and incurring losses from theft or fraud.

One-Stop
From the perspective of a Bursar or Student Accounts Office that is integrated into a "One-Stop" service center, handling payments creates a new set of security and privacy issues that the school must manage. This has led many schools implementing these centers to stop accepting cash for tuition payments and moving check payments to a drop-box environment, which still requires pick-up and processing by the Student Accounts Office at the institution.

There are opportunities in today's environment for colleges and universities to leverage technology to maximize efficiencies, streamline handling of funds, and minimize the handling of cash and checks for deposit to an institution's bank account(s).

What to Do First?

Gather Payment Pattern Data

Gathering data about your current payment patterns not only will determine how much your Cashier's Office is processing, but also identify how and when your customers make their payments, and highlight peaks and valleys of fund flows. While billing due dates in August and January will have more tuition payments flowing through the office, donations may be more prevalent before the tax year ends in December. Special events on campus or summer programs may create other payment spikes. Of course, COVID-19-related changes to the academic calendar and events also may disrupt the routine patterns.

Using your data to determine which payment methods are most prevalent will assist in determining your strategy in moving towards a digital environment. Even when the school has an electronic tuition billing (e-bill) process and complements its e-bill with a digital platform to accept online payments, many students (and their parents) may opt to mail in a check or even deliver the payment in person if they are running late or do not trust your processes (or the U.S. Mail).

Payment partners' options

Working with the school's business partner(s) for billing and payment handling can keep an institution on the cutting edge as new technologies and products are made available to enhance cash management. Consider the outcome of moving payment options for various services and products, such as, dining, parking, laundry and copying services, to the campus card environment in the early 2000's. It enabled many schools to proceed down the digital road by taking smaller payments of over-the-counter cash to electronic funding and receipts. More recently, vendors are leveraging students' use of smartphones to incorporate mobile apps and contactless payment vehicles similar to ApplePay and Venmo, as well as integration with campus cards, to facilitate a virtual single source for students to manage their campus finances. This minimizes the business decisions that result in the cashier's and other campus offices receiving and depositing cash and checks, with the accompanying litany of internal control, security and fraud risks associated with handling currency, coins and paper.

Credit Card options

Though many institutions accept credit cards for tuition and other payments for products or services, others choose to avoid the institutional expense for card merchant fees or passing along these costs through a "convenience fee" or "service charge". This practice is prohibited in some states. Credit card acceptance does allow an institution to leverage payment vendors for payment processing and delivery to the school's bank account. This includes the accompanying accounting and reconciliation processes to electronically upload files to ERP systems' General Ledger. Other considerations are discussed in the section "More About Credit Cards".

E-check option

Another consideration is to emphasize the use of electronic payments from a student's/parent's bank account (e-check) in lieu of receiving and processing paper checks. Cashiers can reduce or eliminate manual processing, including the scanning needed to create an electronic image for bank deposits, when utilizing the e-check payment method. Because e-checks have a minimal cost, schools can stress the "no-

fee" and real-time crediting aspects of using e-checks when communicating with their students and their parents.

Even if your school is not looking for a complete digital solution, emphasizing these online, no-fee payment solutions will reduce payment volume for your cashiers and simplify transactional activity going into your systems. Receiving a daily file with all payments (in lieu of individual transactions) will simplify the reconciliation process while maintaining data integrity and internal controls.

International students' payment options

For a school with a large or growing international student population, there are payment vendors who specialize in dealing with numerous currencies and foreign exchange. In the past, many schools had international students bringing in large sums of cash to pay tuition and fees. Besides the security risk for students, the Cashier's Office also had to manage huge cash deposits and deal with required IRS reporting of cumulative cash payments over $10,000. Even when cash payments are not brought into an office, trying to manage individual wire transfer transactions that often lack sufficient information to identify the student whose bill is to be paid, creates excessive manual processing, research and reconciliation issues for the school.

Using a vendor to deal with international payments allows the school to provide a simpler, safer, less expensive and more timely payment process for international students while creating a more streamlined and less laborious process for the Cashier's and Accounting Offices. With the growing complexities of multiple countries' payment rules and schools' desires to have payment plans for their international students, outsourcing international payment processing likely will grow among institutions.

