

CHAPTER 3

THE CASHFLOW REENGINEERING PROCESS

VISION IS THE ART OF SEEING THINGS INVISIBLE.

Jonathan Swift (1667-1745)

WHITHER IS FLED THE **VISIONARY** GLEAM?

WHERE IS IT NOW, THE GLORY AND THE DREAM?

William Wordsworth (1770 - 1850)

Our approach to financial reengineering is based on a structured analysis of cashflow alternatives, or "scenarios." This chapter describes the process for specifying and evaluating those scenarios. Before we get into it, however, we need to take a look at a fundamental issue that often confuses the process.

Managerial Myopia

Based on our extensive experience in financial consulting for various national and international organizations, it's clear that the principle areas to benefit from reengineering are those portions of the cashflow timeline which fall outside of traditional financial management. For example, in the portion of the timeline involving the receipt of funds, invoice issuance and cash application activities account for three-fourths of the benefits.

In the disbursement portion of the timeline, invoice and claim review and clearing/funding activities account for an equivalent percentage of savings.

The principal reason for this lies in the assignment of responsibility for cashflow events. Cash activities¹ (lockbox, controlled disbursement, money transfer) are specifically delegated to managers with titles such as "Assistant Treasurer" or "Director of Financial Operations." These managers operate within a well defined discipline, with access to the expertise of commercial banks, industry groups and peers.

Cashflow activities that precede or follow the treasury function, however, are most often the responsibility of managers with inadequate knowledge of the management of cash. As we discussed in Chapter 2, these managers tend to focus on their own problems or goals in the conduct of their business (Principal I). For example, invoices may be issued based on marketing or systems convenience, and payables may be managed at the convenience of the payables manager.

This "managerial myopia" is also evident in the way most business functions are typically reviewed.. A specific product, service or process will be examined for a particular functional operation. If the issue is slow processing of mail, for example, the change is usually directed toward the mailroom or the trip to the Post Office. When bank services are put out to bid, the analysis usually evaluates float, price, customer service, relationship with the bank/vendor, etc.

¹Various financial terms or products are used in illustrative material throughout this book. Each will be defined as it is used.

The essence of reengineering, however, is the redesign of an entire process, not a single step or action within that process. Examination of only one particular element within the cashflow timeline is flawed for the following reasons:

The Unseen Solution. All possible alternative solutions may not be examined. For example, consider the standard lockbox product.

With a **lockbox**, a company directs its customers to send payments to a Post Office box. That box is monitored by the company's lockbox bank. The bank picks up the mail, brings it back to its processing center, and deposits the items into the company's account. The bank notifies the company of the deposit totals and sends the payment information to them, saving both processing time and internal costs.

Bidding of the lockbox services alone would exclude the possibility that the entire set of collection activities along the cash timeline could be either outsourced or handled internally by the organization. It assumes that those activities are adequately managed and don't have to be examined in a rigorous process.

Objective Evaluation. All the elements within each alternative may not be properly examined. For example, the lockbox decision should consider customer service issues, and concerns over the company's control of a bank/vendor's processing activities. Both of these issues are difficult to quantify.

Timeline Element Interactions. The impact of one timeline element on another may not be considered. For example, changing lockbox bank/vendors may impact balances currently available for short-term investments or for compensating concentration banks.

Cash is not the responsibility of any particular functional area, yet it is affected by nearly every operation in an organization. As noted in the cashflow timeline discussion,

activities drive cash or are driven by cash at each step in the cycle of business activity. Some examples: Salespeople affect cash by the terms given the downpayment received, and the timing of the invoice. Credit and collections affect cash by the setting of cash discounts, the credit reviews of potential customers, and the vigor with which slow payors are pursued. Production affects cash by providing adequate inventory to allow the sale to occur.

It's very difficult to analyze these interrelations and to reengineer the optimal solution. As a result, products and services are usually considered only for specific parts of the problem-- rarely for the entire problem.

Principle VII. *Managerial myopia: managers tend to focus on individual elements of a business problem rather than visualizing the entire problem and all of its possible solutions.*

Steps in Cashflow Reengineering

Our approach to reengineering examines the entire cashflow timeline and considers the redesign of all relevant elements. This comprehensive approach consists of three basic steps:

1. Establishing alternative scenarios.
2. Quantifying each scenario.
3. Creating an "impact table" to compare scenarios.

STEP ONE: Establishing Scenarios

A "scenario" is a processing alternative for a significant portion of the cashflow timeline. The timeline consists of three basic segments:

- * collections, or the receipt of funds;
- * concentration, or the banking and investment of funds; and
- * disbursements, or the use of funds.

