

CASE STUDY

ArvinMeritor's Financial Shared Services Division Centralizes Accounts Payable Processing For Subsidiaries and Divisions with ACOM's EZPayManager Laser Check and ACH Solution

THE BACKGROUND

Inside, outside, under the hood, under the car or truck – no matter where you look – you can probably find an ArvinMeritor presence. The Troy, Michigan company is a Tier One supplier of a broad range of integrated systems, modules and components to the worldwide automotive industry. They operate more than 150 manufacturing facilities in 27 countries, employ approximately 32,000 people, and recorded fiscal year 2002 sales of nearly \$7,000,000,000.

ArvinMeritor was formed in mid-2000 with the merger of two leading automotive industry suppliers: Arvin Industries, Inc., known for products such as exhaust systems, springs, shock absorbers and fluid filters; and Meritor Automotive, Inc., a leader in trucks and trailers, as well as components and systems for the light vehicle market.

In the late 90s, the company mounted a campaign to address its growing corporate complexity and increasing cost pressures by focusing intently on ways to streamline operations. The goal was to eliminate waste by achieving economies of scale through the new companies selected best practices for its processes.

One phase of that effort was the formation of the Financial Shared Services (FSS) department, located in Columbus, Indiana, to identify areas within the financial operations of ArvinMeritor that could be centralized and then, develop the processes with which to accomplish that mission.

According to Janet Cooper, a senior business analyst in Corporate IT assigned to FSS, an immediately obvious problem existed in the accounts payable operations of several geographically separated divisions. Together, those divisions generated approximately 3,000 payments per month.

Checks were being generated from data in four disparate financial management systems:

- CA CAS application on a IBM mainframe
- A legacy system called Vision on OS/390
- QAD MFG/PRO on Unix
- Oracle ERP running on Unix

Each back office software system generated a different file format, and each facility produced its payments in a different manner.

ArvinMeritor's Commercial Vehicle Systems (CVS) Business Group had used a stand alone check processing application with a sheet-fed check printer that required multiple steps for processing, assigning check numbers, printing checks and signing the checks. The systems also required the use of a

folder-sealer machine. The CA CAS application they used passed all AP check information to the standalone system for check processing. CVS's move to implement a new Oracle ERP presented an excellent opportunity to reengineer the AP check writing process with a common business solution that could be shared with all the Business Groups in North America.

The Light Vehicle Systems (LVS) Business Group, who used the Vision legacy system, had to load the check data on a disk, input it to a laser printer, and output on preprinted, numbered check forms. If a failure or a jam occurred, the entire process had to be restarted. Post-processing involved monitoring the printer, signing, folding and stuffing – all manual.

LVS also had locations that used the QAD solution and would pull a report for the invoices to be run for the week, check it against the actual invoices, and make any necessary corrections. Then they would pull another report to create the file to be sent to a dot matrix printer, where the checks were run using a two-part tractor-feed form. If the printer got offline or malfunctioned in any way, all of the checks had to be voided and rerun. After the run, the checks had to be decollated, burst and signed.

"We needed one check process that everyone would use," Cooper said.

THE SOLUTION

In early 2002, the QAD representative suggested exploring the EZPayManager solution from ACOM, a QAD business partner. EZPayManager appeared to offer the power, flexibility and expandability that the FSS vision required. After extensive evaluations of the competing solutions, FSS selected the ACOM solution.

EZPayManager enables users to replace their expensive preprinted check forms, with electronic check templates (which are securely stored on their computer).

When a check run is needed, the back office software spools the check data out to EZPayManager. EZPayManager then merges the financial/ERP data with a stored electronic check template and sends the merged file to a MICR-enhanced laser printer for check production. The software can also format the data in the form needed to transfer funds electronically, using the banking industry's ACH electronic payment system. Both capabilities - plus a variety of ways in which remittance advice information can be transmitted - fell within the company's range of requirements. Initially, the software was required to serve three different back office applications, with the fourth added to the project during the implementation process.