Depository bank services

Internally, school administration should consider how much time the cashiers spend on manual and/or internal processing activities. Identifying and analyzing what resources are available from business partners that can assist the institution in managing the receipt and depositing of funds can lead to streamlined processes and additional operating efficiencies because of varied economies of scale available from partners. For example, consider whether utilizing your depository bank's lockbox services to receive and process tuition or other types of payments can lead to reallocating cashiering resources to customer service or other back-office activities with minimal, if any, retooling of necessary accounting and reconciliation processes.

Communications with Payers

How a school communicates its acceptance of payments for various products and services can be the make or break for a digital initiative. By having and analyzing the data on how institutional consumers pay their bills and knowing which payment channels are preferable for various campus constituencies, a school is better able to gear its communications campaigns and notifications about its intentions to reduce or eliminate accepting cash and paper checks, while promoting its customer-related benefits of convenience, safety and real-time credit. Stating that the school becomes more efficient and saves money does not

promote the message – it is already a student expectation that the institution is not costing them any more than necessary.

<u>Develop a strategy</u>
Developing a strategy to increase the number of students using online payment options for tuition and fees requires an understanding of who actually is making the payment. This is particularly important when dealing with traditional undergraduate students and their parents, who often are the bill payers, even though the student is considered the responsible party. As a result, any communications plan being designed to promote online payments must consider how to approach these different audiences.

<u>Target "authorized" payers</u>
Armed with the knowledge that parents and guardians often pay the tuition bills, vendors have built processes to accommodate these "authorized payers," who the student must identify and grant permission to access bills and make payments on the student's behalf. Targeting the authorized payers can overcome the "failures to communicate" between students and parents, which can create many telephone and email inquiries to Student Accounts/Bursar Offices, as well as Financial Aid Offices when there are aid-related questions or issues. More importantly, direct communications with the "actual" payer can reinforce the ease of online, on-time payment, with the emphasis of safety and real-time crediting – eliminating even more objections to the less efficient payment methods.

<u>Target other payers</u>
Other payers, such as third-party payers (i.e., corporations or government entities), scholarship providers and employers also must be considered when investigating options to reduce paper check handling. Because of the large number of payers involved and trying to cope with their myriad of rules and requirements in delivering payments, the school should make an effort to standardize how it wants student payments delivered and regularly communicate its preferences. Continually communicating these standards and reaching out to larger organizations can lead to increased numbers of electronic payments over time, though it will not eliminate how "one-time" payers issue their payments on behalf of your students.

More About Credit Cards

<u>Costs and fees</u>
Accepting credit cards for tuition and other school-related expenses can be a double-edged sword. While credit cards offer students and other customers a convenient and easy method for paying, there are higher costs for the institution beyond what would be paid for accepting an e-check or debit card payment. The merchant fees charged for credit card acceptance are more complex based on how the payments are received (i.e., electronic vs. in-person, card-present vs. card number only, level of payer information provided).

Many colleges and universities have passed along these costs through the assessment of a "convenience fee" or "service charge" paid either as a percentage of the transaction amount or a flat rate. This practice

has become more commonplace in the government sector where license renewals or tax payments include these fees. Institutions should consider the potential goodwill of absorbing these fees versus the expense of taking funds from academic or other student-oriented programs. Keep in mind that some states have prohibitions or rules related to passing along credit card fees to consumers.

Regulatory Compliance
In addition, credit card acceptance brings an additional layer of compliance issues to the institutional portfolio. Payment card industry standards; data security and privacy requirements; and additional audits and related testing must be considered when deciding about card acceptance. However, outsourcing these functions to a payment vendor may relieve the institution of some, but not all, potential burdens and liabilities associated with the process.

Working with Your Depository Bank and Payment Vendor

Institutions of higher education have always weighed the pros and cons of outsourcing administrative functions to maximize economies of scale and efficiencies that they cannot independently achieve. Dealing with student and customer payments is certainly an area where schools can achieve these benefits while relying on integrated technologies and established controls and accounting processes to lower operating costs and increase staff efficiencies.

