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TECHNOLOGY AND APPLICATIONS FORUM  
FOR THE ORACLE COMMUNITY

#C14LV

# Unlocking the Secrets of Lockbox

*Session Id# 15109*



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**REMINDER**

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# Agenda

- Introduction
- What Is AutoLockbox?
- How Does it Work?
- AutoLockbox Processing and Data Flows
- Key Lockbox Data
- Preparing to Use Auto Lockbox
- Working with Your Bank
- Setup AutoLockbox
- Implementation Tips
- Testing!
- Data Conversion
- Should You Use Auto Lockbox?
- Applicable Oracle Notes
- Questions and Answers



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# What Is AutoLockbox?

- Payments Sent Directly to the Bank
  - e.g., Utility Bills
  - P.O. Box Where Customers Send Checks
- Auto Deposited Into Bank Account – Immediately!
- May or May Not Be “Automated”
  - Paper Only Not Auto
  - Transmit the Data = Auto
- “Automated Lockbox”
  - Bank Enters Receipt Details
  - Sends You a File
  - Load File Into Oracle and Process (vs. Manual Entry)
  - Why?
    - More Secure
    - Ultimate Separation of Duties



# R12 Differences??

- MORE BUGS!!!
- Basics are Identical
  - With a Few New Parameters (Based on the Patches You Installed)



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# How Does It Work

- Receive File From The Bank
- Load Bank Data Into Oracle
- Verify That The Data Is Ok?
  - If Not,
    - Fix And Re-validate
    - Continue To Fix And Re-validate Until OK
- When OK
- Create And Apply Receipts



# Processing Steps

1) Import Data and First Validation

**Interfaces - Lockbox**

2) Correct using Maintain Lockboxes Screen

**Receipts – Lockbox – Maintain Transmission Data**

3) Repeat Validation

**Interfaces - Lockbox**

4) Repeat Steps 2 And 3 Until All Records Have Been Transferred (Pass Validation)

