



BSG

BANKING SERVICES NEWSLETTER

March 2003

Keeping You Up-to-Date on Banking Developments Throughout the UC System

We bring you this newsletter to share news, ideas, successes, and lessons learned in the Banking Services area.

Our Mission

1. Provide oversight, expertise, and leadership system-wide with respect to banking and related services used in the administration of UC funds. Recommend policies and services that promote "best practices" for all UC organizations.
2. Support clients (campuses, medical centers, labs, other UC departments) in their needs and in support of their goals by maintaining high levels of customer focus, by being responsive, and being effective in matching organizational needs with appropriate service providers.
3. Manage banking and related vendor relationships to ensure optimal pricing, consistently high levels of service and state-of-the-art services.
4. Fulfill the duties of the President, as described in the Standing Orders of the Regents, with respect to:
 - Vendor selection for banking, credit card, and related services;
 - Bank account administration and control;
 - Bank system oversight;
 - Contract negotiation and execution for services used in the administration of UC funds.



Bank Account Controls Review – An Update

In the last newsletter, the Banking Services Group introduced the Bank Account Controls Review, an initiative to comprehensively review the University of California's banking practices, procedures and controls. Mr. David Kurrasch of Global Payments Advisors, Inc., the consultant on the project, has completed his review at each campus, medical center, national laboratory and at the Office of the President. Each campus controller and laboratory CFO has received a report of the specific observations and recommendations related to their organization. In general, many organizations were noted for having strong controls in this area.

At a recent Controller's meeting, Mr. Kurrasch presented a report of observations and recommendations that encompassed the University system. Recommendations were made in the areas of bank account oversight policies and procedures as well as electronic funds transfer, depository and cashing practices. Many of the recommendations will spawn future projects to improve the control environment surrounding the University of California's banking practices.

If you are interested in either local or system wide results of the review, please contact your Campus Controller or Laboratory CFO. The Banking Services Group would like to extend a note of thanks to all the people involved in this review. We appreciate your assistance!

What's new...?

Wells Fargo Bank 10/02 YTD Stats on Check Fraud

A recent statistic provided by Wells Fargo Bank reminds us that Positive Pay* and timely reconciliation are key to loss prevention. The bank reported that check fraud totaling \$40MM was attempted against Wells Fargo bank accounts between January and October of 2002. Of that total, \$454,470 (about 1%) represented the amount returned on behalf of the University of California. The timely processing of these Positive Pay exceptions (counterfeit items, lost/stolen checks etc.) resulted in a zero dollar loss for UC.

With rampant check fraud, both banks and customers must work hard to protect themselves. With this in mind, UC has implemented various account control features to ensure funds are safeguarded. As a result, all campus paper disbursement accounts linked to the UC Concentration account must now have Positive Pay with a "Return" default. This means that unless UC actively communicates the specific details of a check to the bank, it will not be paid.

If you'd like more information on Positive Pay and/or other account control features, please contact Banking Services.

**Positive Pay is a service offered by Wells Fargo Bank that compares check issue information (provided by UC) to daily check clearings, and reports any exceptions to UC for further pay/return instructions.*

Wells Fargo Client Service Officer

We've just learned that the Wells Fargo Client Service Officer (CSO) assigned to the University of California banking relationship, Nancy Peck-Medina, will be moving on to a new position inside the bank. As many of you know, Nancy was assigned to the UC relationship a little over a year ago. Prior to that, she served as a back-up CSO for UC for a number of years.

The CSO now assigned to the University of California banking relationship is Angie Escobedo. Angie will be backed-up by Martin Fuller. Both Angie and Martin are located in the bank's Treasury Management Client Services department in Los Angeles.

Contact information for Angie and Martin is as follows:

- **Angie Escobedo**
Client Service Officer
Phone: 213-614-3488
Fax: 213-614-3109
Email: escobeda@wellsfargo.com

- **Martin Fuller**
Back-up Client Service Officer
Phone: 213-614-3209
Fax: 213-614-3109
Email: fullerme@wellsfargo.com

Nancy Peck-Medina and Angie will be making introductory telephone calls to key campus contacts this month. As always, if you encounter any problems associated with banking services provided by any of our banks, please don't hesitate to contact the Banking Services Group.

