

# SMARTER SUPPLIER PAYMENTS: PROTECTING PUBLIC FUNDS WHILE UNLOCKING VALUE

*Enhancing payment efficiency to  
safeguard public resources*

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# INTRODUCTION & AGENDA

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# SMARTER SUPPLIER PAYMENTS

## **Protecting Public Funds**

Smarter supplier payments prioritize safeguarding public funds through transparent and secure transaction methods.

## **Unlocking Operational Value**

Modern payment strategies enhance operational efficiency by streamlining supplier transactions and reducing costs.

## **Driving Risk Mitigation and Growth**

Smarter payments transform financial operations into opportunities for risk reduction and business growth.

# AGENDA

## **Payment Evolution**

Overview of how payment methods have evolved to meet modern public sector needs.

## **Public Sector Challenges**

Discussion of key challenges faced by public sector organizations in payments and operations.

## **Fraud & Risk Shift**

Insights on shifting fraud and risk management strategies in supplier payments.

## **Smarter Supplier Payments Strategy**

Strategies for smarter supplier payments to improve efficiency and reduce risk.

## **Financial Impact & Next Steps**

Analysis of financial impacts and actionable next steps for transformation.

# PAYMENT EVOLUTION



# PAYMENT LANDSCAPE

## **Shift to Digital Payments**

Digital payment methods have overtaken cash and checks as the preferred choice worldwide.

## **Key Requirements**

Speed, security, and transparency are essential features expected in modern payment systems.

## **Drivers of Change**

Technological advances, regulations, and integration demands are driving payment modernization.

# CORE PAYMENT TRENDS



## **Decline of Cash and Checks**

Cash and checks are decreasing in use and now serve mainly as operational exceptions in payments.

## **ACH as Payment Backbone**

ACH payments remain the primary method for B2B transactions, representing about 65–70% of total payments.

## **Growth of Real-Time Payments**

Real-Time Payments are rapidly expanding, enabling immediate fund availability and increased transaction transparency.

## **Focus on Payment Modernization**

Organizations are prioritizing rapid and responsible implementation of digital payment solutions over questioning modernization.

# PAYMENT METHOD TRENDS

Payment Method	2018	2019	2020	2021	2022	2023	2024	2025
Cash	30%	28%	25%	22%	20%	18%	14%	12%
Checks	12%	11%	10%	9%	8%	7%	2.5%	<2%
ACH	45%	48%	52%	56%	69%	64%	Record High	Record High
Real-Time Payments	1%	2%	4%	6%	8%	10%	12%	15%

## What Does This Mean To ISDs:

- ❑ Cash and Checks are no longer strategic payment tools – they are operational exceptions. “Treat Cash as an Exception”.
- ❑ Cash declines signal signaling a shift from elimination to intentional management.
- ❑ ACH remains the backbone of campus and government payments with real-time payments emerging as a strategic enhancement rather than a complete substitute.

# WHY IT MATTERS



## **Faster Payments Impact**

Faster payment methods raise stakeholder expectations for speed and reliability in transactions.

## **System Integrations**

Seamless integration with ERP and workflow systems enhances organizational operational efficiency.

## **Cost Reduction and Automation**

Digital payments reduce operational costs and manual efforts, boosting payment strategy competitiveness.

## **Strategic Business Advantage**

Understanding payment trends is crucial for informed decision-making and maintaining market leadership.

# PUBLIC SECTOR CONTEXT

# THE PUBLIC SECTOR PAYMENT LANDSCAPE



## **Fraud Prevention Importance**

Effective fraud prevention in supplier payments protects public funds and maintains trust in government operations.

## **Operational Efficiency**

Optimizing payment processes ensures timely and accurate supplier payments, enhancing overall efficiency.

## **Supplier Experience**

Good supplier experience fosters strong relationships and timely delivery of public services.

## **Fiscal Stewardship**

Responsible management of public funds ensures accountability and sustainability in government spending.

# ISD FINANCE IS UNDER PRESSURE

## **Challenges in Fund Management**

Public sector finance teams are under scrutiny to manage funds effectively amid limited resources and rising fraud threats.

