



**NEW METHODS IN
PAYMENT SYSTEMS:
BEYOND ACH**

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Advanced Financial Solutions



**Optional
Methods
of Presentment***

*Putting Your Processed Tax Receipts in the Bank



**Checks Can Now Be Transformed
into Electronic Presentments**


More Than One Type of Presentment

Even More Future Options

AFS

Electronic Presentments:

Can Save You More Money Than *All* of the *Process* Improvements You Have Made Over the Last Twenty Years!




AFS

If Traditional Paper Checks Make Up the:

Deposits


Then Electronic Checks Make Up the:

e-posits



AFS


- 1. *Significantly Lower Costs***
- 2. *Increased Availability***
- 3. *Reduced Risk***
- 4. *Later Cutoff Times***



AFS

Workflow:


- ▶ Receive Paper Payments
- ▶ Process From Paper
- ▶ Present Paper Deposits



AFS

Workflow:

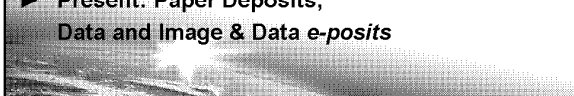
- ▶ Receive Paper Payments
- ▶ Capture Images & Data From Paper
- ▶ Process From Image
- ▶ Present Paper Deposits




AFS

Workflow:

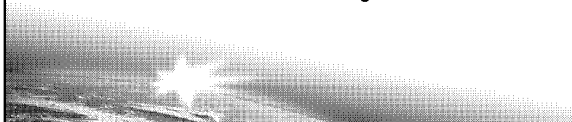
- ▶ Receive Paper Payments
- ▶ Capture Images & Data From Paper
- ▶ Process From Image & Data
- ▶ Present: Paper Deposits;
Data and Image & Data e-posit






Paper checks:

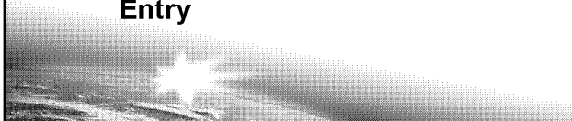
1. Few processing decisions
2. High processing costs
3. High depository costs
4. Limited funds availability
5. UCC rules and regulations.






ACH Conversion (Data-only) :


- **ARC – Accounts Receivable Entry**
- **RCK – Re-presented Check Entry**





ARC Conversion:

- NACHA initiated and controlled
- Checks *converted into source documents*
- Regulation E Rules apply
- Payments received in mail or drop box



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ARC Conversion:

- Originator required to provide notice
- Receipt of check equals notification
- Data: R/T; account #: Serial #: amount; payee
- Retain front & back images for two years

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ARC Conversion:

- Items must be destroyed within 14 days
- Notification on every tax form (single entry debit)
- Maker name required; not mandatory/optional
- Consumer source documents only

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ARC Conversion:

- Non-eligible ARC Items:
 - Cashier's checks
 - Traveler's checks
 - Convenience checks
 - Money orders
 - Third-party items
 - Unsigned items
 - Drafts drawn on US Treasury
 - Items payable in foreign currencies

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Image Presentment (Data + Image):

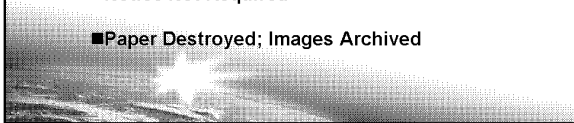
- **endpoint exchanges**
- *Future Image Truncation Exchanges*
- *ECP*
- *Future ECP Initiatives*



AFS


Image Presentment:


- Private Sector
- All Checks Eligible
- UCC Rules Apply
- Notice Not Required
- Paper Destroyed; Images Archived



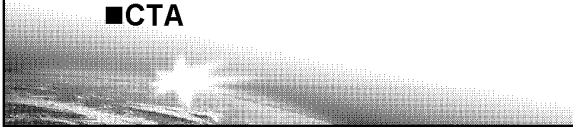
AFS


**Presentment Decisions
Need To Be Made at the
Item Level on *All* Items
Processed!**




 **More Decisions Required:**


- Dynamic Market
- Future Options
- CTA





 **More Decisions Required:**

- Examine Each Transaction
- Determine Optional Eligibilities
- Calculate Cost; Risk; Availability
- Apply **Other** Considerations
- Select Appropriate Presentment



 **Is there an optimum *process* for presentment selection decisions as well as a sound *strategy* for dealing with a dynamic market?**