Scenarios utilize three processing alternatives within these segments:

- * internal processing,
- * outsourcing,
- * a combination of the two.

With *internal processing* the organization itself performs timeline activities. Internal processing of concentration activities might include managing bank balance, investments and borrowings, and the development of information for cash forecasting and other purposes.

Outsourcing involves bank or vendor processing. Recent corporate initiatives to reduce headcount and internal operating costs have spurred the use of outsourcing. And given the fact that banks and vendors now often use benchmarking, zero error, total quality management (TQM) and other similar programs, there is less concern for outsource service quality. Also, as financial staff has become more involved in various support roles (in sales, for sales financing and/or credit and collections; in systems, for electronic data interchange), it's more willing to outsource selected financial activities.

The third and most common approach to processing is *a combination of internal processing and outsourcing*. If an organization were to use the combination approach for

the collection portion of the timeline, the organization might handle invoicing, cash application, and credit and collection activity, while a bank or vendor handled cash collection and depositing. If the combination approach were used for disbursement events, the organization might prepare a daily tape of vendor/claim payments (including all remittance advice data, disbursement bank data and other information) and transmit that tape to a bank or vendor, who would then print and mail the required advices and payments.

Table 3-1 demonstrates nine different scenarios for a large organization with multiple collection sites.² This example assumes four sites ("A" through "D") collecting and processing receipts, the Current System. Various pairings or consolidations of these sites are then analyzed, including "A" and "B" to "B", "C" and "D" to "D", and all four sites to "D". In addition, internal processing improvements and outsourcing through lockboxing are examined.

STEP TWO: Quantifying the Scenarios

Each segment of the cashflow timeline (collections, concentration, disbursements) involves of a number of specific **cost elements**. In order to quantify the scenarios, every cost element in the segment being studied must be determined. In the collection segment, cost elements include the following:

Equipment

²A similar approach can be used for other cashflow reengineering reviews, such as those for concentration and disbursement activities.

Mail openers to mechanically slice and extract documents from envelopes.

MICR encoders to encode the amount of the written check to the right of the pre-printed MICR line.

The MICR-line (magnetic ink character recognition) is printed on the bottom of checks and remittance documents in a special character set which can be read by optical scanners. Normally, such data includes bank account addresses, check numbers and account data.

Reader-sorters to read and sort checks based on MICR line data, prepare bank deposit tickets and create a file to update accounts receivable.

Labor

Collections labor to process remittance data and operate the equipment used for remittance processing.

Exceptions labor to process non-standard payments, including changes of address, mismatches of the check and billed amount, inquiries, disputes, requests for additional time to pay, etc.

Management to supervise all collection activities.

Overhead

Rent as allocated to the space utilized by the collections area.

Utilities as allocated to the collections area.

Banking Costs

Availability float in days, and translated to cost per item, which is the time required for the local bank to collect checks deposited.

Courier costs to transport checks to the bank for depositing.

Bank service fees to compensate the bank for the various banking services provided.

Equipment, labor and overhead costs are derived from budgets or from the General Ledger reporting of expenses incurred, by budget code. Banking costs are not easily derived from either source, and require careful review of the bank's invoice, called an Account Analysis. The Account Analysis is the invoice provided by many banks to its corporate customers. This document lists various balance data and fees charged for specific services. For a complete description, see the Appendix to Chapter 3.

Continuing with the example shown in Table 3-1, Table 3-2 provides costs at each site, "A" through "D". Table 3-3 shows costs for Site "A" with various internal improvement and outsourcing combinations. Table 3-4 includes the same data as Table 3-3 for the pairing of "A" and "B" to "B".³

Table 3-1

Alternative Scenarios for the Collection Timeline

Multiple Sites

³ Calculations for Sites "B", "C" and "D", for the pairing of "C" and "D" to "D", and for the combination of the four sites to "D" are similar to those in Tables 3-3 and 3-4, and have been deleted in the interest of simplicity.

