

The Processing Revolution

Winning the battle on automated in-house remittance processing

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>> The methods and choices for automated remittance processing are being revolutionized. With the addition of the latest technology, solutions and laws, your in-house remittance processing can achieve an ROI that is unbeatable.

A revolution has been taking place since 2005 that has significantly reduced the cost of automated processing of remittance documents and checks in-house when compared with the cost of traditional lockbox services. This has been enabled by a combination of more affordable and sophisticated ICR software, more sophisticated and less expensive desktop scanners and the Check 21 law that has enabled remote deposit of checks with most banks.

Using the traditional lockbox model, all checks and remittance documents were sent to a central PO box where a bank service bureau would pick them up, open, sort and process them either manually or with expensive sorting, scanning and encoding machines. Not only was this model expensive but always resulted in a batch of "check only" remittances that had no account information for the bank to identify a posting account. These "exception items" would then be returned to the client for account identification and manual posting.

The revolution we speak of has evolved due to the lower-cost scanners and sophisticated software becoming available for typical small to medium businesses and some larger ones to process their remittance documents and checks in-house less expensively and without having to factor in the delay for processing exception items. In addition, the latest scanners and software create very detailed images of all remittance documents and checks that are maintained in a database for rapid retrieval, faster customer service, detailed audit trails and elimination of storage space to retain the paper documents. It is not unusual for the ROI payback of these new systems to be less than one year, even with the addition of a full or part-time processing employee. More than one company is using this technology to process over 10,000 payments per day.

Desktop Scanners

The new desktop check scanners range in price from \$1,000 to \$4,000, depending on the speed and capacity and features, such as endorsing and sorting. We illustrate one of the most popular scanners made by Canon here, but there are over a dozen different models and six manufacturers to choose from. We recommend that you consult with your systems vendor to select an appropriate scanner for your application. It should be capable of processing the volume and size of documents you need, and your vendor should be capable of servicing the scanner since these higher volume applications require more attention and cleaning. Many of the manufacturers and vendors offer maintenance programs with next-day replacement units that are very useful when processing hundreds of checks per day worth thousands or millions of dollars in check deposits that are now made from image files created by the scanner.

Remittance Processing Software

The best remittance processing software available today includes the ability to read all of the information found on remittance documents, such as printed names and addresses, due dates, barcoded or OCR-encoded account, amount and date information. Handwritten information, such as amount paid and mark sense boxes to check for ACH options and address changes, is also read accurately. The software also reads the MICR line information on all checks in real time as the checks pass through the scanner so the bank routing and account information is recorded for the electronic deposit.

The check imaging software now includes the ability to read the handwritten or printed legal and courtesy amounts on personal or business checks, money orders and traveler's checks with 80% to 90% accuracy.

This software is typically called CAR/LAR software for "Courtesy Amount Recognition/Legal Amount Recognition" and is very effective at automating the reading of remittance and payment information. It also flags the items that it can't read accurately so an operator can confirm or correct the information from the images that have been rejected for low confidence reading scores.

This same software constructs the image database of all remittance documents and checks with indices for dates, account numbers, amount of payment and check information. The database also includes an audit trail for all documents so the history of all documents is recorded, including who had access, edited, printed or emailed a document, as well as the date and time of each access.

Exception Item Processing

With today's more sophisticated software, some of the vendors are able to scan check-only payments and search its history files for similar checks to identify the customer's account number or read an account number in the memo field without requiring an operator to look up the account number for each payment/check. This feature alone has justified the cost of this technology for many businesses that had to manually post all of the exception items returned daily by their lockbox service.

Automatic AR Posting

One of the most time-saving features of the new remittance processing software is the automatic posting features. Since the software is reading all of the information from the remittance document and check that is required to post all payments to your AR software, it eliminates all of the hand keying of payment information and reduces errors.

Banking Deposits

Since the Check 21 law became effective in October of 2004, the banks have been gradually enabling their business clients to deposit their checks remotely as check image files using a new standard adopted by the Federal Reserve Bank called the X9.37 format. All remittance processing vendors now offer software with this remote deposit capability that is universally accepted by most banks.

Most banks offer a remote deposit system with scanners and software that do not include the remittance processing capability, so do not be confused by the lower cost banks offer for remote deposit systems when you could obtain a much more efficient AR processing system from several remittance processing vendors.

The revolution in remittance processing makes it worthwhile for all businesses that still process their payments manually or outsource the process to a lockbox to re-evaluate their procedures and investigate the savings and ROI of implementing the image-based, automated remittance processing technology available today.

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