5) Run PostQuickCash

**Interfaces - Lockbox**

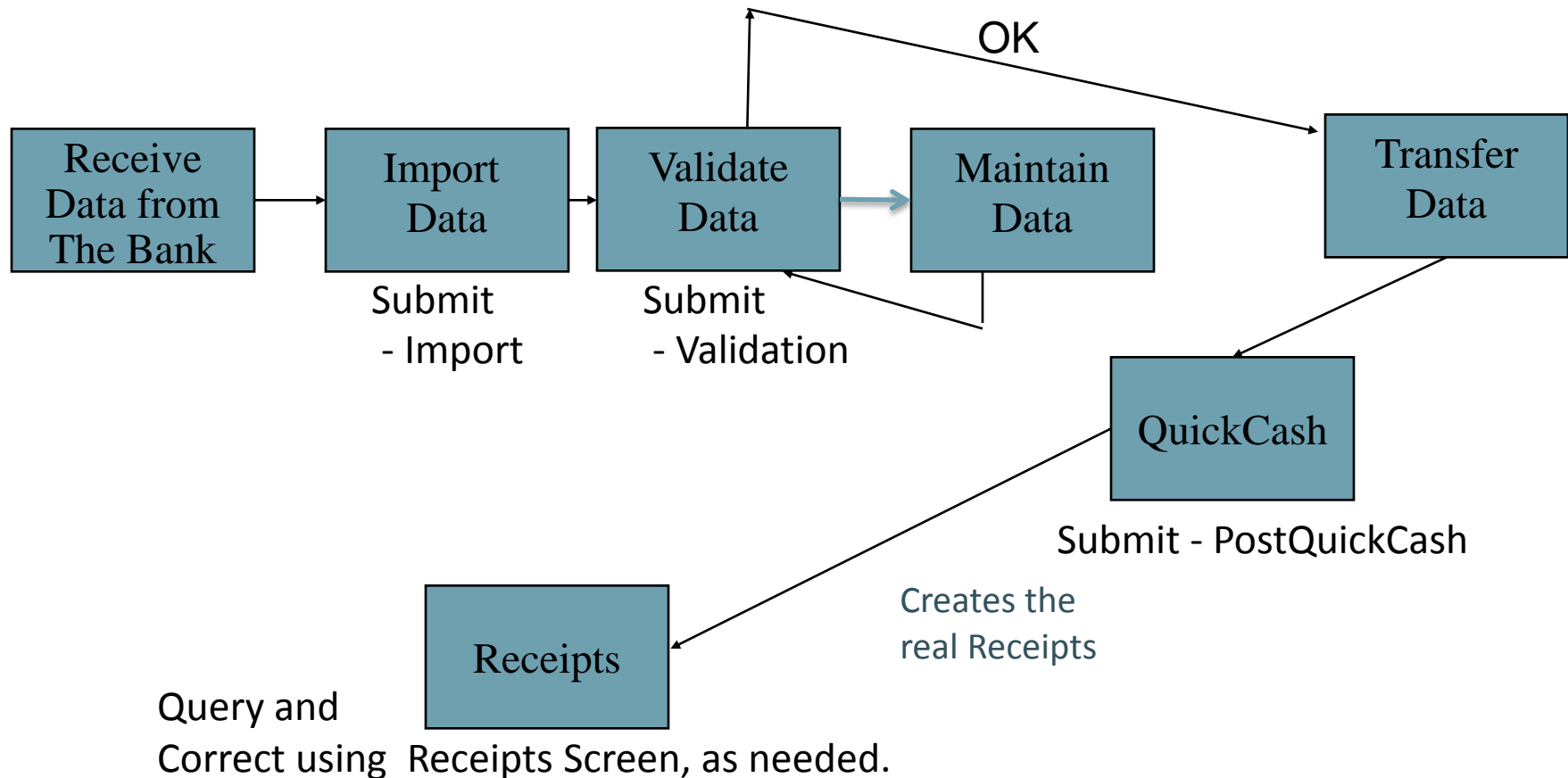
6) Correct as Needed Using Receipts Screen



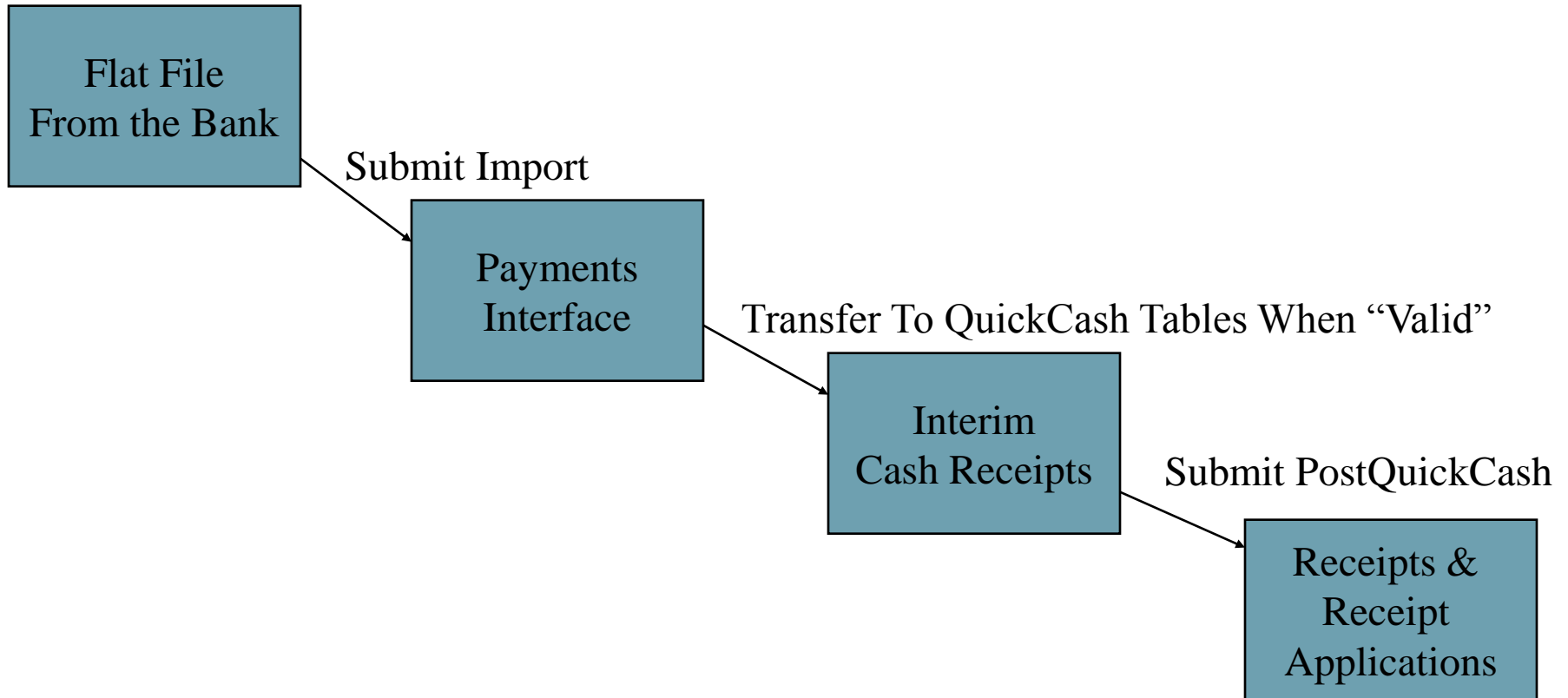
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# AutoLockbox Processing Data Flow



