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Halifax Regional Council
February 13, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Cathie O'Toole, CGA, A/Director Finance

DATE: January 17, 2007

SUBJECT: Electronic Banking Services

INFORMATION REPORT

ORIGIN

May 10, 2005 report to Council regarding Electronic Banking Services and Review of Signing Authorities and the awarding of a new 5 year contract for banking services.

BACKGROUND

In May 2005 Council approved a staff recommendation to move forward with electronic authorization of bank transfers as outlined in the Council report. In July 2006 the 5 year contract with the Royal Bank of Canada (RBC) for banking services expired and an RFP was issued. On August 8, 2006 Council approved a new 5 year contract for banking services with the Royal Bank of Canada.

The purpose of this report is to update Council on the new technologies which have been implemented as part of the new contract. Staff will be returning to Council shortly with a number of agreements proposed by RBC related to the implementation of the new contract.

DISCUSSION

Basic banking services covered in the new agreement include, but are not limited to, personal computer and telephone banking, Lockbox payment processing services, Electronic Data Interchange (EDI), Concentrator Service, Pre-Authorized Payment, and Direct Deposit of payroll.

In October 2006 HRM implemented a web-based cash management platform from RBC which replaced a variety of PC dependent software products that were becoming problematic. This product allows authorized staff to access HRM bank balances and certain transactions as they occur during the day rather than one day in arrears under the previous product. This allows staff to confirm receipt of funds in a more timely manner for better cash management. HRM cheque and deposit slip images can be viewed on-line enhancing security. Bank transfers can be done electronically in a secure environment with segregation of duties and a hierarchy of authorizations. In addition this product has updated Pre-Authorized Payment and Payroll file editing functionality and security. It is also used to download HRM cheques cleared for the daily bank reconciliation process, which is a crucial cheque fraud detection measure. As a further security provision the Business Systems and Control group has access to reports showing all transactions and activities that take place in this product.

HRM Associations, Boards and Commissions (ABCs) under the consolidated banking structure have been given training and access to the functions they require from this product. Feedback from these agencies has been very positive. Previously ABCs either did not have direct access to view their bank accounts on line or were using out of date software/hardware.

HRM processes in excess of 45,000 vendor payments per year. In December 2006 HRM began testing the electronic vendor payment system (A/P Link) which will make it possible to reduce the number of cheques produced. An output file is created directly within the SAP Accounts Payable system and is then transmitted through the A/P Link platform. Each payment can be individually reviewed and approved prior to the transmission of the file to RBC. Procedures and controls were developed and approved by the A/Director of Finance and by Business Systems and Control, and have now been put into place to ensure adequate review is completed and that sign off by the appropriate levels of authority within Accounting occurs prior to the file transmission.

In addition to reducing risk of fraudulent cheques, electronic vendor payments directly reduces cost through the elimination of paper cheques, envelopes, and postage, as well as for the reissuing of lost or stale dated cheques. During January 2007 testing of the system was completed and we can now move ahead with processing all employee expense reimbursements through A/P Link. Staff will be phasing in electronic vendor payments to outside organizations, starting with those that have a high volume of transactions with HRM.

Staff are continuing to work with RBC on cost effective cheque fraud mitigation measures and are actively reviewing an RBC product that would ensure that the payee on an HRM issued cheque has not been altered. RBC would match the payee to an electronic database prior to allowing the cheque to clear the banking system.

It should be stressed that HRM has been extremely fortunate with only two cheque fraud attempts in recent years. In both cases HRM did not incur any financial loss. However, staff believe it

important to remain vigilant and to continue to adopt new technologies that can reduce cheque fraud risk.

BUDGET IMPLICATIONS

Electronic payments will make the Accounts Payable process more efficient, reducing time handling special requests to pick up cheques, and replacing lost or stale dated cheques. Payment processing volumes have continued to increase over the 10 years since amalgamation and electronic payments and other electronic solutions being implemented will create efficiencies, allowing staff to spend more time on the review and processing of the more complex accounts.


Once the electronic payment process is fully implemented, there will be better opportunities to negotiate early payment discounts with vendors. Staff will also be analysing the overall impact (direct and indirect) as more experience is gained and additional processing improvements implemented.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ATTACHMENTS

None

A copy of this report can be obtained online at http://www.halifax.ca/council/agendasc/agenda.html then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.		
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