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In addition to the payment processing software, the EZPayManager Total Solution can include:

- Xerox laser printers MICR-enhanced by ACOM
- Folder-sealer equipment
- Security check stock
- Check Fraud Alert (positive pay)
- Secure-A-Card PCMCIA cards and readers for secure storage of company data, MICR lines and signatures
- MICR toner engineered specifically for the printers to be used
- Professional check form implementation services
- Maintenance agreements

ACOM also provides two exclusive guarantees: a 30-day total satisfaction money-back guarantee, as well as a MICR guarantee (stating that the MICR quality of checks generated will meet or exceed all American Bankers Association performance standards and specifications when used as specified).

THE IMPLEMENTATION

ArvinMeritor's EZPayManager's server software resides on a dedicated Windows 2000 Sever in Columbus, and the EZPayManager client software is now in place at each of the participating unit locations. Two Xerox DocuPrint 4525 MICR-enhanced Network Laser Printer Solutions from ACOM are installed at Columbus, as well as one at each of the participating unit locations. Formax folder-sealer equipment is used at four of these sites. The company also purchases security check stock and MICR laser printer consumables from ACOM.

The server software includes check printing, electronic ACH payments and e-mail remittance notifications. ACH functionality was a major requirement according to Cooper and it presented ACOM with a special challenge. Signatures and individual account data are hard-coded into the server software. ArvinMeritor performs all of its ACH activity through a single bank. So, ACOM was asked to do special coding to separate the various vendors and checkbooks for the ACH run. (The company did not acquire ACOM's CheckFraud Alert module, since each of its back office applications had its own positive pay program.)

"One of the key considerations in choosing ACOM was that we have a single point of contact for any problems we might encounter," Cooper said. "If we have a problem with a printer, with the software, with the folder-sealer, with any part of this complete solution, we call ACOM."

The biggest issue standing in the way of a universally applicable payment solution within ArvinMeritor was that each management software system generated a different data format. To centralize the process, FSS determined that a common data format would have to be used. They enlisted ACOM's Professional Services group to create conversion software for the respective back office systems.

Essentially, ACOM manipulated the data format of each of the back office systems to fit into a new, universal format that would be compatible with EZPayManager's Load program. Building a new format flexible enough to accommodate the various data

sources was extremely complex, but it avoided having to make multiple data formats compatible with EZPayManager.

"If I were doing it again, I might approach it differently," Cooper said. "We're requiring ACOM to use our data format, and it has been a painful process. In the future, I think I would work closely with ACOM to create the best format for EZPayManager. I would look for an easier layout."

In addition to the conversion programs, ACOM implemented check forms for each participating unit that are virtually identical except for their different unit information, account names and numbers, and signatures. "It is hard to tell them apart," Cooper said.

Installation and training was a comprehensive, two-day process, performed on site in Columbus, according to Cooper. In the installation process, the ACOM professional services expert reviewed and documented the step-by-step process, devoting the second day to training. Since the initial implementation, Cooper has performed all of the client installs.

For new sites, the implementation process is very simple, as long as they are using the Oracle, CAS or MFG/PRO systems, said Cooper.

Where the accounts payable process was previously totally isolated within each unit, the current process finds each generating its own payment data, then transmitting the data by FTP over the company's WAN to the EZPayManager server in Columbus. The payment data is processed and formatted on to the respective stored check form there.

For those units opting to maintain disbursements locally, the payment files are returned by FTP directly to the MICR-laser printers situated on their networks. For others, the checks are printed in Columbus and mailed directly to their recipients. Corporate tax department checks are routed directly to a printer located at the corporate headquarters in Troy, Mich., by the FSS staff.

ACH payments and e-mail remittance can also be transmitted centrally, since they follow banking industry formats and require no paper stage. To certain large vendors, such as steel companies, ArvinMeritor does FTP wire transfers, often with thousands of lines of remittance information.

SUCCESS!

According to Cooper, the future is a busy one for both the Financial Shared Services department and, correspondingly, for ACOM. Since going live last year, FSS has won corporate approval to make ACOM and EZPayManager ArvinMeritor's Partner-of-Choice for payment solutions. The company's mid-term objective is to bring approximately 121 locations into the system – all using the same software, check stock and ACH process. Collectively, they generate some 11,000 accounts payable disbursements per month

"It is a good system," Cooper said. "It does what ACOM says it does. In addition, ACOM has the professional services support to pick up the slack where we need it. We intend to keep them busy."
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