Each of 4 sites (labelled A - D) continues to collect and process its current mix of business

Paired Site Consolidation

Receipt processing at 2 sites with the most expensive check processing costs consolidated into the least expensive sites

Equipment: 3 reader-sorters (25% reduction) and one MICR encoder in consolidated operations

Labor: 25% reduction; based upon discussions with site management

Overhead: Site rates projected forward based upon current incremental lease rates

Banking Costs: Availability float (days) basically unchanged from current site experience; courier charges unchanged since not volume dependent; service fee per item charge roughly 10% less than current all-in per item price (based on increased volumes)

Fully Consolidated

All receipt processing from all sites is consolidated into the least expensive site

Equipment: 50% reduction to 4 reader-sorters and 2 MICR encoders

Labor: 50% reduction

Overhead: site rates projected forward based upon current incremental lease rates

Banking Costs: availability float (days) taken from float model calculation across all four sites combined; courier charges unchanged since not volume dependent; service fee per item roughly 20% less than current "consolidate-to" all in per item price (based on increased volumes)

Volume: sum of 2 combined sites

Improve Internal

Pickup mail as soon as available from post office; add a second mid-day/early afternoon deposit to make all afternoon/evening deposit cutoffs currently missed; renegotiate bank fees; charge clients for returns/redeposits to recoup related bank fees; liberalize rules to expedite processing of exceptions

Equipment: no impact

Labor: 10% increase in collections full-time equivalents (FTEs) to support parallel and/or second shift processing to prioritize receipts and meet 2 deposit deadlines daily

Overhead: no impact on rate

Banking Costs: availability float (days) taken from float model calculations, reflecting meeting key afternoon/evening availability cutoff times; courier charges increased by \$125/month for a second deposit pickup; assumes second deposit run can be accomplished within an existing courier route; otherwise costs \$25/day

Volumes: slight decline in volume due to elimination of some exception processing

Outsource/0% or 50%

Outsource to a lockbox, with the bank/vendor intercepting the mail directly from the post office, processing all non-exception receipts, depositing as processed, returning all exceptions by daily courier, and providing a daily transmission of all accounts receivable data captured from optically scanning the receipt coupon scanline

Equipment: none needed

Labor: eliminate all collection FTEs plus 20% of management; all exception processing FTEs remain to handle exception items

Overhead: no impact

Banking Costs: availability float as measured by float model; courier charges assumed to be similar to those currently experienced; per item prices are based upon a survey of bank/vendor lockbox service providers

Volume: same as under Improve Internal scenarios

Total Per Item: same calculations as under Improve Internal scenarios

STEP THREE: Creating a Scenario Impact Table

The amount of data developed in the previous step can be overwhelming. A graph of the quantification results, called a scenario impact table, helps organize the critical summary data for clearer review and analysis.

Normally there will be several components to the table: in our lockbox illustration (see Table 3-5), the vertical axis contains the alternative scenarios and the horizontal axis contains the site combinations. You can develop additional scenarios by visualizing different combinations from the table. In Table 3-5 for example, regular collection receipts could be lockboxed, with exceptions processed at the sites, at pairs of sites, or at a single designated site, creating several additional scenarios.

The first scenario in the table shows the current system of the four sites; those that follow add the changes listed in Table 3-1. There are ten live "cases" presented in

shaded boxes, one each for scenarios 1-8 and two for Scenario 9. (In Scenario 9 Sites A and B are consolidated to B, Sites C and D to D, and all four sites are consolidated to Site B). Any number of additional scenarios could be developed, as I have noted. Of the ten cases, perhaps three are attractive from a cost perspective: Scenario 6, which deals with lockboxing, and Scenario 9, which involves two approaches to site consolidation. (Scenarios 7 and 8 wouldn't normally be considered, as the additional lockboxes cause the cost per item to increase slightly due to the loss of quantity pricing and other costs.)

Table 2-1: Scenario Impact Table

No.	Scenarios	Site A	Site B	Site C	Site D	Total Co.
1	Current System: No Change	58.5¢	67.0¢	58.5¢	76.6¢	64.0¢
2	Current System: 10% Internal Improvements	53.7¢	70.0¢	55.9¢	70.4¢	62.3¢
3	Current System: 25% Internal Improvements	53.9¢	68.7¢	56.6¢	69.1¢	62.0¢
4	Current System: 50% Internal Improvements	49.1¢	66.5¢	55.1¢	67.2¢	61.5¢
5	Outsource Half to 1 Bank/Vendor Lockbox; Keep Half Internal	NA	NA	NA	NA	40.1¢
6	Outsource All to 1 Bank/Vendor Lockbox	NA	NA	NA	NA	32.4¢
7	Outsource All to 2 Bank/Vendor Lockboxes	NA	NA	NA	NA	41.0¢
8	Outsource All to 3 Bank/Vendor Lockboxes	NA	NA	NA	NA	42.5¢
9	Consolidate Sites A-B to B & Sites C-D to D; Sites A-D to B	NA	39.1¢	NA	43.7¢	37.2¢

Notes: Lockbox costs are estimated prior to formal request-for-proposal.