Loomis Fargo & Co. Armored Car Robbery

On Thursday, January 23, 2003, a Loomis Fargo & Co. vehicle was robbed soon after accepting deposits from the UCSD Healthcare Cashiering Services (Hillcrest) location. A cash deposit of \$14,657 and check deposits totaling \$483,709 had been picked up from the UCSD site. The armored truck involved in the crime was located soon after the robbery; however, the driver and some of the truck's contents were missing.

Loomis Fargo & Co. Armored Car Robbery...cont'd

After some initial concern regarding the timely release of the remaining deposits being held as evidence, it was later confirmed that all of the check deposits did post to the UCSD Bank of America account on Monday, January 27th. A formal claim letter requesting reimbursement of the missing cash deposit was subsequently forwarded to Loomis Fargo & Co. by the UCSD Medical Center. The claim was promptly paid on February 3, 2003.

The driver of the Loomis truck involved in the robbery has been apprehended by Mexican police and transported back to the United States to face charges of stealing more than \$370,000 in cash and checks.



Loomis Fargo Identification Procedures

Last year, Loomis Fargo revised the Identification System in place for their Guards and Technicians. A color pamphlet describing the characteristics of this program should have been distributed to all customer locations receiving armored courier service. It's important that all customers are aware of the following three components of this Identification System:

- ✓ Distinctive Loomis Uniform
- ✓ Loomis Identification Card
- ✓ Loomis Signature Card



UC departments should not surrender assets to any individual who does not possess all three elements of the Identification System listed above. Any identification problems should be reported immediately to the local Loomis Fargo & Co. branch location or to the Central Valley Area office at (800) 557-6282. Individuals may request additional copies of the Identification System literature by calling Loomis directly or by contacting Jeffrey Donahue in Banking Services.

Check Encashment no longer available at Wachovia Branches

We have recently been apprised that checks drawn on the Wells Fargo/Wachovia Controlled Disbursement bank accounts will no longer be negotiated for non-depositors at Wachovia branches. The one Campus that may be affected by this new policy has already been notified of this change. This does not impact the negotiation of our checks at a Wells Fargo branch.

Closure of UCSF Cashiers Office

On January 17, 2003, the UCSF Cashiers Office closed its window for the final time. This closure was the culmination of a project to eliminate the traditional cashiering activities that had taken place in the "basement" of 505 Parnassus Avenue in San Francisco. The final phase of the conversion involved a remaining group of Medical Center departments that had relied on services provided by the Cashiers Office.

This was quite an undertaking that centered around the installation and use of an Automated Depository Unit (ADU) on campus. In addition to the ADU, use of existing "drop boxes" and supplemental armored courier service will now permit Campus/Medical Center departments to deliver their deposits to the bank without the need for further consolidation on campus. Arrangements for those locations requiring periodic change orders will be coordinated through Bank of America or the local credit union.

A number of folks contributed to the success of this project. In particular, we would like to cite the efforts of Toni Sims, who was instrumental in coordinating the many different activities associated with this conversion. After the closure, Toni assumed new responsibilities on campus as a Cash Coordinator.





De-commissioning of Wells Fargo Bank's PC Manager

Wells Fargo Bank will soon no longer support their PC-based banking software called PC Manager. All functionality within this system is now available through their browser-based system called Commercial Electronic Office (CEO). All campuses have been using CEO for certain activities such as monitoring of positive pay exceptions, and a few other disbursement administration functions. Now all other functions such as balance and transaction reporting, check copy requests, check status look-ups, etc. will also be done via CEO. Campuses that are using PC Manager for wire transfer initiation will be migrated to another bank system currently being procured through a system wide RFP. Each campus will undergo a conversion off of PC Manager onto CEO. If you are currently using Wells Fargo's PC Manager and you have not yet been contacted by Banking Services about this conversion, please contact Charissa Ha. She will be coordinating the conversion from PC Manager to CEO.

System-Wide EFT Provider Selection in Process

A team composed of Campus, OP and OTR members is in the process of evaluating numerous potential fund transfer partners in order to find the best fit for UC. The selected bank partner will provide wire, foreign exchange and one-off ACH transaction processing (does not include Tax payments or file-based Payroll or Accounts Payable ACH's). Team member Eileen Gaffney, from UC Davis, feels that it will be great to have a single EFT provider that processes all transactions via the Internet. Expect to see the new system rolled out to all users by the end of April.