## **Staffing and Digital Expectations**

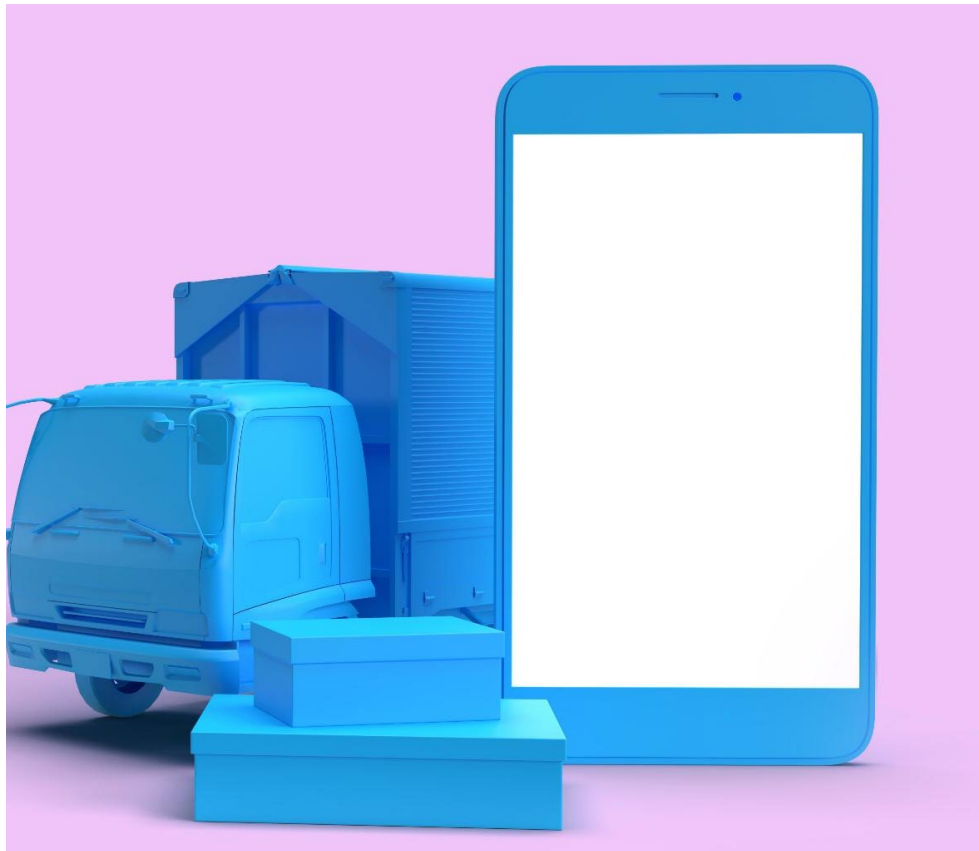
Staff shortages and increasing supplier demands for digital payment experiences add pressure on finance teams.

## **Need for Cost-Effective Modernization**

Modernizing payment processes must deliver value without increasing costs, mitigating fraud, ensuring transparency, and accountability.



# SUPPLIER EXPECTATIONS HAVE CHANGED



## **Digital Onboarding and Self-Service**

Suppliers expect streamlined digital onboarding processes and the ability to update information independently through self-service portals.

## **Payment Visibility and Electronic Payments**

Real-time visibility into payment status and electronic payment methods have become critical expectations for suppliers.

## **Faster Timelines**

Suppliers expect accelerated processing and faster timelines reflecting private sector efficiency standards.

## **Improved Supplier Relationships**

Meeting these expectations reduces administrative burdens and strengthens supplier relationships in public sector engagements.

FRAUD & RISK

# MAYHEM MAKES HEADLINES

**76%**

Experienced **vendor impersonation fraud attempts** in 2025

**\$300K**

2026 Projected fraud loss per incident

**\$253K Lost**

**Excelsior Springs School District** Loses \$253,692 in elaborate cyber theft

**\$5M Stolen**

**North Dakota school district** loses nearly \$5 million in sophisticated email scam

**\$180K Scammed**

**Manchester Public Schools** Lose \$180K to Hacked Vendor

More than \$1M **Diverted**

**Nebraska school district** scammed out of more than one million

# FRAUD HAS CHANGED



## Shift in Fraud Risks

Fraud risks in supplier payments have moved from transactional errors to vulnerabilities in workflow processes.