# AutoLockbox Data Flows (Technical)





# Key Lockbox Data (“Envelope Concept”)

- Transmission Header (1)
- Service Header (2 - Optional)
- Batch Header (5)
- Receipt (6)
- Overflow Receipt (4)
- Overflow Receipt (4)
- Receipt (6)
- Receipt (6)
- Overflow Receipt (4)
- Batch Trailer (7 - Optional)
- Lockbox Trailer (8)
- Transmission Trailer (9)



# Lockbox Records

- Headers
  - What To Expect and Control Details (1,2,5)
- Footers
  - To Verify Counts and Amounts (7, 8, 9)
- Grouped By:
  - Transmission, Lockbox, Bank Batch
- Actual Payments:
  - Receipts (The Check) (6)
  - Overflow (Additional Information) (4)
    - Invoices To Pay
    - Amount To Pay
    - Usually Pay 4-6 Invoices Per 4 Record
    - Often Multiple 4 Records



# MICR Numbers

- What is a MICR Number?
  - Magnetic Ink Character Recognition (MICR)
- Customer Bank Account Details
  - Transit Routing Number (Customer's Bank)
  - Account Number (Customer's Account)
- *MICR Number May Be Used For One Customer Only!*
- Ties Payments to Customers
- Takes Advantage of Relationships
- Learned by AutoLockbox as you Process Payments
- You May Pre-Define



# Preparing to Use Auto Lockbox

- Decide on Level of Detail to Include
  - More Payment Details or Not?
  - Formatting for Amounts?
  - Exact Layout of Data
  - Start With Defaults from Oracle
  
- Work With Your Bank
  - Consistent Data Layout
    - What is There Standard Layout?
  - Data Process Flow?
    - How – Push or Pull?
    - Timing (3:30pm...)
  - Test Files
  - Sample Files (with Real Data)
  - Can Take MONTHS!!!



# Setup Lockbox in Oracle Receivables

- Define Lockbox (account...)
  - Define Lockboxes (Bank Origination Number is Key)  
Setup – Receipts – Lockboxes - Lockboxes
- Define Record Layouts
  - Transmission Formats, Transmission Fields  
Setup – Receipts – Lockboxes – Transmission Formats
  - SQL\*Loader Control File too (at Unix Level)
    - *Must be identical to Transmission Layout*
- Create Automated Process to Receive Bank Data?
- Get Sample Files from the Bank
- Test, Test, Test!!