ACH Origination – A Reminder



Please allow at least one day of lead-time when originating ACH payments in order to enable Treasury Operations to arrange for appropriate funding. ACH transactions that move money to an account at the same bank and have the value date equal the transaction date will settle the same day that they are initiated. These "on-us" transactions have often created unnecessary overdraft charges because of inadequate notice/funding. These charges can be avoided by sending ACH files a minimum of one day in advance of the value date.

Thank you!

Credit Card Services

Merchant



Chase Merchant Services (CMS) Update

We are in the process of negotiating a new three-year agreement with our primary credit card processor (also called an Acquirer), Chase Merchant Services. The new agreement will provide price reductions as well as new service level agreements. Campus credit card coordinators have been actively monitoring merchant issues, and our experiences over the last year will provide the basis for the service level agreements. If you are a merchant that has experienced significant service issues from CMS and your Campus Credit Card Coordinator is not aware of those issues, please advise them immediately of the problems so that they can be properly logged and followed up on. Below is a list of Campus Credit Card Coordinators:

Campus	Coordinator	Email Address
UCB	Joyce Sturm	jsturm@uclink4.berkeley.edu
UCD	Eileen Gaffney	epgaffney@ucdavis.edu
UCI	Pam Platz	pjplatz@uci.edu
UCLA	Maaza Woldemusie	mwoldemu@finance.ucla.edu
	Pam Oliver	poliver@finance.ucla.edu
UCR	Suzanne Bailey	suzanne.bailey@ucr.edu
	Linda Casteel	linda.casteel@ucr.edu
UCSB	James Frazier	james.frazier@accounting.ucsb.edu
	Russell Remington	russell.remington@accounting.ucsb.edu
UCSC	Nancy Barr	nlbarr@cats.ucsc.edu
UCSD	Robert Colio	rcolio@ucsd.edu
UCSF	Toni Sims	tsims@accounting.ucsf.edu
UCOP	Doris Wildeman	doris.wildeman@ucop.edu

Unsigned Credit Cards

Recently, due to various newspaper and magazine articles, some consumers have decided to not sign the back of their credit cards. Some even write "See ID" on the signature panel in the belief that this will mitigate fraud in case the card is lost or stolen. This practice is not supported by our credit card processor, CMS.

Merchants are contractually obligated to accept only a signed card. If the credit card is not signed, at the merchant's option they can accept the card after checking the cardholder's ID and asking them to sign the card. This generally causes delay at the point of sale. The risk to the cardholder if they do not sign the card upon receipt or activation comes if the card is lost or stolen. All a perpetrator has to do is sign the card with their own signature, as the credit card company rules state that ID is not to be requested when the credit card is signed. Although many merchants do ask to see a picture ID in addition to matching the signature on the card, this procedure is a violation of Visa and MasterCard operating rules.

ReaderCleaner Cards

Are you having to key in credit card numbers due to unreadable magnetic stripes? Keying the card number in these situations typically means a 50 or 52 basis point increase (for Visa and MasterCard respectively) in interchange cost. Therefore, it is important to keep your swipe terminals clean and functional. The ReaderCleaner Card from Visa cleans magnetic stripe readers and improves the readability of both debit and credit cards. Contact your Credit Card Coordinator if you're interested in finding out more about these cards from CMS.

Credit Card Services...cont'd

Credit Card Discount Rate Increases Effective April 2003

Some of the discount rates paid by the University of California for credit card transactions are increasing effective April 2003. Below are the most common discount rates paid by UC. These rates reflect a combination of Visa or Mastercard interchange rates and assessment fees, Discover and American Express negotiated discount rates, and acquiring bank (Chase Merchant Services) fees. If you would like to learn more about what these rates mean, contact the Credit Card Coordinator (see CMS Update article) on your campus or call the Banking Services Group.