## Social Engineering Threats

Social engineering has become the dominant fraud threat exploiting human and procedural weaknesses.

## Importance of Controls

Implementing robust controls and continuous monitoring is essential to reduce fraud risk in fast payment environments.

## Adapting to New Tactics

Organizations must evolve their fraud defenses to remain resilient against emerging and evolving threats.

# FRAUD REALITY

## **Prevalence of Vendor Impersonation**

76% of organizations face vendor impersonation attacks, highlighting its widespread impact on businesses.

## **Financial Impact of Fraud**

Average financial loss per fraud incident is nearly \$300,000, indicating severe monetary consequences.

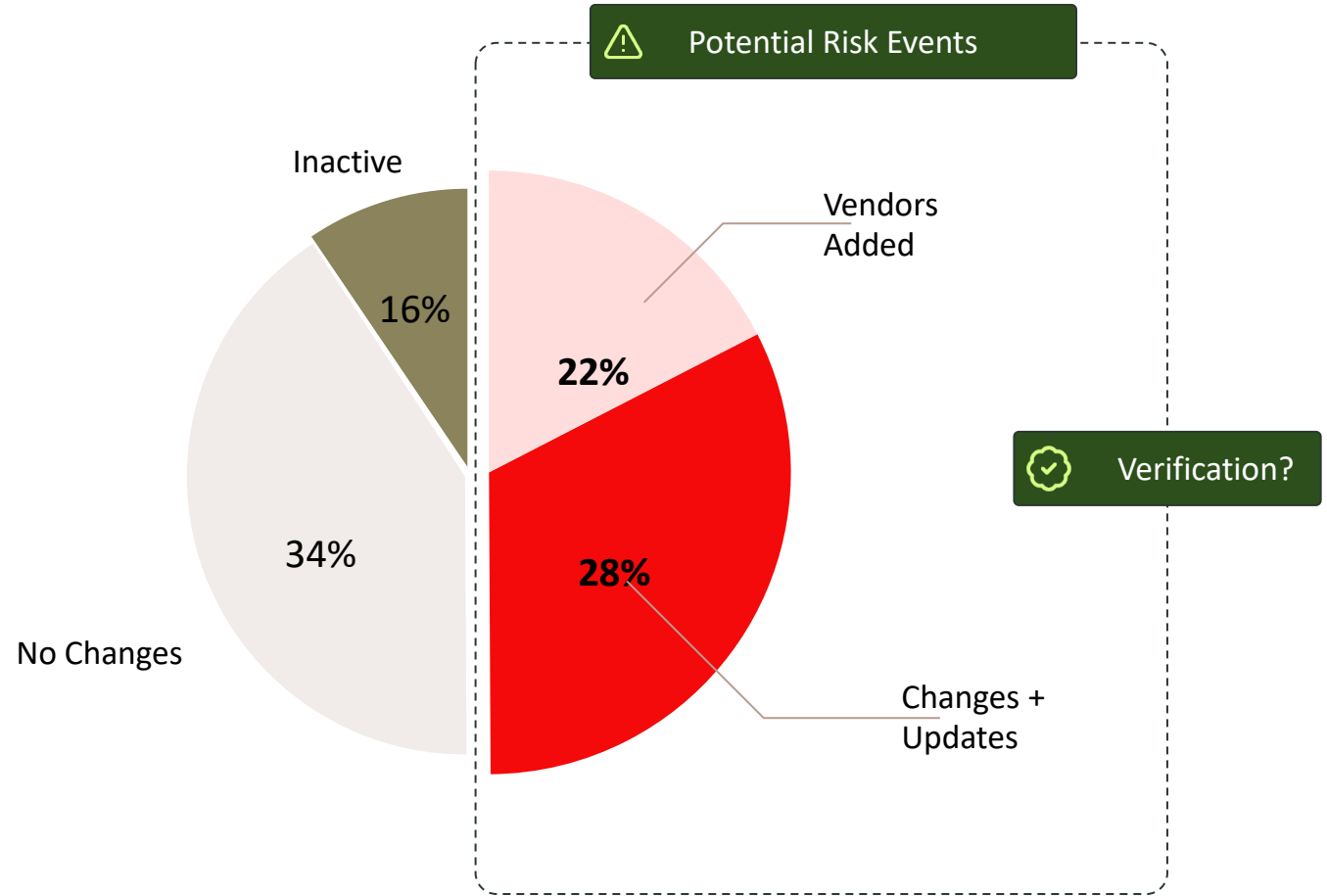
## **Need for Fraud Prevention**

Early detection and prevention of fraud are crucial to protect organizations from financial and reputational harm.

# VENDOR MANAGEMENT IS NEVER STATIC

*People, data, and banks are always changing.*

*These changes are where **mayhem thrives.***



PaymentWorks Network Data



# CONTROL GAPS & NEEDED CONTROLS

## **Common Control Gaps**

Relying on email for vendor changes and weak validation processes create significant security risks.

