Many people shudder at the mention of "the law of unintended consequences," but unforeseen results aren't always negative. Ask Greg Baumgardner. When Stimson Lumber Company CFO Bill Peressini asked IT Manager Baumgardner and his staff of four to research the available offerings for a positive pay solution, the objective was a limited one – simply, to beef up security of the company's payment operations by introducing a check fraud intervention process. Baumgardner's search set off a far broader corporate initiative that literally has transformed the company's back office operations.

THE BACKGROUND

Stimson Lumber Company is a leading forestry and wood products company with roots that trace back to the mid-1800s. The company owns some 450,000 acres of timber in the Pacific Northwest, and it operates 14 manufacturing facilities in four states. The facilities communicate via a WAN network (with some 56k circuits) and Internet VPN connections for certain locations. It runs its operations on an IBM iSeries 7406 computer, using SupportNet's N/Compass management software. They process more than 19,000 accounts payable checks annually through three separate Bank of America accounts that vary widely in terms of volume.

THE PROBLEM

At the time – mid-2002 – Stimson Lumber was using conventional practices to pay its bills. Payment data was processed and formatted on N/Compass and spooled out for production on preprinted tractor-feed forms running on heavy-duty impact printers. Preprinted check forms are considered one of the primary points of vulnerability in check fraud activity, since they are extremely susceptible to theft and alteration. Positive pay is one of the measures identified by the Uniform Code Council (UCC) through which corporations can avoid or reduce their liability if a fraud attempt is successful.

THE SOLUTION

Baumgardner researched several potential solutions, among them Check Fraud Alert, an optional module available with the **EZPayManager/400** payment management solution, developed and marketed by the iSeries Division of ACOM Solutions, Inc. In EZPayManager/400, Baumgardner discovered a solution that could further secure the company's payment system. EZPayManager/400 is a

universal payment platform that enables companies to replace preprinted check forms with electronic check templates, which are stored securely on the iSeries computer and which can generate both printed checks and electronic payments in the same payment run.

When a check run (or a manual check) is needed, data is spooled out first to EZPayManager/400, where it merges with the respective template or ACH format, and then spooled further to a MICR laser printer or to the banking industry's ACH network. The printer produces complete signed checks with all signatures, company information, graphics and signatures… in a single pass through the printer. Checks for under $20,000 are signed automatically; those over $20,000 require two manual signatures and are diverted to a separate printer tray during the check run.

The Check Fraud Alert positive pay file is generated as part of the same check run and is forwarded electronically to the bank, where it is used for automatic comparisons as checks arrive for clearing. The payment run can also generate a remittance advice as a printed copy or for electronic delivery, in addition to producing the once-a-year supply of IRS 1099 forms.

While exploring the EZPayManager/400 solution, Baumgardner also became aware of the payment solution's position as part of ACOM's three-pronged back office optimization approach. The other two elements, also offered opportunities. They were **EZeDocs/400**, a document output management solution; and **EZConnect EDI/XML**, a PC-based electronic document interchange (EDI) solution that integrates seamlessly with iSeries computers and enables 24/7 untended document exchange between trading partners.

Led by Baumgardner, Stimson Lumber purchased the **EZPayManager/400** checks solution with Check Fraud Alert, three MICR-Enhanced Laser Printer Solutions from ACOM (high-end desktop machines engineered for rigorous MICR duty by ACOM), as well as design services for the three AP checking accounts (two of which are assigned by geographical area and the other, to freight transportation payables).

"As long as we had to pay for the software to get Check Fraud Alert, it made sense to go with laser checks as well," Baumgardner says. "MICR laser checks were obviously more secure and ACOM was able to provide a complete solution that put us into production very quickly."

In both **EZeDocs/400 and EZConnect**, Baumgardner recognized an opportunity to change the way Stimson's back

office did business. As with the payment processes, all of the company's back office documents were previously produced on preprinted multi-part tractor-feed forms which had to be burst and decollated manually after printing. The process was labor-intensive and required maintaining a large inventory of paper that periodically required reprinting, as well as a fleet of printers that ranged from heavy-duty Printronix models to small desktop dot matrix machines.

Converting to electronic documents obviously would result in significant savings in direct costs for printing, equipment and maintenance and Baumgardner also perceived major improvements in workflow – simply through the ability to produce documents on plain paper using on-site laser printers.

THE IMPLEMENTATION

Again, ACOM was called upon, this time to implement **EZeDocs/400** for their business documents (including such widely used forms as the pick list, bill of lading, customer acknowledgement, invoice and truck dispatch form). Baumgardner provided copies of the existing forms, and ACOM's professional services staff replicated them as electronic templates, forwarding them to the company for uploading to the iSeries system.

Meanwhile, the accounts receivable department came forward with yet another challenge: some very large customers with huge paper document volumes were consistently losing track of invoices that were mailed and/or faxed – often multiple times – resulting in increased workload and expense.

Baumgardner purchased the **EZConnect** solution and requested that ACOM implement EDI transaction sets representing forms directed to EDI-equipped customers. These documents are now transferred electronically, computer-to-computer, virtually eliminating any chance for loss and dramatically improving days sales outstanding with large-order customers as well as expediting the information flow between the trading partners.

"EDI saved the accounting folks a lot of headaches relating to paper invoices," Baumgardner says. "Very little resending is now necessary, and 98 percent of the invoices are paid without retransmittal."

Most recently, Stimson Lumber has incorporated ACOM's automated fax and automated eMail modules into the solution. The iSeries-resident automated solutions allow the electronic distribution of documents such as invoices, acknowledgments and truck dispatch forms by fax or eMail, directly from the iSeries platform. Previously, these documents could be faxed from the platform, but since it was not optimized for the purpose, the process was somewhat clumsy, with part of it being performed on the iSeries and part on an associated Windows platform. The ability to send these documents by eMail straight from the iSeries is an all-new capability.

SUCCESS!

The migration to a fully-optimized back office has yielded benefits not only for the accounting staffs, but for the IT staff as well.

"We serve as the bridge between the departments and ACOM, but aside from checking something occasionally, we have very little to do with the line operations," Baumgardner says. "The IT department doesn't have to touch anything other than making form changes, adding users and similar administrative work."

For changes and form updates, Baumgardner uses **EZDesigner/400**, the 32-bit bidirectional design tool that ACOM introduced in mid-2003. It enables the IT staff to download form/check templates from the iSeries computer to the PC, make modifications, and upload the revised templates to the iSeries in a seamless process that, Baumgardner says, "… is actually a lot of fun."

Reflecting on the change from conventional back office system to the new, heavily electronic environment (with **EZPayManager/400, EZeDocs/400, and EZConnect**), Baumgardner says he wouldn't change a thing.

"It's eliminated a lot of hassles, and it's cleaned up a lot of disconnects in our accounting processes," he says. "Things happen faster and more efficiently and ACOM's support has been great – they're always there with an answer if we need them."

ACOM SOLUTIONS