

**Deloitte.**



**Treasury transformation  
in the age of modernization**

Helping state treasurers deploy advanced  
solutions for a new era of challenges

Today's state treasurers face an increasingly complex environment characterized by volatile markets, tighter regulatory scrutiny, and shrinking budgets. In an effort to address these and other challenges, more state treasurers are seeking to adopt advanced systems and leading practices to achieve the following priorities:

- **Increasing transparency** – In the midst of ongoing fiscal pressures on state governments, treasurers must respond to growing demand to demonstrate responsible financial stewardship and greater transparency with the public and regulators as they strive to effectively balance investment risk and returns and increase efficiency and cost savings.
- **Technology modernization** – For many states, a heterogeneous mix of aging and siloed systems is a main barrier to meeting their service objectives and transparency goals. These decades-old environments lack the integration that treasury organizations need for timely visibility into cash, investment, and debt portfolios and the cross-department collaboration that is needed to achieve improved performance.

- **Process transformation** – A surprising number of state treasury organizations still rely on highly manual processes and tools (for example, using spreadsheets to manage cash and forecasts). More states are recognizing that they need to transform core processes to reduce operational risk and foster the agility they need to respond to economic changes and technological innovations that can affect revenues, interest rates, credit ratings, and borrowing costs for the state.

Deloitte specializes in helping states deploy next-generation treasury and investment management software and processes that standardize data for processing, reporting, analysis, and audit—taking repetitive and error-prone tasks out of the hands of busy professionals and freeing them to focus on the vital tasks related to optimizing liquidity management and investment and debt portfolios, managing financial risks, and establishing and managing performance measurements. Our transformation methodology takes a broad approach that recognizes the interdependencies and complementary strengths of the people, processes, technology, and information involved in running treasury organizations.