VISA USA

Category	Current Rate	Effective April 2003
CPS/Retail	1.454% + \$0.283	1.474% + \$0.263
CPS Retail 2	1.514% + \$0.233	1.514% + \$0.213
Check Card	1.334% + \$0.283	1.334% + \$0.263
CPS Electronic	1.884% + \$0.283	1.884% + \$0.263
EIRF	2.084% + \$0.283	2.224% + \$0.263

MasterCard

Category	Current Rate	Effective April 2003
Merit I	1.995% + \$0.285	1.995% + \$0.265
Merit III	1.475% + \$0.285	1.495% + \$0.265
Data Rate II	1.845% + \$0.185	1.995% + \$0.165

Discover Card

Category	Current Rate	Effective April 2003
UC Negotiated Contract	1.55% + \$0.08	1.65% + \$0.08
Tuition / Registration Fees	\$6.00 + \$0.08	No change

American Express

Category	Current Rate	Effective April 2003
California State Negotiated Contract	2.2% + \$0.08	No change

Debit Versus Credit Cards

Not all cards are created equally, nor should they be treated equally. Most ATM cards today also function as debit cards because they are issued with a Visa® or MasterCard® logo on them. This makes it very difficult to distinguish them from a credit card. But if you are a merchant that accepts a lot of debit cards, knowing the difference between a debit card and a credit card can significantly impact your bottom line.

There are two different ways a debit card can be processed. **Offline** processing is handled similarly to credit card transactions, whereby they go through the Visa® or MasterCard® networks for authorization and settlement. Debit card transactions processed offline qualify for the Visa Check Card or MasterCard Merit III rates (see prior article). An **online** debit transaction is initiated by the customer keying in their PIN number through a PIN terminal at the point of sale. Online debit transactions cost between \$0.095 - \$0.475. Depending on the sales prices of your goods and services, the difference in processing charges can be very significant. Note that debit cards used for mail order, telephone or internet purchases are offline transactions because the customer cannot key in a pin code.

Here are ways to spot the different types of cards:

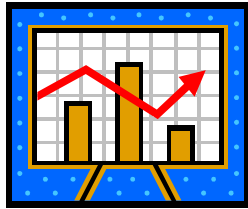
Credit cards have a Visa® or MasterCard® logo on the front of the card and are used in signature-based transactions (although for mail order, telephone or internet purchases no signature is obtained). A credit card often will not have any logos on the back of the card.

Debit cards have a Visa® or MasterCard® logo on the front of the card and also have debit network logos on the back of the card. These types of cards can be used in signature-based (offline) or PIN-based (online) transactions. There may be more than one debit network logo printed on the back.

ATM cards do not have any logos on the front, but have logos on the back. These cards can only be used in PIN-based (online) transactions.

To determine if you could be saving money by processing debit cards online, talk to the Credit Card Coordinator on your campus (see CMS Update article) or contact the Banking Services Group.

Information Reporting



New BSG account analysis statements

In an effort to communicate and bring awareness to bank fees, the Banking Services Group has developed and disseminated customized Account Analysis statements that incorporate monthly bank and/or armored courier service charges.

Starting with the July 2002 Statement cycle, campuses have been receiving three (3) different reports:

1. Monthly: Account Analysis Statement – Detailed Account
2. Monthly: Account Analysis Statement – Summary Account
3. Quarterly: Net Service Charges (as netted against STIP earnings)

These reports contain prices, volumes, and charges associated with the use of banks and/or armored couriers that directly invoice the Office of the President for services rendered to UC campuses and Medical Centers.

Some campuses have found this information to be very helpful. Jeff Yepsen (UCSF) proclaims, "These reports save us time in terms of our recharging efforts – it now takes us roughly 5 minutes to collect data used to reallocate bank fees, that in the past, had taken us hours."

If you feel you may benefit from receiving this information, please consult with your campus Controller. Otherwise, questions, comments and/or concerns should be directed to Charissa Ha.

Bank of America Direct

Bank of America Direct (BA Direct) is a service that provides corporate customers with access to the bank's "full-service transaction and information network" via the Internet. Currently, most University of California sites receive Bank of America account activity information through BAMTRAC, which requires dial-up communication software and a modem on a local desktop computer.

The bank has recently set up the University of California with the ability to retrieve Online (monthly) Statements via BA Direct for all UC bank accounts. Additionally, Previous Day and Current Day Information Reporting has been set up for a limited number of accounts. A small (pilot) group of users has been set up with Information Reporting through BA Direct in order to test its functionality. Once we are through a successful pilot phase, BA Direct access will be made available to users system-wide. The goal is to convert most BAMTRAC users over to BA Direct for Information Reporting purposes.

Stay tuned for additional updates...

Contacts

If you have any questions, concerns or want to learn more about anything in this newsletter, please don't hesitate to contact us!

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