

### THE BACKGROUND

Situated in the northern end of California's Central Valley, San Joaquin County has nearly 110,000 students, grades K-12, in seventeen school districts. Stockton Unified is the largest of the districts with 34,000 students, however, seven of the seventeen are small, rural one-school districts with student populations numbering between 175 and about 300. Size disparities among the districts made centralized financial management and disbursements extremely practical for the districts, and all but two assigned their IT and warrant-issuing functions to the Stockton-based County Office.

### THE PROBLEM

Generating 50,000 payroll and 50,000 accounts payable warrants (checks) annually in an aging, obsolescing payment environment had become a strain on the human, physical and financial resources of the San Joaquin County Office of Education (SJCOE).

According to software development manager Matt Rosen, SJCOE had experienced a litany of problems, many of which are familiar to institutions and companies that employ conventional check processing...

- **Excessive operator intervention:** to start a run, the forms had to be retrieved from secure storage, logged and aligned, and in the event of skips or jams, the entire process had to be restarted with new check numbers.
- **No back-up:** if the printer broke down on payroll night, for example, there was a serious problem. (Anticipating retirement of the legacy system, SJCOE resisted further investment.)
- **Separate signing process:** the signature process presented yet another opportunity for jams and alignment problems that could necessitate re-runs.
- **Unattractive format:** options for improving appearance of the checks were limited with the use of a line printer, as well as the limited ability to expand on the stub information for employees and vendors.
- **Returned checks:** often, because of poor print resolution, post office scanners would be unable to read a payee address, so would read the return address and send back the check.
- **Preprinted check stock** was/is expensive.

Even the disbursement process was somewhat clumsy, Rosen says. To run payroll, for example, the payroll data was first sent to the HP3000 from the Dell servers in the payroll department for printing. Each file was then returned to the Dell environment with the actual check number assigned to each check. These files then updated the payroll system so that the payment details could be examined when inquiring by check number.

### THE SOLUTION

Last year, SJCOE management authorized Rosen to find an alternative.

With a decision to make a change, Rosen began exploring options, and focused on the acquisition of a MICR laser check printing solution. He looked at two solutions, one from Troy and another solution from ACOM (which was being used in the nearby San Joaquin County government check disbursement system). The respective prices were not far apart for the solution he needed, Rosen said, but he determined that ACOM's combination of capability and flexibility, along with what he perceived to be a "partnership attitude," led to a decision for the EZPayManager solution.

Five months later, the situation had eased. Rosen had found his answer.

Essentially, Rosen says, he wanted to eliminate the bottlenecks, expense and security deficiencies associated with the previous system and he found the solution in EZPayManager.

**EZPayManager is a modular integrated total payment solution that enables enterprises to generate MICR laser printed checks, as well as electronic payments, using electronic check templates rather than preprinted checks. It also enables enterprises to print or send remittance information (pay stubs) via email or fax if they choose to do so.**

The EZPayManager total solution is comprised of the following elements:

- Payment processing software
- Xerox laser printers, MICR-enhanced by ACOM
- Blank security check stock
- Secure-A-Card PCMCIA security cards and PCMCIA 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
- Two No Risk ACOM guarantees: a 30-day total satisfaction money-back guarantee, and a MICR guarantee (which ensures the MICR quality of checks generated will meet or exceed all American Bankers Association performance standards and specifications when used with the proper toner and check stock)

SJCOE purchased the total solution from ACOM, including two 45 page-per minute Xerox DocuPrint 4525 desktop MICR-enhanced laser printers (which allows splitting of check runs to achieve performance levels that rival big

production printers), as well as implementation services for both payroll and accounts payable.

## THE IMPLEMENTATION

To make the change, Rosen established a four-phase project plan for design, approval, implementation and testing.

In the design phase, his team established the budget, designed the file format and the check layouts.

With this accomplished, he presented the project to the "off-line" districts and sought their input. His team also designed the procedures and controls they felt were needed. For example, since the school system had experienced check fraud attempts in the past, the project team considered security a paramount objective, aiming towards three levels of security: blank security check stock, off-line signature cards, and printer/print server security. The plan went out for financial approval and check layouts were circulated for review by the districts.

In the implementation phase, the SJCOE team worked with ACOM to obtain both the hardware and the software, and provided the basis for setup of the EZPayManager software. They also provided ACOM with the file and check layout specifications as well as an implementation questionnaire to serve as a cutover guide. ACOM set up the file formats from SJCOE's XML data format and created electronic check forms replicating the "hard" formats provided. ACOM then provided a CD of the full implementation to the SJCOE team.

Additionally, ACOM set up a PCMCIA security card (to store sensitive SJCOE information, graphics, MICR lines and signatures). Two days of on-site installation and training followed, and the solution went live in July 2002.

In the testing phase, two full check cycles were tested, with both the old and new solutions running in parallel operations. Checks were sent to the County Auditor/Controller's office, to the bank, and to the postal service and **EZPayManager passed with honors.**

Until summer 2002, SJCOE's disbursement process was performed in their IT department, using a Hewlett-Packard 3000 minicomputer. Cobol-programmed legacy software designed specifically for school systems by the California Education Computer Consortium (CECC) had managed the data, with checks printed on preprinted tractor-feed continuous check forms by the computer's associated line printer.

Today, most elements remain the same, but the difference is that now, checks roll out of MICR-enhanced laser printers in the IT department in a **simple one-step process, generated on blank security check stock instead of pre-numbered forms.**

## SUCCESS!

The new system is **straightforward and easy to use**, Rosen says. The EZPayManager software resides on a Dell server on the SJCOE PC network. Accounts payable check runs are scheduled every day, payroll runs twice a month. When check runs are executed, the Secure-A-Card is inserted into the PCMCIA card reader and the CECC software is polled by EZPayManager, which imports the data into its SQL Server, where the checks are formatted. The formatted files are then spooled out to the MICR printers, which generate the complete, signed checks on a single pass. The completed checks are then either put in the mail (accounts payable) or handed off to the various districts for distribution (payroll).

What used to be a time consuming, expensive, cumbersome and vulnerable process is now an easy one-step operation, Rosen says. EZPayManager's flexibility allows him to display more information on check stubs than ever before, and to modify the forms virtually at will.

**Savings are significant.** EZPayManager has helped SJCOE recover valuable employee hours, save the cost of preprinted forms, and save the cost of post-processing equipment and maintenance. With two fast printers situated securely in the IT department, fraud-proof blank check stock, and company information safeguarded on a secure PCMCIA card, EZPayManager has dramatically reduced SJCOE's risk of check fraud.

Rosen projects that he has reduced his annual check production costs – excluding personnel -- from nearly \$15,000 to under \$9,000, for an **annual savings of nearly \$6,000.** He has **calculated his return-on-investment (ROI) at three years** over all. The manager of business services has commented that the project was "**one of the smoothest she had ever seen.**"

And moreover, Rosen says, "... we've solved the check mailing problem and we no longer have 40 or 50 checks returned to us each month. **We have a great ROI and we have a strong stable accounts payable and payroll check production solution** in place that will serve us well for many years."

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