PKF O'CONNOR DAVIES
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# Recent Banking Uncertainty Underscores Need for a Treasury Management Gap Analysis

## *What is Old is New Again*

By Michael Hayes, Partner; Beth da Silva, Partner; Joe Marchese, Partner; Pat Diercks, Partner and Brian Allen, Partner

Recent Silicon Valley Bank and Signature Bank events leading to uncertainty in the middle-market banking space are creating the need for a renewed focus on treasury management and related risk management. While current liquidity management is of paramount importance, now is an opportune time for venture capital firms to take stock of their treasury management function and make appropriate upgrades, as needed.

Performing a treasury management gap analysis is a tried-and-true method to strengthen controls around managing money, assess and improve operational efficiencies in current processes and potentially generate a modest level of additional income. Achieving these objectives begins with an effective gap analysis.

### Five Key Elements of an Effective Treasury Management Gap Analysis

- **Assess Treasury Management System Performance Based on Honest Dialogue with Management** – Asking questions around the "5 Ws" is the best way to foster dialog. What went wrong? Why did it go wrong? When should we have known? Who could have helped prevent it? How do we improve? Stress that this is not an exercise of pointing fingers, but an honest reflection with the goal of improving the treasury management system's performance. Answers to these questions will be the basis for an action plan.

- **Understand Your Investors' Needs** – Speak with your investors to gain a deeper understanding of their needs and expectations around the fund's treasury management. Many fund managers think the right time to solicit investors' thoughts is at the end of the process. Why wait? Everyone is in the same boat, as recent events have shown us. This approach will enhance the fund's relationship with investors.

- **Technology, Technology, Technology** – An important part of the solution will rely on the technology you deploy to monitor treasury activities. The right technology can strengthen your controls and help to reduce reliance on human capital.

- **Document Policies and Review Annually (or more often as needed)** – Although documenting policies and procedures is not always the most glamorous part of the job, it forms the backbone for proper controls and with heightened effectiveness. The codified document also provides for business continuity, training and areas of improvement as time goes on. Remember, this document is not static. Dust it off at least annually and implement the necessary updates and personnel training.

- **Perform a Sensitivity Analysis** – Understanding the pressure points and having a nimble model for management to anticipate the impact of various economic scenarios improve the visibility of sensitivities. Sensitivity analysis can significantly aid management decisions and focus risk managers on key risk areas.

Pursue the help of specialists. Consider bringing in a treasury management professional who can lend assistance by being the unbiased, “honest broker” in the room, inject best practices, draw on long-standing, key treasury relationships in the marketplace, provide necessary training and best leverage your time. You don’t need to go it alone and recreate the wheel. Our specialists have been in practice for decades and have seen it all – high interest rates, recessions, bankruptcies, reorganizations and myriad other disruptors to your business space. What is clear today is that treasury management requires a renewed focus, as evidenced by recent banking events. We would be delighted to discuss how we can help you.

## Contact Us

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