OPeRA

Optimum Presentment for electronic Remittances Automation


For

Paper Checks, ARC Conversions, Endpoint Exchange, and Other Truncations

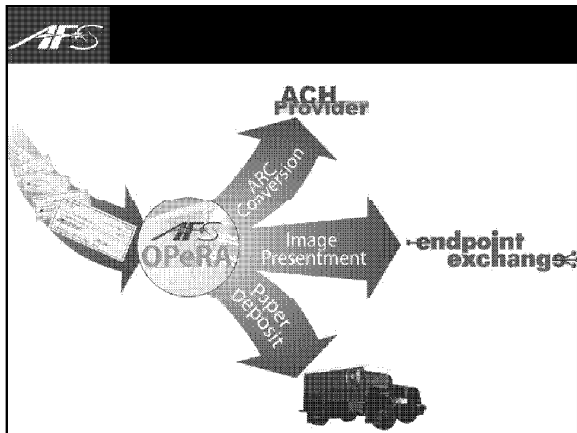


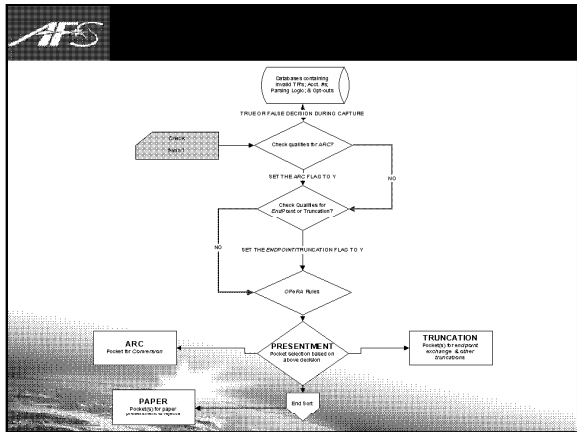
OPeRA

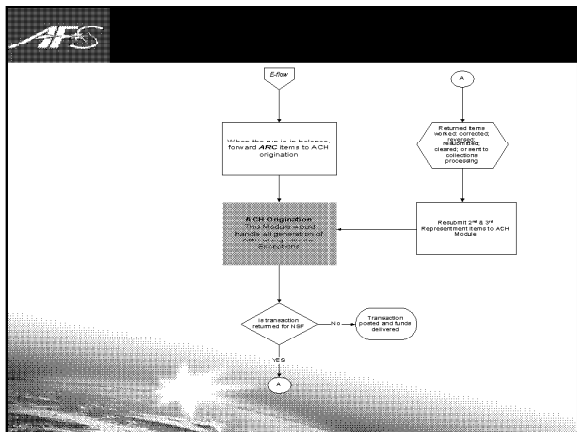
An automated process that uses a parameter driven rule-set to make real-time presentment type and pocket assignment decisions based on the lowest cost, best availability, and other criteria of each item as it passes down an image transport track during its first pass.




- **Test Each Item Presented**
- **Real-time Presentment Decision During First-pass**
- **Apply Custom Parameter-based Rules**
- **Make On-the-fly Pocketing Decisions**










I. Pass 1

- Check MICR and tax document OCR information will be captured during prime pass
- MICR Information will be passed to the ACH Origination Module which contains Thompson EpicWare software
- Thompson EpicWare will return a true/false decision for ACH processing based on the MICR validation and will supply converted RT information if applicable
- Information received back in real-time

II. ACH Origination Module

- Parsing logic performed in the Thompson Database and a list of invalid Transit Routing numbers checked to indicate true/false and pass flag back to processing software
- If taxpayer requested, false indicator can be set to not convert items on a case by case basis
- Interface created to add/change/delete Transit Routing number information based on processing criteria and/or individual taxpayer request
- The return data will flag payments in processing software for ACH; endpoint; Cash Letter (paper); and rejects, pocketing these items accordingly



III. endpoint, ACH or Cash Letter Decision


- Based on return codes from ACH Origination Module, processing software can determine the most cost effective way to clear the items

IV. Pocketing

- ACH, endpoint, Cash Letter and reject items will be pocketed separately

V. Pass 2 (Encode)

- ACH Origination Module will use the MICR db to populate all account information by taxpayer MICR, taxing authority, and taxpayer account information stored in the Thompson data base
- If MICR misread and correction Thompson DB will be searched again for valid conversion
- Items will be pocketed based on final balancing and pocketing decision received from Thompson DB




VI. Account Posting

- All ACH items will be sent through the ACH Origination Module for ACH presentation
- ACH Origination Module will format file feed for the FED
- Cash Letters will generate for all endpoint and Check presentations
- Reporting of items by tax authority and/or by tax type will be provided by processing software

VII. Returned Item Processing

- Returned Items will be sent back to the ACH Origination Module by the FED
- ACH Origination Module will allow taxing authority to determine when NSF items should be represented and on what days based in part on the return reason code from the fed
- Taxing authority name and taxpayer account number information will be set to customer host system for fee and reversal processing
- Items flagged for re-presentation will be sent through the ACH Origination Module up to 2 more times as determined by taxing authority
- Reporting will reflect items that have been re-presented separate from daily processing items
- Administrative returns will be corrected and re-presented




Should:

Make Presentment Decisions on *First Pass*

Automate the Presentment *Process*

Include a *Strategy* for Changing Market

Accommodate *All* Presentment *Options*





- Determine Your Presentment Options
- Automate the *Best Method of Presentment* Selection; Cut Costs; Save Taxpayers \$\$
- Leverage Advantages of *Current Presentment* Options ASAP
- Accommodate *Future Presentment* Options
- Start Implementing Your Cost Savings Now