# My Suggestion For Data From The Bank

- On 6 (Receipt) and 4 (Overflow Receipt) Records:
  - Invoice Number (invoice1, invoice2...) **AND**
  - Amount Customer Wants Applied (amount applied1, amount applied2...)
  - So:
    - Invoice 1
    - Amount Applied 1
    - Invoice 2
    - Amount Applied 2
    - This is Not the Default!*
- You May Also Need To Expand The Overflow Sequence From 2 To 3 Characters If Your Customers Pay Hundreds Of Invoices With A Single Receipt



# Why Change the Layout?

- Consistent With What The Customer Said They Wanted Done vs. System Auto Paying
- Less Rework
- Better Visibility To Short Pays



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# Example Of “My” Overflow Record

Position		Field Type	Justify	Fill Symbol	Date	Time	Overflow Indicator	
Start	End						Format	Amount
1	1	Record Identifier	Right	Zero				
2	4	Batch Name	Right	Zero				
5	7	Item Number	Right	Zero				
9	10	Overflow Sequence	Right	Zero				
11	11	Overflow Indicator	Left	Blank				0
12	19	Invoice 1	Right	Blank				
20	27	Amount Applied 1	Right	Zero			Yes	
28	35	Invoice 2	Right	Blank				
36	43	Amount Applied 2	Right	Zero			Yes	
44	51	Invoice 3	Right	Blank				
52	59	Amount Applied 3	Right	Zero			Yes	
60	67	Invoice 4	Right	Blank				
68	75	Amount Applied 4	Right	Zero			Yes	

Field Description

I use the rest of the layouts as provided by Oracle.





# More Setup Considerations

- Auto Associate - Checked or Not
  - Associate the Customer With the MICR Number based on the Invoice Number Provided? **Yes!!**
  - Invoice Belongs to Customer A so, MICR must belong to Customer A
- Auto Cash Rule Sets
  - How to Match Payments to Open Items
  - Possible Options:
    - **Match Payment with Invoice \*\*\***
    - Clear the Account
    - Clear Past Due Invoices
    - Clear Past Due Invoices Based on Payment Terms
    - Apply to the Oldest First



# “Match Receipts By” Method

- In Lockbox Setup
- How You Want Lockbox to Match Receipt to Transactions
- Possible Options:
  - **Transaction Number**
  - Consolidated Billing Number
  - Sales Order
  - Purchase Order
  - “Hook”
    - Custom Matching Method e.g., by PO, By SO...
    - Technical Solution (Package Supplied)



# Customer Deductions – Potential Issues?

- Customer Takes a Credit and Short Pays
- Specific Layout Required in Transmission
  - -000001000 (Lead With -)
- May Be Valid or Not??
  - Tied to an Open Credit Memo?
  - Tied to a Single Invoice?
  - Need Procedure for How to Process if “Invalid”
- Possible Options Include:
  - Use Trade Management?
    - Standard Tools for this
  - Manually Fix in Oracle
    - Manually Create Offsetting DM and CM – Net 0
  - Create Custom Preprocessor?
    - Auto Create Offsetting DM and CM – Net 0



# Processing Steps

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4) Repeat Steps 2 And 3 Until All Records Have Been Transferred (Pass Validation)

5) Run PostQuickCash

**Interfaces - Lockbox**

6) Correct as Needed Using Enter Receipts screen



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# Processing Tips

- Do Not Use “Allow Payment Of Unrelated Invoices” – Eek!
- Always Use “Complete Batches Only”
  - Keeps Oracle Batches In Sync With Bank Batches
- Invalid Transaction Number – Use “Reject Entire Receipt” (Until Final Pass)
- Correct ASAP
- Create Receipts ASAP
  - No Real Receipts Until Run PostQuickCash
- Insure There Are No Records That Have Not Yet Created Receipts At The End Of The Day