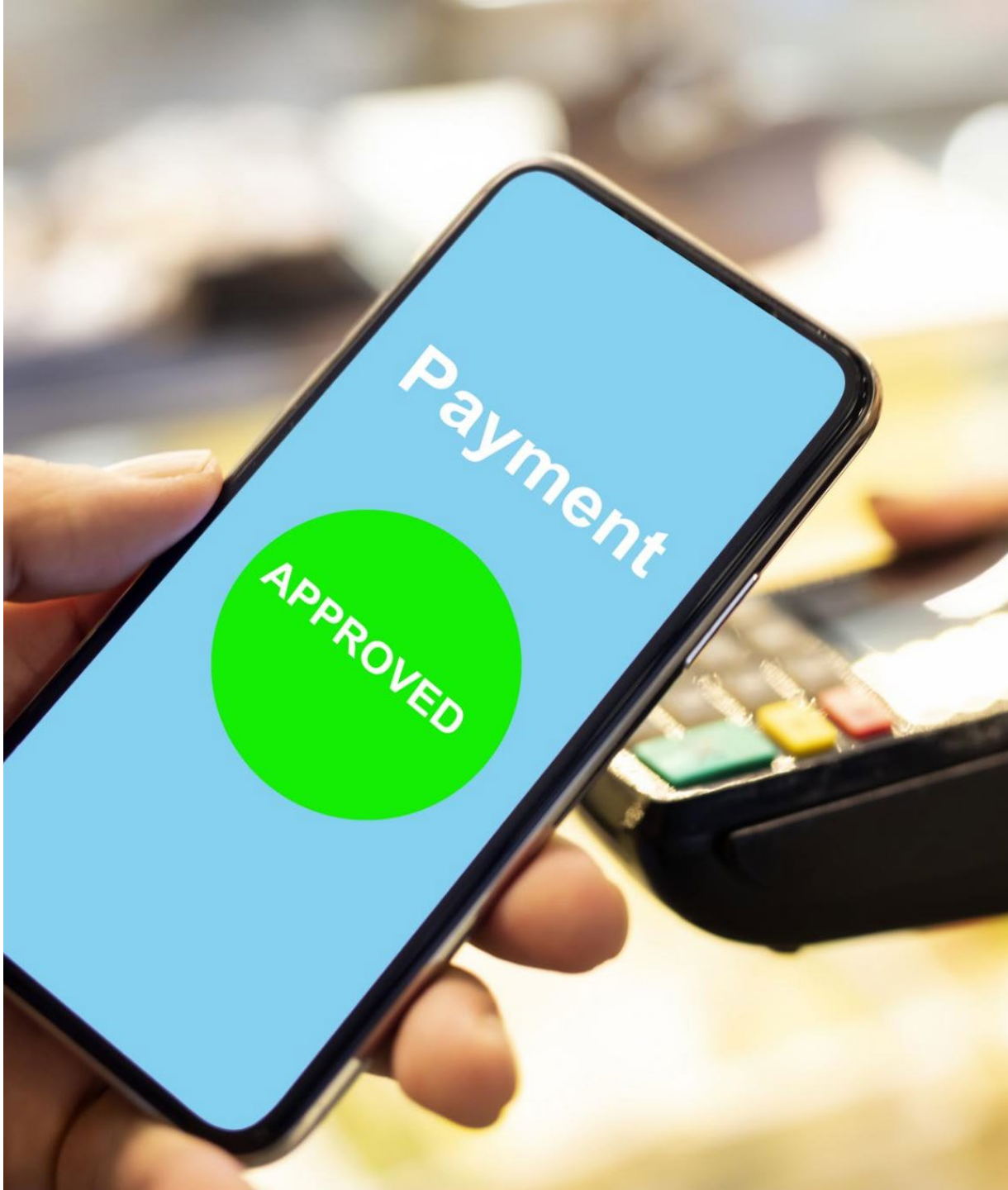
## **Modern Fraud Prevention**

Vendor validation and continuous verification are essential to combat fraud effectively.

## **Automation and Governance**

Workflow automation, multi-level approvals, and cross-functional governance strengthen control frameworks.

# SMARTER SUPPLIER PAYMENTS



# PAYMENT RAILS OVERVIEW

## **Diverse Payment Options**

Organizations can choose from multiple payment methods including checks, ACH, virtual cards, RTP, and push-to-debit to fit different scenarios.

## **Strategic Payment Selection**

The focus is on selecting the most appropriate payment method based on supplier, payment, and risk profiles.

## **Optimizing for Efficiency and Value**

Leading organizations customize payment strategies to maximize efficiency, reduce risk, and enhance value for suppliers.



# THE CORE ISSUE

## **Supplier Diversity**

Suppliers differ in risk, spend, payment preferences, and strategic value. One payment method does not fit all.

## **Tailored Payment Strategies**

Customizing payment methods optimizes risk management and improves operational efficiency for organizations.

## **Optimizing Value Creation**

Adapting payment strategies to suppliers creates greater value and supports strategic business goals.



# WHY SEGMENTATION MATTERS

## **Protecting Public Funds**

Segmentation helps safeguard public resources by applying tailored controls to different supplier groups based on risk.