Shaded boxes are "live" cases.

* Spreadsheet not included in Chapter 2 appendix

^ Not a live "case"; shown only for reference

NA = Scenario not applicable for that case

Why do so many organizations choose not to conduct this thorough of an analysis? It may be they're simply avoiding the complexities and going for the "easy" solution. For example, our examination of collection activity scenarios involve the costs of five organizational units:

Mailroom operations to receive, open and distribute mail

Accounting to process incoming receipts and to apply cash to open receivables

Treasury to prepare the deposit ticket and to manage cash in banks

Information Systems to manage data flows

Customer Service to handle inquiries and other matters

With all the various functions and cost elements involved, the correct course of action becomes more difficult to determine than if only a single function or cost were being examined. Consequently, many organizations choose the relatively easy course of either doing nothing or making a decision--often downsizing--without considering all the relevant issues.

Principle VIII. *Managers tend to focus either on improving current systems or on outsourcing; the best reengineering efforts generally utilize combinations of both throughout a collection, concentration or disbursement process.*

Quality Issues

We have found that financial decisions are all too often primarily quantitative: managers simply select the lowest cost option. In addition to cost and time, however, reengineering involves service and other non-quantifiable issues. In our example, the three low cost cases should certainly be evaluated in tandem with relevant service issues. This evaluation might include the following questions:

If Sites Are Consolidated

Sunk or Avoidable Costs. Are costs avoidable or sunk at each site (leases, capital equipment, maintenance contracts)? This is one of the most difficult questions to

answer in analyzing costs. For example, a printer purchased four years ago has a useful life of six more years, seven before it is fully depreciated. If there are no alternative uses for that printer, the undepreciated cost must be added to the price bid by the bank or vendor, or sold with an appropriate accounting adjustment.

Severance Costs. What are the costs of terminating employees (severance, job search assistance, loss of experienced personnel)? Organizations have discovered that employee termination costs can be significant, particularly when there is a core of long-term employees. It's not unusual for employee termination to average more than 25% of annual labor costs for those let go due to reengineering. However, many affected workers are often reassigned to other positions, reducing the net loss.

Service Quality. Are there concerns for service quality? Are there unique processes which would be disrupted? Are customers accustomed to dealing with certain service personnel? There must be a careful examination of customer service issues, to determine whether the vendor can duplicate the support provided by employees of the organization. See Table 3-6 for a listing of customer service issues.

Table 3-6

Customer Service Issues

Customer Service Representatives. Does the bank or vendor have dedicated service representatives (reps)? Is there a pool of service personnel, or are specific individuals assigned to the account? Many companies prefer a team partnership with a primary and secondary rep available through direct telephone access. Regardless of the organization of

the reps, is there a demonstrated commitment to resolve inquiries within the current or the next business day? Does the bank or vendor provide an implementation team to establish new products and services? Are the various reps provided frequent training on products and on customer communication skills? Are the hours of contact access reflective of U.S. (or global) hours of operation (ten or twelve hours of coverage)?

Automated Inquiry. Many situations don't require customer-rep interaction, and can be quickly resolved through automated access to bank/vendor data bases. Is such access provided through a single system platform in a unified PC workstation? Is there an automated tracking system to monitor progress on inquiries?

If Lockboxing Is Implemented

Error Rates. What is the bank/vendor's error rate in processing collection items? (For example, does the bank/vendor calculate processing error rates per 10,000 transactions?) In recent years, banks and other vendors have become aware of the need for proof of quality: they have developed methods to count errors and determine their cause, and to chart error trends over time.

