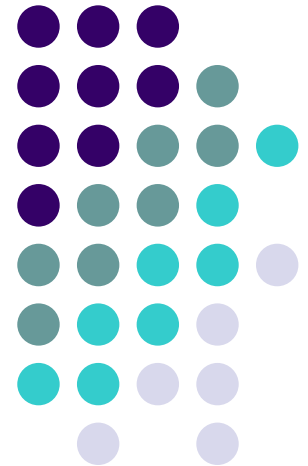# Unlocking the Secrets of Lockbox

Collaborate 2008

April 2008

Cathy Cakebread - Consultant

Agenda

- Introduction
- What Is Lockbox?
- Lockbox Processing/Flows
- Lockbox Data
- Preparing to Use Auto Lockbox
- MICR Numbers
- AutoCash and Auto Associate
- Implementation Tips
- Increase "Hit Ratio"
- Data Conversion
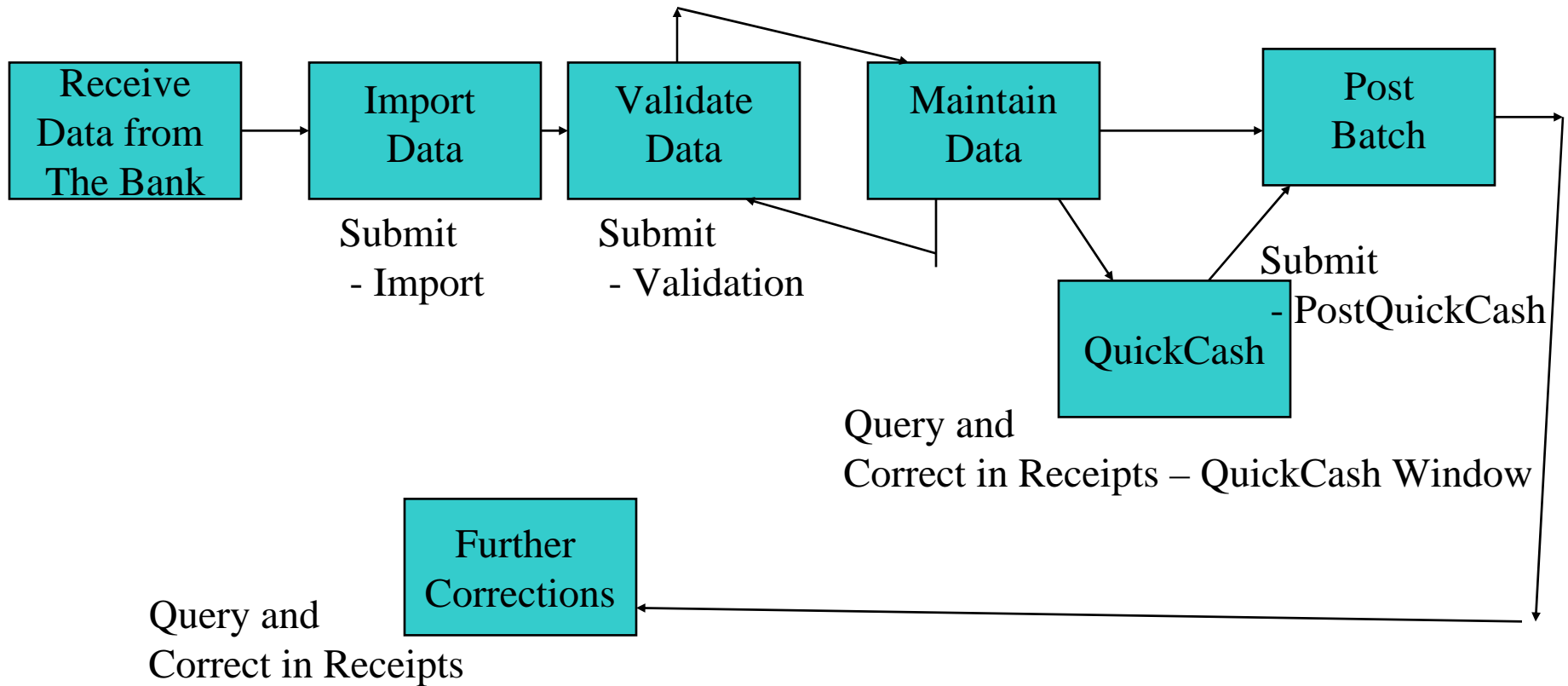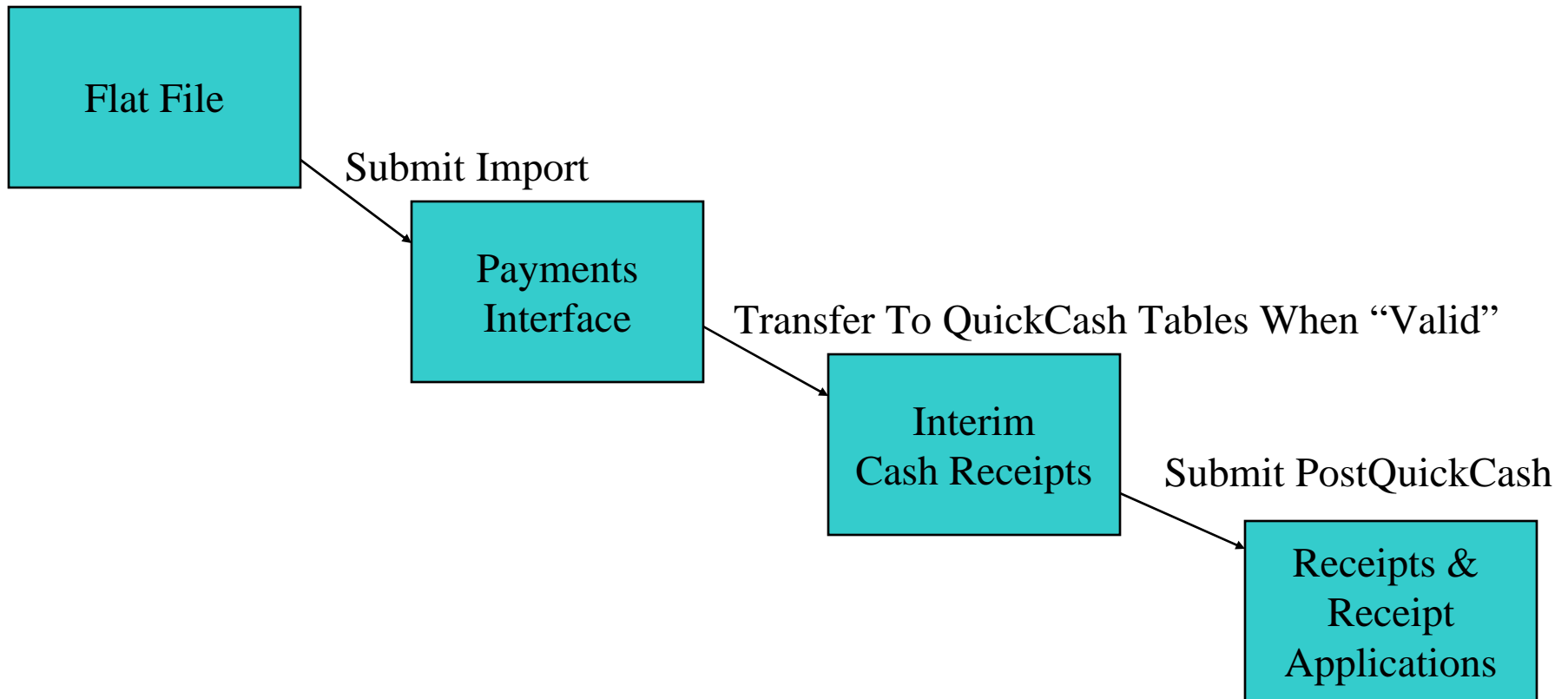- Should You Use Auto Lockbox?
- Questions and Answers

What Is A Lockbox?