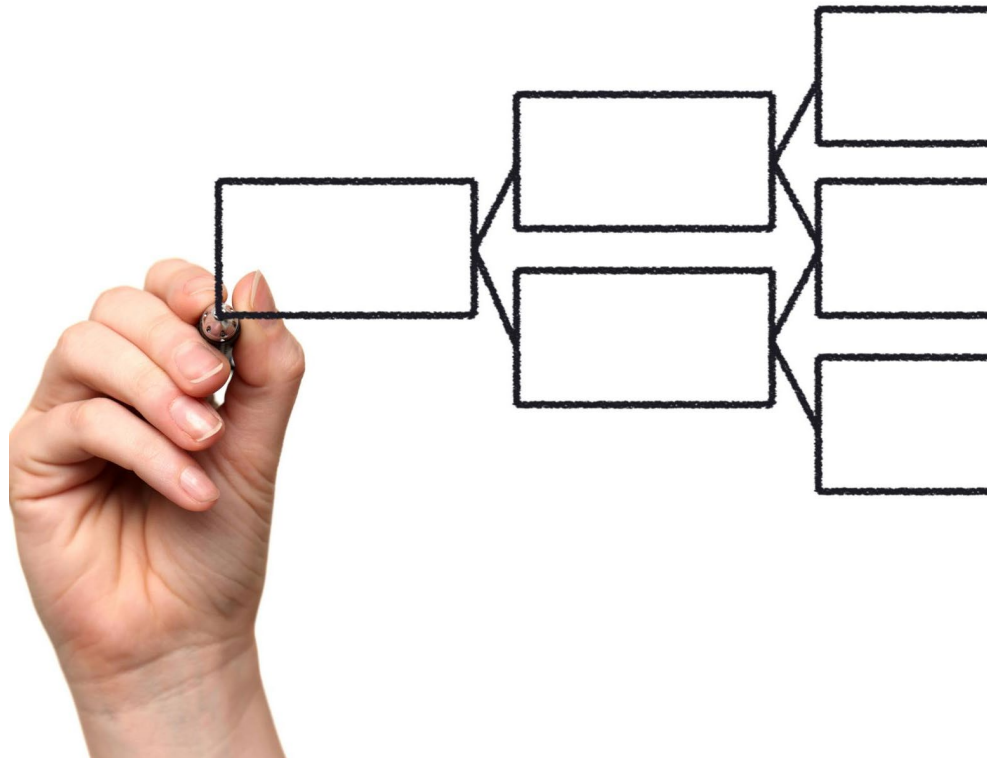
## **Optimizing Operations**

Applying segmentation enables organizations to optimize operational efficiency by customizing strategies per supplier segment.

## **Generating Financial Value**

Segmenting suppliers aligns payment methods with risk profiles, generating greater financial value for organizations.

# PAYMENT STRATEGY WATERFALL



## **Hierarchical Payment Evaluation**

Payment methods are evaluated starting from highest value, cascading down only if needed for efficiency.

## **Preferred Payment Methods**

Virtual cards, enhanced ACH, and RTP are prioritized for faster, secure, and automated payments.

## **“Staggered Payments” Strategy**

Example: Virtual Card 10 days, ACH 30/45 days, Checks 60 days.

## **Checks as Exceptions**

Checks are used only as exceptions, minimizing risks and inefficiencies in payment processes.

## **Benefits of Strategy**

Maximizes revenue, working capital, supplier satisfaction, fraud protection, and payment automation.

# FRAMEWORK & VALUE

# SMARTER SUPPLIER PAYMENTS FRAMEWORK

*Not a payment project.*

*Not an AP project.*

***A strategic operating  
model.***

## **Protect Pillar**

Focuses on fraud prevention and payment controls to secure supplier payments effectively.

## **Optimize Pillar**

Emphasizes automation and efficiency to streamline payment processes and reduce errors.

## **Monetize Pillar**

Targets revenue generation and capturing discounts to maximize financial benefits from payments.

# FINANCIAL IMPACT

## **Cost Reduction Benefits**

Modern payments reduce check processing costs and lower operational workload, improving overall efficiency.