Timing of Information Transmittal. Are the deposit reporting and data transmission times early enough to meet the organization's financial and systems requirements? Does the balance report occur early enough so that treasury activities can be completed on time? Is data transmission at a time acceptable to systems? Any bank or vendor service will interface on a frequent basis (hourly, daily) with appropriate functions within the business. Treasury will require data on bank deposits and investments;

receivables will need information on invoices paid. All of this will have to be at the convenience of systems so that transmissions can be received and processed without problems or delays.

Disaster Recovery. Does the bank/vendor have an adequate disaster recovery process? (Is there a dedicated bank/vendor owned off-site location? Is there coverage through another bank or vendor?) See Table 3-7 for a listing of disaster recovery issues.

Table 3-7

Disaster Recovery Issues

Disaster Experience/Simulations. Disaster experience may include actual experience, such as the World Trade Center bombing (February 1993), Hurricane Andrew (August 1992), and the Chicago flood (April 1992); and/or it may involve periodic testing. The bank or vendor should comment on lessons learned during actual situations, and should explain the protocols used in simulations. For example, in a test, was data recreated by the opening of the next business day? How often are these drills conducted?

Organization. The bank or vendor should have a dedicated disaster recovery or contingency planning manager, reporting to a steering committee or a senior executive. Responsibilities should include the preparation and coordination of a comprehensive plan describing precise actions necessary in any disaster situation, particularly for critical areas

(money transfer, check processing, and trade settlement). Such plans must be consistent with the rules and guidelines of all governing bodies (Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, etc.).

Technology Backup. Technology redundancy should include the following:

A sophisticated communication network with comprehensive recovery capabilities

Automatic hardware, software and telecommunications switching

Power backup including dual power feeds, auxiliary power systems and generators

Integrated backup recovery site capabilities either at a parallel site or through an independent provider

Redundancy throughout the critical operating environment to eliminate single failure points

In addition to addressing these quality concerns, the low cost cases should also be weighed against the current situation of multiple collection sites (Scenario No. 1).

Decisions need to be made regarding the cost of retaining the status quo as compared to the most viable alternatives. Any decision to reengineer must consider whether saving "X"¢ per item is worth the uncertainty of consolidation or outsourcing. Cashflow scenario analysis can assist you in reaching that decision.

Principle IX. *Managers who focus on the quantitative measurement of alternative courses of action often fail to recognize essential qualitative factors that may be affected.*

In summary, cashflow scenarios all involve either some improvement in internal processing or the use of outsourcing. Not every activity can or should be seriously considered for outsourcing; in fact, many functions are not available from banks or vendors except at an unrealistically high price or with serious concerns for quality. The following table (3-8) shows internal processing and outsourcing of financial functions in the typical business practice:

Table 3-8

Typical Business Practice	Collection Timeline	Concentration and Banking	Disbursement Timeline
Internal Processing	Cash Application to Accounts Receivable	Cash Forecasting	Review/Approval of Vendor Payments
Traditionally Outsourced	Lockbox	Repetitive Money Transfer	Reconciliation of Bank Accounts
New Outsource Service ⁴	Imaging of Remittance Documents	Foreign Exchange Real-Time Money Transfer	Comprehensive Payment Product

⁴Products or services developed in the past two years and offered by banks or vendors.

Although new outsourcing services are constantly being developed, some functions will probably always remain internally processed. The manager's job is to continually explore all possibilities to make certain that his organization operates as efficiently as possible. That's the essence of good management.

Principle X. *The essence of management is the continual exploration of opportunities to improve the performance of the organization. The manager must constantly review activities by competitors and product/service offerings by banks and vendors, and be prepared to change his or her business procedures to accommodate new technology and new methods.*

The Vision Thing

A major emphasis in the reengineering literature is *vision*, the idea that a successful organization must continually re-define its customers, markets and products. A new vision may involve dismantling and rebuilding the infrastructure of the organization to meet newly defined business requirements. Having a vision for an organization is not a new idea; the outstanding statement on the subject of defining a market--made by Theodore Levitt in 1960⁵--was one of its earliest expressions. Levitt's "vision" of marketing shifted focus from the sale of the product to the needs of the customer.

Over the years, business experts have complained that a company cannot succeed without a vision, and many have written books about how to go about "getting it." No

book can tell you what your business should become, however; that is something that should be continually reexamined by the CEO and his or her staff. And given the accessibility of market and product intelligence and the profusion of strategy consultants and planners, arriving at a vision is hardly the most challenging problem most organizations face.