- Example: Utility Bills
- P.O. Box Where Customers Send Checks
- Auto Deposited Into Bank Account
- May or May Not Be "Automated"
- "Automated Lockbox"
  - Bank Keys Receipt Details
  - Sends File to You
  - Load File Into Oracle and Process
    - (vs. Manually Enter)

Lockbox Processing

| Receive Data from The Bank | → | Import Data | → | Validate Data | → | Maintain Data | → | Post Batch |

Submit
- Import

Submit
- Validation

Submit
- PostQuickCash

QuickCash

Query and
Correct in Receipts – QuickCash Window

Further Corrections

Query and
Correct in Receipts

Data Flows

Flat File

Submit Import

Payments Interface

Transfer To QuickCash Tables When "Valid"

Interim Cash Receipts

Submit PostQuickCash

Receipts & Receipt Applications

Typical Lockbox Data

- Transmission Header (1)
- Service Header (2 - Optional)
- Batch Header (5)
- Receipt (6)
- Overflow Receipt (4)
- Overflow Receipt (4)
- Receipt (6)
- Receipt (6)
- Overflow Receipt (4)
- Batch Trailer (7 - Optional)
- Lockbox Trailer (8)
- Transmission Trailer (9)

My Suggestion For Layout

- On 6 (Receipt) and 4 (Overflow Receipt) Records:
    - Invoice Number (invoice1, invoice2…) AND
    - Amount Customer Wants Applied (amount applied1, amount applied2…)
    - So:
        - Invoice 1
        - Amount Applied 1
        - Invoice 2
        - Amount Applied 2
- This is Not the Default!
- Note: If More Than 396 Invoices May Be Paid With A Single Receipt – You Will Need To Also Increase The Digits For The Overflow Sequence

Example Of "My" Overflow Record Layout

Position Start	End	Field Type	Justify	Fill Symbol	Date	Time	Format Amount	Overflow Indicator
1	1	Record Identifier	Right	Zero				
2	4	Batch Name	Right	Zero				
5	7	Item Number	Right	Zero				
9	10	Overflow Sequence	Right	Zero				
11	11	Overflow Indicator	Left	Blank				0
12	19	Invoice 1	Right	Blank				
20	27	Amount Applied 1	Right	Zero			Yes	
28	35	Invoice 2	Right	Blank				
36	43	Amount Applied 2	Right	Zero			Yes	
44	51	Invoice 3	Right	Blank				
52	59	Amount Applied 3	Right	Zero			Yes	
60	67	Invoice 4	Right	Blank				
68	75	Amount Applied 4	Right	Zero			Yes	

Field Description

Preparing to Use Auto Lockbox

- Decide on Level of Detail to Include
- Work With Your Bank
  - Data Layout
  - Sample Files
- Define In Oracle Receivables
  - Lockboxes (Bank Origination Number is Key)
    - Setup – Receipts – Lockboxes - LockBoxes
  - Transmission Formats, Transmission Fields
    - Setup – Receipts – Lockboxes – Transmission Formats
  - SQL*Loader Control File <u>too</u> (at Unix Level)

MICR Numbers

- What is a MICR Number?
  - Transit Routing Number (Customer's Bank)
    - Looks Like |: |: Before and After This Number
    - Account Number (Customer's Account)
- MICR Number Can Only Be Used For One Customer Only!
- Take Advantage of Relationships

Auto Associate and AutoCash

- Auto Associate
  - Associate The Customer With The MICR Number Based On The Invoice Number Provided?
  - Learns As It Goes
- Auto Cash Rules
  - Match Payment With Invoice ***
  - Clear The Account
  - Clear Past Due Invoices
  - Clear Past Due Invoices Based On Payment Terms
  - Apply To The Oldest First

"Match Receipts By" Method

- In Lockbox Setup - Possible Options:
  - Transaction Number
  - Consolidated Billing Number
  - Sales Order
  - Purchase Order
  - Hook
    - Custom Matching Method
    - Technical Solution (Package Supplied)

Processing Tips

- Do Not Use "Allow Payment of Unrelated Invoices" – Eeek!

