

# DocuTran Helps Interior Landscaper Nip High Costs of Lockbox Processing in the Bud

## Tangent Systems Brings A/R Payment Processing In-House

Initial Tropical Plants (ITP), the world's largest provider of interior landscaping and maintenance services, wanted to focus on chrysanthemums, not check stubs.

As the company grew, however, costs for its outsourced lockbox operations increased — and operating efficiency began to wilt. ITP's bank couldn't efficiently decipher the thousands of ITP customer remittances that arrived each month containing partial data and exceptions.

As frustration over costs and quality grew at the company, its finance department sought an in-house alternative. Increasing computer system capabilities coupled with declining costs made the prospects of in-house processing practical and economically attractive. Department managers also were convinced that handling remittances in-house would take less time than dealing with the remittance exceptions they now received from the bank. As a result, they wouldn't need extra staff.

### Thousands of Remittance 'Exceptions'

ITP sells plants and rents them to businesses on a monthly basis, invoicing customers per transaction for any sales and monthly for any rentals. Customers of the

company's 30 branches would send payments directly to ITP's bank lockbox. Upon receipt, the bank recorded the deposit, scanned the remittance, photocopied the checks, and keyed in invoice data where possible to help ITP credit the proper account.

Every month more than 15,000 checks would come into ITP's lockbox at the bank. But ITP customers neglected to return the remittance document or record the correct account and/or invoice numbers on more than one-third of the remittances and checks they issued — leaving to the bank the onerous task of identifying which check was supposed to cover which invoice. More often than not, the bank couldn't process these "exceptions" and they were shuttled to ITP for manual review and processing.

"We have a very specific invoice number setup," said Jackie Ernst, assistant controller at ITP. "It's not particularly complicated, but the invoice number is 14 digits long. Often our customers omit some of the digits, or forget to use

them at all. As you'd expect, that missing information consistently threw off the bank's efforts to process the payments. So, while they'd make the deposit, they'd



have to send the remittances to us to figure out."

Ernst estimates her three-person accounts receivable department was personally examining hundreds of checks each day.

Since the bank charged ITP for each check it processed, then tacked on extra handling fees when action beyond a simple deposit was required, ITP began to question whether the work it was paying the

bank to do could be performed more efficiently in-house.

"We were paying a lot to the bank to handle these payments, but we didn't always get good, quality data back," said Vice President of Finance Randy Smestad. "We began to consider handling all the checks here as a means of improving our control over accounts receivable. The more we talked to Tangent, the better an in-house solution sounded."

After a short review, ITP purchased a customized DocuTran™ system from Tangent Systems™. The DocuTran system was operating within weeks. Now, customers send payments directly to ITP. "Clean" remittances are separated from both the exceptions and those that require customer response. Payments are batched in groups and fed through the check transport.

DocuTran captures the image of each check, check stub or remittance. The account number, invoice number and invoice amount are automatically read from the remittance. If there's only a check stub, operators key in the invoice number. DocuTran automatically checks ITP's database of invoices, confirms the invoice number was keyed in correctly, and extracts the account number and invoice dollar amount — an important step in the system's quality control that immediately catches any operator input errors.

### No More Posting Errors

The check amounts are read automatically by CAR/LAR (Courtesy Amount Recognition/Legal Amount Recognition) and balanced. DocuTran encodes the check with

the proper dollar amount, stamps an ITP endorsement and electronically updates the Accounts Receivable records. ITP then deposits the checks at its bank.

The Tangent approach has improved efficiency at ITP by nipping exceptions in the bud, reducing the burdens of data entry and improving customer service. Next-day posting errors have been completely eliminated, and there have not been any data errors at ITP since DocuTran was implemented, Ernst said.

The solution has also eased the burden on ITP's accounts receivable department. "Rather than just throwing invoice payments into the system, we can take the time to find out where it belongs and process it only once," Ernst said. "We only have to type in the eight digits of an invoice number instead of data in a dozen fields, so we're eliminating research and repetition."

While ITP has seen dramatic improvement in efficiency, the benefits also extend outside the company's walls. By putting ITP in control, it can improve the quality of service its customers receive without adding labor.

Before DocuTran, searching for copies of checks required manual hunts through rows upon rows of boxes in a back room. Now, Ernst points out, DocuTran's data storage and imaging features have enabled ITP to not only bypass the excessive bank fees for copying checks, but to perform the searches with just a few keystrokes and eliminate all that storage.

"Having copies of checks at our fingertips is something that we've been seeking for a long time and is

an extra benefit," Ernst said.

DocuTran is enabling ITP to flourish and the company is now prepared for additional growth. Finally, ITP does not have to waste time and resources on data entry, and instead focuses on what it does best.

"Anyone using a bank's lockbox should look at this solution," Ernst said. "Overall it was a very positive experience."