Likewise, an institution's depository bank may be able to provide various services that enable the school to capitalize on tools and processes that enhance the deposit of funds or acceptance of different payment types. Examples of various bank services that schools might consider include ACH or wire transfer of funds, merchant services for credit cards, or lockbox services to receive and process paper checks.

Both banks and payment vendors enable schools to enhance best practices used at other schools or in other industries, along with state-of-the-art technologies developed to streamline and expedite flow of funds and related reconciliations and accounting. While having an engaged and active business partner can allow an institution to participate as beta testers or pilots of new products or services, it is more likely that the institution can provide valued input, perspective and feedback about what students and other customers want and need. Having the strategic advantage of a quality business partner that is willing to listen and leverage your feedback into solutions for students will enable an institution to promote its commitment to excellence. Remember that beta testing also is a scalable type of activity: making sure a service or product works at a smaller or larger institution only can be identified by having interested parties take an interest or be actively involved.

Suggested Steps When Moving to an All Digital and Cashless Campus

Making the decision to eliminate or reduce cash receipts and handling in a campus Cashier's Office requires much discussion and vetting among institutional constituents before the school can hope for a successful transition. Realizing that students and other customers will have opinions and desires for how

and when to make payments, Finance leadership needs to weigh the benefits and disadvantages of implementing a change. An institution that is looking at changing its cash and check handling methods should be looking at some or all of the following issues:

- **Getting the data to support such a move.** Having the necessary metrics to analyze how customers make their payments and to which business unit (e.g., student accounts, advancement, etc.) is crucial to starting the momentum towards reducing or eliminating cash and paper check payments. If the majority of payments are still made over the counter or by mail to a campus location, more focus will be needed on how to "change the culture" towards electronic payments. Likewise, if the amounts are small or recurring, finding other solutions, such as campus cards or mobile apps, could be the new direction for some business units in lieu of accepting cash and checks.

- **Consulting with legal counsel about any state or local laws or regulations that would prohibit or restrict a cashless business office.**   Previous steps have outlined actions that can help facilitate business process improvements and reduce necessary cash handling within an institution. However, before embarking down the path of a fully cashless environment, it is best to check with legal counsel to identify restrictions that would prevent the school from not accepting cash. Consumer activists in several states and cities have argued that refusing to accept cash for services may discriminate against "unbankable" individuals who do not have access to checking accounts or credit cards. While the school may be able to request that its customer obtain a money order instead of bringing in cash for compliance, local rules may also consider this request to be discriminatory. As a result, always consult with legal counsel about any unforeseen challenges or requirements that would halt a move away from cash.

- **Reviewing business units' methods of receiving monies, before and up to the time of depositing funds to the Cashier's Office.** The Cashier's Office is the school's bank, so its business processes already are geared towards proper controls and handling of all payments. At the same time, other institutional business units may not have the expertise, systems or even staff to properly manage cash and checks. Auditors and controllers often hear and see cases where currency and checks are left in office desk drawers for extended periods of time, perhaps even being lost or stolen. Whenever payment handling is not a primary departmental function, there should be written policies and procedures on how funds are received, accounted for and prepared for deposit. Ideally, the institution has overarching policies and procedures that dictate what business units must do, leaving codification of the actual processing to the department.

- **Having an executive sponsor who can lead the initiative to win institutional support for the change.** No campus-wide initiative will be successful without the support of key leadership. In seeking to change the cashiering environment, even a Bursar or Controller may not be able to garner sufficient support to move the institution beyond its current state. Executive sponsorship from the Chief Financial Officer/Vice President of Finance should reinforce the benefits to other senior leaders whose support will be needed when the culture must change and/or customer service is impacted.

- **Building the plan with a roadmap of activities and events needed to implement the change.** Knowing the direction that you now want to take means that it's time to design the plan. It won't be as simple as saying "XYZ College/University is no longer accepting cash or personal checks starting tomorrow." In fact, the decision-making may take months as the institution considers the following:
    - what internal policies and procedures must be tweaked or created,
    - which departments/individuals must be engaged/notified internally,
    - what new vendors or services must be engaged (or how to modify contracts with existing vendors),
    - what resources will be needed (staff, systems and budget), and
    - who/how to communicate the notice of the change.

    This could push the planned kick-off into the next academic year.