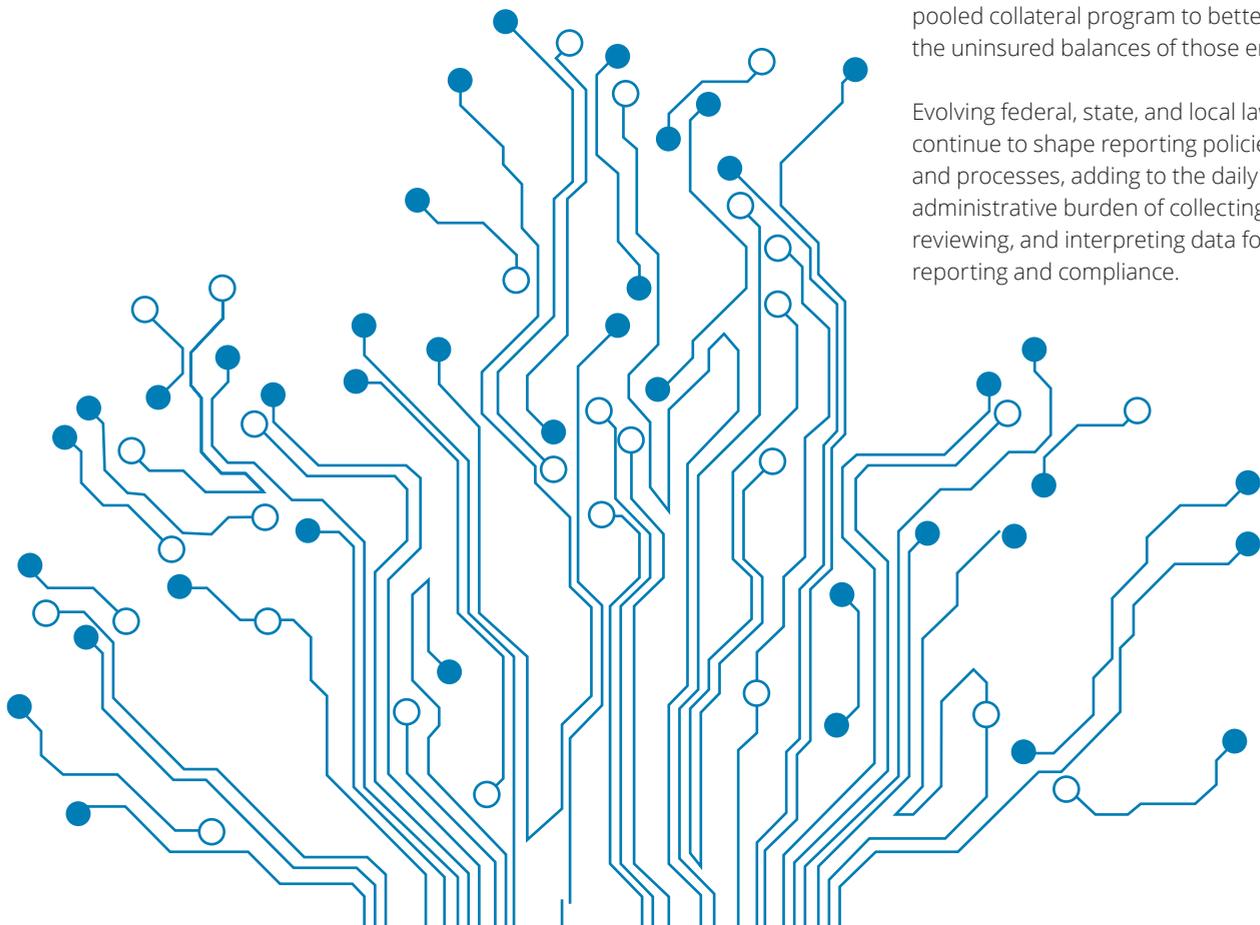
# Increasing transparency

## Maintaining transparency while managing a growing workload in regulatory compliance and reporting

Lawmakers and constituents are demanding more visibility into treasury processes and accountability for each tax dollar collected and spent. In response, several state treasurers have launched online portals to provide greater transparency into financial activities such as public debt issuances by state and local governments and the use of the proceeds.

Ironically, states are also finding that by increasing transparency, they can invite closer scrutiny. With greater access to information, the citizenry and elected officials can more easily track how every dollar is spent and determine whether the state is maximizing investment yields, while preserving principal, maintaining liquidity, and reducing borrowing costs. One such area that has entered the spotlight following the recent financial volatility is the creation of pooled collateral systems of deposits made by public state entities and through a pooled collateral program to better monitor the uninsured balances of those entities.

Evolving federal, state, and local laws continue to shape reporting policies and processes, adding to the daily administrative burden of collecting, reviewing, and interpreting data for reporting and compliance.



# Technology modernization

## Embracing treasury transformation through technology modernization

Across the nation, state treasurers are recognizing a compelling need to modernize treasury and investment technology infrastructure; replace aging, custom-developed solutions with off-the-shelf vendor packages; and reengineer highly manual processes. The rationale is clear: Modernization can translate into lower costs, helps maximize investment yields, and can dramatically improve operational efficiency.

For many state treasurers, this means embracing a new era of digital finance—characterized by cloud-based treasury management systems and integration with cloud-based ERP platforms that offer greater processing capacity through in-memory computing. Banking and other treasury-related systems are also benefiting from innovative technologies such as blockchain and machine learning, robotic process automation, and predictive analytics.

These and other next-generation solutions are helping treasurers address many longstanding goals and achieve dramatic performance gains in areas such as:

- Increasing transparency and visibility into cash and collateral at a consolidated state level across local governments, state agencies, and other public entities
- Optimizing and streamlining treasury/cash operations, particularly in payments processing and collections and reducing bank fees
- Creating opportunities to make cash management, banking, and payment practices more efficient and economical
- Modernizing investment operations to reduce fees to external managers and improve performance, risk management, and controls

- Managing and monitoring banking relationships across the state and developing a consolidated bank strategy to maximize bank services and reduce related costs (for example, using government-negotiated bank rates for all government entities and agencies)
- Deploying workforce productivity solutions that free staff to focus on more strategic activities to drive greater value and improve service delivery to state and local agencies

## Balancing the push for openness with the need for higher security

As with their private sector counterparts, public sector treasurers now see cybersecurity and the protection of information assets as a mission-critical priority. Payments fraud is also a top-of-mind concern for most treasurers in both the public and private sectors. It is essential to better protect state funds from internal and external cyber threats.