# Typical Processing – 1st Pass (Import – 1st Validation)

Not List  
(Cut and Paste)

Not List

FIELD NAME	ACTION/ENTRY
New Transmission	<b>Checked</b> for "Yes"
Transmission Name	Enter the bank initials and the deposit date (so you can find it again)
Submit Import	<b>Checked</b> for "Yes"
Data File	<b>e.g., /u0/lockbox/xxmmddyy.dat (where xx is the bank and mmddyy is the deposit date)</b>
Control File	<b>name</b> _____
Transmission Format	<b>(List) name</b> _____
Alternate Name Search	<b>"None"</b>
Submit Validation	<b>Checked</b> for "Yes"
Lockbox	(List) The lockbox name
Complete Batches Only	<b>Checked</b> for "Yes"
GL Date	The deposit date or the last date of the period(at period end only)
Allow Payment to Unrelated Invoices	<b>NOT Checked</b> for "No"
Report Format	(List) <b>"All"</b>
Invalid Transaction Number Handling	<b>"Reject Entire Receipt"</b>
Submit PostQuickCash	<b>Not Checked</b> for "No"
Apply Unearned Discount	<b>Not Checked</b> for "No"
No of Instances	1 (Unless lots of data)

New with  
R12 Patch



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# Maintain Lockbox Data

## Create a Custom Folder Form

### Receipts - Lockbox - Maintain Transmission Data

Transmission Name	Lockbox Nur	Batch Name	Item Num	Overfl	Record	Status
02132013test		947	1	9	4	APP: Receipt applications validated
02132013test		947	1	10	4	APP: Receipt applications validated
02132013test		947	1	11	4	APP: Receipt applications validated
02132013test		947	2		6	APP: ERROR Sum of the applied amounts is c
02132013test		947	2	1	4	APP: Receipt applications validated
02132013test		947	3		6	APP: Receipt applications validated
02132013test		947	3	1	4	APP: Receipt applications validated
02132013test		947	4		6	APP: ERROR Receipt has invalid applications
02132013test		947	4	1	4	APP: ERROR Receipt has invalid applications
02132013test					1	APP: Record validated

Comments

Receipt Receipt Attributes Applications Control

Button	Usage
Receipt	6 record (usually for MICR number, check number, check amount or customer issues)
Receipt Attributes	4 record Descriptive Flexfields
Applications	4 record applications (generally for invalid invoice numbers and application amounts)
Control	1,2,5,7,8,9 records (generally for count and amount)

# Typical Processing – Validation

FIELD NAME	ACTION/ENTRY
New Transmission	<b>Not Checked</b> for "No"
Transmission Name	(List) Bank initials and the deposit date (from first pass)
Submit Import	<b>Not Checked</b> for "No"
Data File	
Control File	
Transmission Format	
Alternate Name Search	<b>"None"</b>
Submit Validation	<b>Checked</b> for "Yes"
Lockbox	The lockbox name - automatically filled in.
Complete Batches Only	<b>Checked</b> for "Yes"
GL Date	The deposit date or the last date of the period (at period end only)
Allow Payment to Unrelated Invoices	<b>NOT Checked</b> for "No"
Report Format	(List) <b>"Rejects Only"</b>
Invalid Transaction Number Handling	"Reject Entire Receipt"
Submit PostQuickCash	<b>Not Checked</b> for "No"
Apply Unearned Discount	<b>Not Checked</b> for "No"
No of Instances	1 (Unless lots of data)



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# Typical Processing – Final Pass (PostQuickCash)

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FIELD NAME	ACTION/ENTRY
New Transmission	<b>Not Checked</b> for "No"
Transmission Name	(List) Bank initials and the deposit date (from first pass)
Submit Import	<b>Not Checked</b> for "No"
Data File	
Control File	
Transmission Format	
Alternate Name Search	<b>"None"</b>
Submit Validation	<b>Checked</b> for "Yes"
Lockbox	The lockbox name - automatically filled in.
Complete Batches Only	<b>Checked</b> for "Yes"
GL Date	The deposit date or the last date of the period (at period end only)
Allow Payment to Unrelated Invoices	<b>NOT Checked</b> for "No"
Report Format	(List) <b>"Rejects Only"</b>
Invalid Transaction Number Handling	"Post Partial Amount as Unapplied"
Submit PostQuickCash	<b>Checked</b> for "Yes"
Apply Unearned Discount	<b>Not Checked</b> for "No" Or Check
No of Instances	1 (Unless lots of data)