## **Revenue Through Rebates**

Virtual cards generate rebate revenue, adding financial value beyond traditional payment methods.

## **Fraud Loss Prevention**

Avoided fraud losses through secure payment strategies protect financial assets and reduce risk.

## **Value Beyond Costs**

Payments should be viewed as sources of value, evaluated by risk, efficiency, and financial gain.



# MATURITY MODEL



## Stages of Maturity Model

The model includes four stages: Reactive, Electronic, Optimized, and Strategic, defining payment maturity progression.

## Digitization Benefits

Digitization reduces costs by automating payment processes and enhancing operational efficiency.

## Optimization Creates Value

Optimization improves value by streamlining workflows and increasing payment process effectiveness.

## Strategic Management Practices

Strategic organizations manage supplier segmentation, fraud controls, payment economics, working capital, and supplier experience for superior outcomes.

# CORE CAPABILITIES

## **Supplier Identity Validation**

Validating supplier identity helps reduce payment fraud and ensures secure transactions with trusted partners.

## **Segmentation**

Segmenting suppliers allows organizations to tailor payment strategies and optimize supplier relationships effectively.

## **Payment Choice**

Offering flexible payment options improves supplier satisfaction and streamlines payment processes.

## **Automation**

Automating payment workflows reduces manual errors and increases operational efficiency for organizations.