- Always Use "Complete Batches Only"
  - Keeps in Sync With the Bank

- Invalid Transaction Number – Use "Reject Entire Receipt" (Until Final Pass)

- Correct ASAP

- Create Receipts ASAP

Typical Processing – First Pass

FIELD NAME	ACTION/ENTRY
New Transmission	**Checked** for "Yes"
Transmission Name	(List) Bank initials and the deposit date
Submit Import	**Checked** for "Yes"
Data File	**E.g.., /u0/lockbox/xxmmddyy.dat (where xx is the bank and mmddyy is the deposit date)**
Control File	**name _____**
Transmission Format	**(List) name _____**
Alternate Name Search	**"None"**
Submit Validation	**Checked** for "Yes"
Lockbox	(List) The lockbox name
Complete Batches Only	**Checked** for "Yes"
GL Date	The deposit date or the last date of the period (at period end only)
Allow Payment to Unrelated Invoices	**NOT Checked** for "No"
Report Format	(List) **"All"**
Invalid Transaction Number Handling	"Reject Entire Receipt"
Submit PostQuickCash	**Not Checked** for "No"

Typical Processing – Validation Passes

FIELD NAME	ACTION/ENTRY
New Transmission	**Not Checked** for "No"
Transmission Name	(List) Bank initials and the deposit date
Submit Import	**Not Checked** for "No"
Data File	
Control File	
Transmission Format	
Alternate Name Search	**"None"**
Submit Validation	**Checked** for "Yes"
Lockbox	The lockbox name - automatically filled in.
Complete Batches Only	**Checked** for "Yes"
GL Date	The deposit date or the last date of the period (at period end only)
Allow Payment to Unrelated Invoices	**NOT Checked** for "No"
Report Format	(List) **"Rejects Only"**
Invalid Transaction Number Handling	"Reject Entire Receipt"
Submit PostQuickCash	**Not Checked** for "No"

Typical Processing – Final Pass

FIELD NAME	ACTION/ENTRY
New Transmission	**Not Checked** for "No"
Transmission Name	(List) Bank initials and the deposit date
Submit Import	**Not Checked** for "No"
Data File	
Control File	
Transmission Format	
Alternate Name Search	**"None"**
Submit Validation	**Checked** for "Yes"
Lockbox	The lockbox name - automatically filled in.
Complete Batches Only	**Checked** for "Yes"
GL Date	The deposit date or the last date of the period (at period end only)
Allow Payment to Unrelated Invoices	**NOT Checked** for "No"
Report Format	(List) **"Rejects Only"**
Invalid Transaction Number Handling	"Post Partial Amount as Unapplied"
Submit PostQuickCash	**Checked** for "Yes"

Customer Deductions

- Customer Takes a Credit and Short Pays
- Specific Layout Required in Transmission
  - -000001000
- May Be Valid or Not??
  - What if Not "Valid"?
    - Procedure Needed
- Use Trade Management?

Implementation Tips

- Don't Underestimate Time it Takes to Setup and Test With Your Bank!!!!!
  - Start ASAP!
- Is 2 Digit Overflow Sequence Big Enough?
- Use Paying Relationships
- Pre-Define MICR Numbers (If Necessary)
- Create and Use Detailed Procedures
- Take Advantage of Custom "Hook"
- Do You Need Custom "Front End Processes" e.g., to Filter Data?

And More Tips

- Provide Good Naming Conventions For Storage Of Files From The Bank
  - Name That Tells What It Is (Bank, Lockbox, Deposit Date…)
- Security re:Access To Files From The Bank
  - These Are Your Customer's Bank Accounts
- Utilize Standard Transmission Controls
  - Record Types 7, 8 And 9

Increase "Hit Ratio"

- Work With Your Bank
  - Provide Lots Of Examples
  - Meet To Discuss Issues
- Train Your Customers
  - Send A Letter Re:What You Are Expecting
    - Invoice Number vs. P.O. Number…
  - As Them To Provide An Invoice Copy With Receipts?
- Write A Front End Process To Strip Off "Funny" Data
- Perform Periodic Data Reviews

Data Conversion?

- Applicable, Even If Not Using Lockbox For Daily Processing

- One Receipt Per Invoice Or Multiple Invoices Per Receipt

- Quick And Easy
  - Sample Provided
  - Customize As Needed

Should You Use Auto Lockbox?

- Volume? Low?

- Accuracy? Poor?

- Unauthorized Deductions? Frequently?

- Funny Bank Charges?

- Multiple Invoices with the Same Number?

- Multiple Levels of Relationships?

- Front-end Requirements?

- Wires?

Questions and Answers

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