

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

driven world where the majority of business with some clients may not be done in person.

James Paille • Apr. 05, 2016



From the [Thomson Reuters blog](#).

Everyone in payroll should be aware of risk—a single uncollected nonsufficient fund (NSF) could wipe out the entire profits of a company or firm.

Knowing your customer is tremendously important, especially in today's Internet-

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

not allow impound tax filing services—because the payments will not post properly and, more importantly, you stand behind any existing collection efforts.

Proceed with caution when offering direct deposit. Direct deposit is the largest financial risk a payroll processor has, since recalls for NSF are very uncertain and have many rules that can prevent you from even recalling if the customer has NSF. Additionally, many customers will not even show up in places like [Dunn & Bradstreet](#)—therefore, you should proceed very carefully. The general rule is not to allow direct deposit for at least the first payroll and possibly more. You need to use particularly good judgment since you are basically extending credit.

There are several industries that should be avoided—your bank or ACH originator will likely provide you with a list of types of businesses to avoid. Some examples are medical marijuana, online gambling and telemarketing. This list is not all encompassing, so make sure to see your bank/originator for your complete list. You can also get NAICS codes that designate a customer's business—this way it is easy to sort who your customers are.

If you're building payroll services in-house, I also suggest teaming up with a trusted partner to deliver your payroll services, such as InterceptEFT. InterceptEFT has many tools to combat fraud risk and better manage credit risk, and offers resources to assist in the [Know Your Customer requirements](#). Additionally, organizations such as InterceptEFT have built robust systems to warehouse transactions, require prefunding and set limits to ACH amounts.

Remember you are moving money—so OFAC comes into play. You should check to make sure your customers and the owners are not on the [OFAC list](#), which would prohibit you from providing any electronic services.

At our company, we've taken extra measures to protect both the finances and the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Jim has been an executive manager in the payroll service industry for over 30 years, specializing in managing multi-location offices. Jim is a member of the APA's Board of Directors and National Speakers Bureau, and chairs the CPP Certification Review Panel. He holds a BS in Accounting from St. John Fisher College in Rochester, NY. Jim has been married for 34 years to his wife, Alice. He enjoys golf and is an avid Boston Red Sox fan.

Payroll

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved