CASE STUDY: BALDWIN EMC

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Alabama's Largest Electric Cooperative Automates
the Processing of 3,000 Daily Remittances

Baldwin EMC is a member-owned cooperative supplying electric service to approximately 60,000 customers throughout Baldwin County and southern Monroe County in southwestern Alabama. It is the largest electric cooperative in the state of Alabama and one of the fastest-growing electric cooperatives in the nation. Baldwin's highly-skilled employees are local residents, who take pride in their work, and who are involved in the communities they serve.

Approximately 3,000 electrical service payments, most in paper check form, are received daily in Baldwin's accounts receivables department. This volume can vary greatly, typically spiking on Mondays and at the beginning of each month. A staff of eight would open the mail and sort the payments before processing the payments on a legacy remittance processing system. Calculators were used to 10-key and total the payments so that a deposit slip could be generated and the batches could be taken to the bank.

Using this labor-intensive process, Baldwin EMC ran the risk of unbalanced deposits caused by human error. Any calculator-based mistake would require reentering the entire batch. This remittance-heavy office was spending too much time and money processing payments.

"Our old receivables process was cumbersome, requiring a significant amount of manpower," said Alan Schott, Vice President of Finance and Accounting for Baldwin EMC. "It was also prone to delays in customer service and accounting inaccuracies. We required a system that would combine the best in imaging, recognition and data management."

To modernize and streamline its payment processing workflow, Baldwin EMC turned to AQ2 Technologies, LLC (formerly Aquracy), a provider of automated payment processing solutions located in Birmingham, Ala. AQ2 installed a solution consisting of their flagship AQURIT application and an NCR iTRAN 180-E high-speed scanner. AQURIT runs on the industry-standard Microsoft Windows platform and uses leading-edge components such as a SQL Server database and Visual Basic programming, which make it easy to support and evolve.

The new process still begins with the opening of mail in the mail room. All remittance stubs and checks are then scanned on the iTRAN scanner at speeds of up to 180 per minute. Together, the

NCR scanner and AQURIT software capture the document image, read the MICR codeline and endorse each check – all in a single pass. The system stops scanning after 250 payments, automatically creating batches of 250 for processing and deposit.

Advanced recognition technology from Parascript, embedded within AQURIT, reads the numerical (courtesy) amount and long-form (legal) amount on each check and compares the two values to ensure they match. This reduces the need for time-consuming and error-prone manual data entry. For mismatched amounts, or whenever the accuracy confidence level falls below the Baldwin-specified threshold, AQURIT will flag the check for manual verification.

During verification, the payment processor views the captured check image in AQURIT and is prompted to enter the check amount twice, a feature requested by Baldwin EMC because the high speed of the system can result in data entry error. Only checks that have been flagged are manually verified. However, AQURIT can also flag payments for other special situations. For example, the application automatically detects when a customer has checked the change of address block on their remittance stub. Baldwin is able to use AQURIT's Job Manage function to recognize and make address changes within the billing system.

Once each batch of 250 checks is verified and balanced, the payment processor creates a deposit slip in AQURIT, and the batch is delivered to the bank for deposit. The captured check data is exported and sent to the IT group for importing into Baldwin's general ledger.

AQURIT's ability to archive digital images of checks and remittance stubs has eliminated the need to copy or store paper documents. Archiving images, rather than paper, enables authorized Baldwin staff with a PC connected to the AQURIT network to retrieve images of checks within seconds, ensures that the checks are always available, and reduces physical storage space. The archive currently consists of check images dating back six months or more.

"In one case, a customer claimed that he did not receive a bill," said Schott. "We were able to use AQURIT to pull up electronic check images, representing the customer's payments. In doing so, we discovered that the last payment made by the customer was made with the stub from the bill that he did not receive. AQURIT provided the payment records we needed, in the customer's own handwriting, to remedy this situation for both parties. And better yet, this information was available within a matter of minutes, and the customer service representative never left her desk."

The single greatest benefit being achieved by Baldwin EMC as a result of the new system is time savings. Baldwin has reduced the cost of processing mail payments by 50% by implementing the AQ2 system. This enables Baldwin to focus on maintaining the highest level of service, while keeping rates affordable and improving cash flow through quicker deposits.

"Over time, our payment receipt-to-deposit time will be further reduced as we roll out the remote deposit functionality within AQURIT," said Schott. "In implementing the new check processing system, we took Check 21 systematic and process requirements into account. We already have a robust, reliable infrastructure and the operations in place to capture check images and data. The next step is for us to transmit the checks to the bank electronically."