Threats are becoming increasingly sophisticated in how they target organizations. As the steward of the state's financial assets, state treasurers must take preventative measures and be prepared to act in the event of a cyberattack or breach. At the same time, as they seek to secure information and networks against intrusion, treasurers still want the flexibility to foster greater collaboration with other agencies and departments, improve quality of service, and streamline access to information and online resources. In other words, organizations need to take a Secure.Vigilant. Resilient™ approach to strike a workable balance between securing information and assets. This can help achieve the openness and flexibility that effective collaboration demands.

# Process transformation

## Anticipating a changing market and managing the impact

State governments face growing demand to focus on reducing costs and increasing operational efficiency and effectiveness—while still managing financial and operational risks. After years of historically low interest rates, the prospect of higher rates is leading treasurers to reconsider longstanding borrowing and investing strategies and core practices in liquidity management and forecasting. Additionally, treasurers are seeking to optimize the income earned on excess liquidity across the state and reduce debt and debt/funding costs. At the same time, record-high stock valuations are creating uncertainty in asset management decisions, forcing treasurers to evaluate whether the momentum will continue or if a correction is more likely. To help shed light on these developments, more treasurers are seeking new technologies that tap into the wealth of data on markets and investments and provide actionable insight into emerging trends.

## Adjusting to the new policies and mandates of new administrations

Successive administrations at all levels of government are enacting laws and policies that call for greater flexibility and agility from treasurers. The push for infrastructure modernization and spend across the nation will require state treasurers to find creative ways to fund these projects—particularly in an environment of lackluster revenue growth. For many states, this means turning to more public-private partnerships to fund infrastructure projects. Other challenges include potential reductions in federal Medicaid funding that could increase the debt load for many states. And an increasing number of state treasurers are even grappling with the issue of how to be creative and nimble in addressing the bank service and revenue collection needs for an emerging legalized cannabis industry.

# The Deloitte difference

In today's complex fiscal, legislative, and regulatory world, state treasurers need to be strategic. To be an effective business partner to other state agencies and local governments, the treasurer's office should capitalize on the latest technologies and leading practices to be a conscientious and efficient operator and steward for their organization, while providing value-add services that help them effectively fulfill their mission.

Whether you're seeking to increase transparency, modernize specific technologies, or transform core processes, Deloitte's Global Treasury Advisory Services offer an industry-leading mix of technology and practice knowledge that equips treasury organizations to thrive amidst these changes. We work with treasurers, CFOs, and CIOs to help them address specific challenges facing treasury organizations by offering deep treasury experience across the full spectrum of treasury-related services, including:

## Increasing transparency

- GASB accounting impacts of treasury and investment transactions and administration
- Treasury fraud and controls
- External investment manager analysis, selection, and oversight consulting
- Regulatory, tax, and investor reporting assistance

## Technology modernization

- Treasury technology strategy and systems selection
- Treasury technology implementation and integration
- Technology project management

## Process transformation

- Treasury enablement as part of enterprise-wide finance transformation
- Treasury/investment operating model design and benchmarking
- Liquidity modeling and forecasting
- Pooled collateral systems
- In-house banking and cash management services
- Bank strategy
- Collateral management and securities lending process design and implementation
- Transformation program management
- Transformation "visioning" labs to define strategic priorities and roadmap

## Our team of experienced treasury and investment professionals

Our team consists of hands-on treasury professionals who are dedicated to serving as trusted advisors to treasury, risk, and finance executives. Many of our professionals are former treasury and investment management practitioners and bring deep experience from working with some of the world's largest treasury departments, leading banks, and treasury technology vendors.

Our extensive experience working with leading investment managers, custodians, investment software vendors, financial firms, and treasury technology vendors translates into quicker time to value for our clients. We also bring a wealth of insight from previous client projects and deep knowledge of banking practices and transformation strategies.

If you'd like to find out more about how Deloitte can work with your treasury team in deploying the state-of-the-art processes and technology that can help you improve transparency, modernize key technology infrastructures, and transform core processes, contact any of the Deloitte professionals below, or visit us online at [www.deloitte.com/treasury](http://www.deloitte.com/treasury).

### Matthew Bauer

Specialist Master | Deloitte Risk & Financial Advisory  
Global Treasury Advisory  
Deloitte & Touche LLP  
+1.312.486.1624  
[mbauer@deloitte.com](mailto:mbauer@deloitte.com)

# Deloitte.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.