- **Looking at the IT requirements and resources needed to facilitate the new process.** You must consider whether the move towards digital payments will require system changes or programming modifications. Are there opportunities to leverage technology to enhance the crediting or reconciliation processes for central offices or business units through the use of workflows or other systemic tools? If the answers to these or other questions points towards IT department involvement, then conversations with the Chief Information Officer (CIO) and institutional data security and privacy managers need to happen early in the process to determine any negative system impacts or creation of other process problems, while trying to solve the cash and check handling issue(s).

- **Engaging your internal and external auditors to review your plan and identify internal control issues and concerns throughout the institution, since there will be problems with non-financial or non-student business units.** Even though elimination of cash and paper checks would seem like a win-win outcome for the Cashier's Office and business units, it is extremely difficult to know the ramifications for other departments and offices. There may be good reason to accept some amount of cash or paper checks received. While internal control procedures to safeguard funds should be standard practice, an independent analysis is a good idea. Using the school's internal audit department or external audit firm to review and opine on policy and procedure changes will help to reduce potential fraud and liabilities for losses, as well as potentially provide process improvements or streamlining to facilitate a smoother and safer transition. Investing the time for these reviews also helps the financial staff in supporting the initiative whenever non-finance offices resist changes in "doing what we've always done" or "fixing something that already works."

- **Identifying how your business partners can assist with your plans (lockbox, merchant services, e-payments, mobile apps, etc.).** Does the school's depository bank offer services that can do or supplement the work that institutional staff now handles? Asking your bank about these services, or other available resources that would lessen the need to handle cash and paper checks on campus, can lead to many benefits at a minimal cost. If the institution must engage an

armored car service to deliver cash and checks to the bank, it may want to look at bank services that would allow a business unit to make its own deposits directly at a bank branch in lieu of delivering funds to the Cashier's Office for handling and pickup/delivery for depositing.

The institution's vendors for electronic billing, online payments and campus cards also may be great resources for identifying and presenting new products and services that can facilitate the reduction or elimination of cash and paper checks. While there may be some reluctance to depend on any vendors for enhancing the customer service experience, there are alternatives available that will maintain institutional branding while powering solutions that streamline and enhance how payments are made and handled.

- **Building a new process map to show how funds are received, accounted for, deposited to your bank and reconciled.** Once you have completed your due diligence for moving towards a digital environment, you'll want to plot out how the institution will receive and account for funds before monies are deposited into the school's bank account. Mapping should be through the reconciliation process to assure there are no gaps or deficiencies in processes or internal controls.

  Besides looking at the central organizational process map, other offices and business units should be examined to create templates or matrices that can easily be adapted for updating their policies and procedures. In addition, Finance should develop a checklist of departments/offices and/or general ledger accounts that are tracked for reconciliation management and controls. This checklist will provide both internal and external auditors with a means to spot check and review activities in a decentralized environment, particularly if business units have any subsequent responsibility for making bank deposits.

- **Creating separate communications campaigns for students/families, alumni and other external customers, as well as internal customers.** How and when the institution communicates its notifications that it no longer will accept cash or paper check payments can either lead to a public relations nightmare or provide a best practice example of quality customer service. While the Cashier's Office or CFO can craft the general statements and detail how new processes will work, they should always use the school's public relations, marketing or communications offices to help create and customize the notices for the varied audiences. Utilizing these specialists will greatly assist in communicating positive, customer-oriented messages, instead of strictly dry and factual statements that sound bureaucratic or inflexible.

  These communications should explain the "hows" and "whys" surrounding the changes and help set customers' expectations for the new, and hopefully, more streamlined process. Depending on the timeline for the changes in accepting cash and checks, there should be multiple communications sent out via different channels (email, text, bill messages, U.S. mail) to assure that all constituencies have ample notice and understand information about the new process. Schools also should consider running webinars or group meetings for internal customers to help explain the mechanics of any process changes that will impact their business units. As colleges and universities continue to deal with budgetary and enrollment issues that will impact daily operations,

process changes must be clearly delineated with deadlines and other requirements outlined for timely implementations.