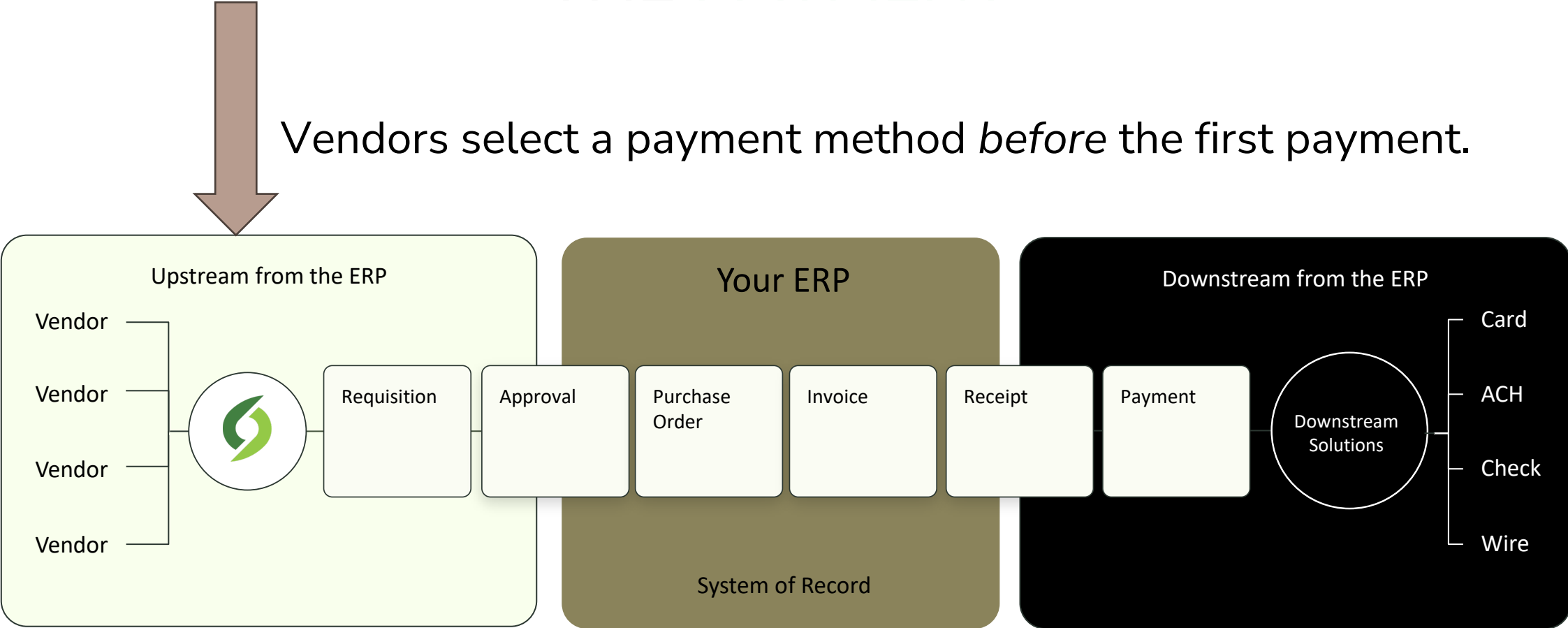
## **Governance**

Strong governance frameworks ensure compliance, risk management, and strategic oversight of payment activities.

# CONCLUSION & NEXT STEPS

# SMARTER SUPPLIER PAYMENTS BEGIN BEFORE THE PAYMENT.

Vendors select a payment method *before* the first payment.



# FUTURE STATE

## **Strategic Payment Management**

Future supplier payments emphasize strategic management over simple transactional processing for better control.

## **Balanced Payment Ecosystem**

Leading organizations balance risk, efficiency, and value within a strategic payment ecosystem.

## **Smarter Payment Strategies**

Adopting smarter payment strategies enables public finance teams to deliver superior outcomes and stewardship.



# WHERE TO BEGIN



## **Assess Current State**

Evaluate existing payment processes and systems to identify gaps and opportunities for improvement.

## **Understand Supplier Population**

Analyze supplier profiles to tailor payment strategies and address varied needs effectively.

## **Evaluate Fraud Exposure**

Identify vulnerabilities and risks related to payment fraud to strengthen security measures.

## **Build Segmentation Strategy**

Develop supplier segments to prioritize and customize payment approaches efficiently.



THANK YOU

# RESOURCES

[Findings-from-the-Diary-of-Consumer-Payment-Choice-FINAL.pdf](#)

[payment-trend-statistic](#)

[frbservices 2025-findings-from-the-diary-of-consumer-payment-choice](#)

[payspacemagazine payment-industry-analysis-2025](#)

AFP® 2026 Payments Fraud and Control Survey,  
1 2025 & 2026 average loss per incident - PaymentWorks projection

PaymentWorks Network Data