# Implementation Tips

- Don't Underestimate Time it Takes to Setup and Test With Your Bank!!!!
  - Start ASAP!
  - Potentially Months!!
- Is 2 Digit Overflow Sequence Big Enough? 3 Digits?
  - Is the Number of Invoices paid by a single receipt potentially > 594?
- Use Paying Relationships?
  - Pre-Define MICR Numbers (as Needed)
- Create and Use Detailed Procedures
- Take Advantage of Custom “Hooks” to Match Receipts to Transactions?
- Do You Need Custom “Front End Preprocessor”?
- Custom Lockbox Report?
  - More Useable



# And More Tips

- Create Automated Process for Getting Bank Data
- Provide Good Naming Conventions For Storage Of Files From The Bank
  - Standard Location
  - Name That Tells What It Is
  - (e.g., Bank, Lockbox, Deposit Date...)
- Security re: Access To Files From The Bank
- Utilize Standard Transmission Controls
  - Record Types 7, 8 And 9
  - Insures Transmitted Data Matches Expectations



# Improve “Hit Ratio”

- “Hit Ratio”
  - Match Payments to Open Invoices Without Manual Work
- Work With Your Bank
  - Provide Lots of Examples of Remittance Advices
  - What to expect for Invoice Numbers (e.g., 7 digits, starts with 5)
  - Meet to Discuss Issues
- Perform Periodic Data Review
- Train Your Customers
  - Provide Invoice Copy With Receipts?
  - Hot Pink Postcards to Customers re: What You Are Expecting
    - Invoice Number vs. P.O. Number vs. Order Number...



# Utilize For Data Conversion?

- Applicable, Even If Not Using Lockbox For Daily Processing
- One Receipt Per Invoice Or Multiple Invoices Per Receipt?
- Quick And Easy
  - Sample Provided
  - Customize As Needed
  - Insures Accuracy to Converted Data
  - GL Dates – Potential Issue
    - Need Process to Resolve?



# Test! Test! Test!

- Get Data Files From The Bank
  - Verify That Layout Is Exactly Correct
- Get Files With Real Data
  - Don't Assume Correct!
  - Multiple Files Not Just One!
  - Can't Blame Issues On "Fake" Data
  - Run Through The Whole Process
  - Once took 4 MONTHS to get usable Data
  - Test, Test, Test!



# Should You Use Auto Lockbox?

- Low Volume?
- Very Poor Accuracy?
- High Volume of Unauthorized Deductions?
- Funny Bank Charges?
- Multiple Invoices with the Same Number?
- Special Front-end Processor Requirements?
- Mostly Wires with Inconsistent Layout?



# Related Oracle Notes

- **Oracle Receivables Lockbox: Known Issues and Patches (Doc ID 1358497.1)**
- **Troubleshooting Known Issues In Lockbox (Doc ID 1366298.1)**
- **Oracle Receivables Lockbox: Frequently Asked Questions (FAQ) (Doc ID 1075485.1)**
- **Lockbox via API: Sample Code to Call Lockbox Process (ARLPLB) using FND\_REQUEST API (Doc ID 1342139.1) and Oracle Receivables Reference Guide**
- **AutoLockbox Overview White Paper (Doc ID 1374423.1)**
- **Lockbox: Listing of Status Error Codes for Lockbox Validation (Doc ID 1371529.1) – What the Codes Mean**





# Questions and Answers

- cathyc@cathycakebread.com
- [www.cathycakebread.com](http://www.cathycakebread.com) (for more papers)



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