When moving to a digital environment for student payments, the school may want to consider incentives for students and parents that pay in-person or by mail to shift to an online payment platform. Besides communicating the speed and safety of paying online, offering prizes through a drawing for new enrollees to view and pay tuition bills online can expedite the culture change.

- **Creating the implementation plan.** Whether committees or task forces enhance an implementation or create a new bureaucracy is an ongoing debate. However, because of the complexities of coordinating numerous activities and processes across the institution, it is recommended that a two-tiered task force be established. A work group headed by Finance or the primary finance leaders at the institution should be responsible for the "nuts and bolts" plan's development and implementation, through sub-groups and committees that deal with various aspects of the project, such as accounting, communications, technical support, etc.

  The senior leadership on this "steering committee" will be responsible for guiding the implementation plan's development, tracking its progress, and assisting in overcoming obstacles or objections. Generally, this group also fills any planning gaps by providing the oversight and accountability for implementation.

  Involving the campus community during the planning and implementation phases will create more support for the initiative; and decrease any risk of criticism or non-compliance from within the institution.

Conclusion

Moving from cash and paper checks to a digital cashiering environment requires facing many challenges and opportunities for process improvements and enhancements. To move from existing activities surrounding receipt of cash and paper checks in the campus Cashier's Office, and move towards all or more payments via electronic transactions can take up to one year to fully implement. However, at the proverbial "end of the day," the Cashier's Office and other campus business units may find themselves with less manual processing and liability, and enhanced internal controls with better accounting for funds.

Utilizing products and services provided by external business partners can assist many institutions where there are limited human or technology resources, or serve as a supplement to existing enterprise student and finance systems. Vendors have developed products that can create additional efficiencies or economies of scale for the campus community, including good benchmarking and best practice development opportunities.

How the school manages its communications about these changes is pivotal to success. Clear and accurate communications with its customers and managing their expectations are critical to student recruiting and retention, donations, and community engagement.

As colleges and universities move through the new decade in a world with more online education and fewer resources on campus, institutions must disengage from the stereotypic "central bank" that handles its customers' monies to a more state-of-the-art model relying on technology and streamlined business processes that creates a quality service environment that meets or exceeds customer expectations. Students and other constituents will expect nothing less from their school!

About the Author…

David R. Glezerman has 40 years of higher education experience, at executive and managerial levels, serving in student business service positions at a community college and a four-year public institution. As one of Financial Aid Services' (FAS) independent consultants for Student Business Services (SBS), he offers consulting services to bursar/student account offices to assess and enhance business processes, address compliance issues and enhance customer service, among other concerns.

His experience included serving as assistant vice president and bursar, and prior to that associate bursar for student receivables at Temple University (PA). He began his career as the student loan coordinator at Community College of Philadelphia (PA). He is experienced with Ellucian Banner Student Accounts Receivable and the U.S. Department of Education's suite of applications for administering federal student aid.

David has served his profession extensively as the founding chair of the National Association of College and University Business Officers' (NACUBO) Student Financial Services (SFS) Council, founder (1984) and president of the Education Accounts Receivables Management Association (EARMA), and co-founder of the East Coast Higher Education Assistance Organization (ECHEAO) (2016). In addition, he has chaired the Association of Credit and Collection Professionals (ACA) Government Services Programs and Creditors' Committees, and currently serves as a Certified Instructor for its compliance courses, as well as, being a member-at-large for the Coalition of Higher Education Assistance Organization (COHEAO) Steering Committee. Also, David has served twice as a non-federal negotiator for the U.S. Department of Education's (ED) negotiated rulemaking programs and has been a consultant to the Health Education Assistance Loan (HEAL) Partnership Program for U.S. Department of Health and Human Services (HHS).

Over the years, David has made numerous presentations at national, state and regional organizational meetings, including NACUBO, COHEAO, and ACA International. In addition, he has written numerous articles about student financial services and educational debt collections. In 2016, he co-authored the book "Managing and Collecting Student Receivables".

David is the first recipient of NACUBO's Student Financial Services award (2018) and was a previous recipient of NACUBO's Professional Development award (2010). He was named ACA International's Member of the Year (2004) and is recognized with the organization's designation as a Master Credit Executive.

David received his bachelor's degree from Rutgers University and his Master of Business Administration from Temple University.