What is the most challenging problem? Deciding on the most effective and efficient course of action to attain your vision. The premise of this book is that management must use a logical and thorough process to examine all reasonable courses of action (scenarios) in order to select the “best” of those actions. A properly structured process--based on quantitative and qualitative factors--will lead to the correct decision. This process should not result in cataclysmic changes to the organization--to the managers and workers--*unless* all other reengineering possibilities have been examined and all reasonable changes attempted.

Chapter 3 Appendix: The Account Analysis

The Account Analysis is the monthly invoice many banks provide to their corporate customers. Although there is no universal format, the illustration below provides data in a typical layout used by banks.

⁵"Marketing Myopia," *Harvard Business Review*, Vol. 38 (July-August 1960), pp. 45-56.

Average balance			\$575,276
Less: average float			520,433
Average collected balance			54,843
Less: reserve requirement	At 10.00%		5,484
Average earning balance			49,359
Earnings credit rate (ECR)	At 2.75%		\$113.11
Charge for Services	Quantity	Unit Price	Service Charge
FDIC charge			\$25.00
Account maintenance			15.00
Deposits-unencoded	77	.15	11.55
Deposits-encoded-this fed	345	.115	39.68
Deposits-encoded-other feds	674	.13	87.62
Returned items	56	3.00	168.00
Checks paid	550	.15	82.50
Paid items-ACH	105	.135	14.18
Total Charge for Services			\$443.53
Net Due for Services			\$330.42

Average balance is the average daily amount in the bank account as calculated from each prior night's balance plus credits (*e.g.*, deposits) less debits (*e.g.*, checks clearing against the account).

Average float is the average daily amount of these funds in the process of being collected through the process of checks clearing through the banking system. As discussed in Chapter 6, all checks deposited must clear back to the bank on which they were drawn ("the drawee bank") before credit is granted for those checks to the depositor. This process normally takes up to two business days.

Average collected balance is the difference between average balance and average float, and represents funds which may be used, spent or withdrawn from the bank by the depositor.

Reserve requirement is an amount established by the Federal Reserve to support the liquidity of the banking system. The required reserve is an amount which cannot be lent by the bank to borrowers, and is set aside in the form of currency or deposits at the Federal Reserve. No ECR credit is earned by reserve requirement amounts.

Average earning balance is the amount on which a credit is earned by the corporate depositor. Banks are prohibited by Federal Reserve Regulation Q⁶ from paying interest on checking account (demand deposit) balances. Intense competition for depositors during the Great Depression led to high interest rates which could not be supported by lending income, leading to the failure of numerous banks. As the result, Congress passed legislation⁷ prohibiting the payment of interest on demand deposits.

The *earnings credit rate* (ECR) is permitted for use against the cost of bank services. Commercial banks are prohibited from paying interest on balances in corporate demand deposit accounts (DDAs) by the Federal Reserve's Regulation Q. To compensate

⁶12 C.F.R. Part 17.

⁷The Banking Act of 1933.

corporations for DDA balances, banks developed the ECR, a non-interest credit used to pay for charges accrued for services rendered. It is usually pegged to the 91-day U.S. Treasury Bill rate, or to a mix of various overnight money market rates.

FDIC charge is a mandatory insurance charge imposed by the Federal Deposit Insurance Corporation to maintain a fund to pay depositors of failed banks.

Account maintenance is a basic charge to cover overhead costs associated with services provided by the bank for accounts.

The charges which follow represent selected services which this bank provides to its corporate depositor; it is certainly not intended to represent a comprehensive listing of bank services. For each listed service, the quantity, per item charge and total monthly charge are indicated.

Deposits are checks presented for credit to the account. *Unencoded* checks are presented as received from the depositor's customers; *encoded* checks have been MICR-encoded in the lower right corner with the check amount, using special MICR printing equipment. *This fed* are checks drawn on a bank in the same Federal Reserve District as the bank in which they are deposited. *Other fed* items are checks drawn on banks outside of the depository banks; they are slightly more expensive to clear. There are 12 Federal Reserve Districts in the U.S.

Returned items are checks deposited which were not honored by the drawee bank. They are usually due to insufficient funds ("NSF") in the maker's account, but may also result from the maker stopping payment on the check. There is a charge for the handling of returned items.

Checks paid are checks written against the account by the corporation and honored by the bank.

Paid items-EFT are electronic payments through the ACH.

Net due for services is the net of Total Charge for Services less the earnings credit allowance.