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TECHNOLOGY

What's efficient, eFFECTIVE & eCONOMICAL? It's eBANKING!

Column: Better Technology for Better Clients

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The owner of a small distribution company dreaded payday.

It wasn't the money; employees did well and he was happy to pay them. It was the mass exodus. Extended lunches and hours lost to the Friday rush to the bank. The solution was simple: Direct Deposit. Come payday, the money shows up in the employee's bank account. They got back their lost hours while also improving employee satisfaction. It turns out that employees did not enjoy the trip to the bank either; one of them had to deal with six different accounts. And it was just icing on the cake that the company could print its Payroll Direct Deposit remittance advice on blank paper and stop ordering check stock so often.

What a wonderful innovation. The Direct Deposit was low cost, easy-to-implement and had an immediate payback. Looking back, the only question was this: What took so long to do it? Well, the answer is that it required knowing how to open the gate.

The Discovery of eBanking

The floodgate opened to the world of eBanking — a host of opportunities to integrate electronically with your bank and automate more of your business

processes. What Direct Deposit did for your employees (or your client's employees), the ACH Transfers can do for your payables and receivables. Tap into the electronic flow of money from customers or to vendors.

“There were nearly 16 billion Automated Clearing House (ACH) payments made in 2006,” says Elliott C. McEntee, President and CEO of NACHA, the governing body over our electronic banking system. “That was a 14.5 percent increase over 2005. Annual ACH payment volume continues to double every five years.”

To be able to talk the lingo when you do payroll direct deposit or add the electronic payment option to your payables and receivables, you'll need to know the acronyms. (It wouldn't be technology without an acronym, now would it?):

ACH: The Automated ClearingHouse Network, a highly reliable and efficient nationwide electronic funds transfer system.

NACHA: The Electronic Payment Association, (formerly known as the National ClearingHouse Association). This is the governing agency over ACH. It sets the operating rules that provide for the interbank clearing of electronic payments for participating depository financial institutions.

With ACH Transfers, most integrated accounting systems offer the ability to electronically pay bills online and process cash receipts. This translates into no more lost checks that your vendors never receive and no more long waits on cash receipts when the “check's in the mail.” Your customers can also transfer money to you using the ACH system. Like Direct Deposit, the low cost, easy implementation and quick payback is there with ACH for payables and receivables. And, like with Direct Deposit, there are unintended added bonuses.

Hotel Management Client Example

A hotel management client was prone to storing stacks of different colored checks so it could keep checking accounts separate for each property managed. Someone was assigned to monitor check stock to be sure they were using the right stock for each company. One day, the nightmare happened: They sent out checks for one company printed on the check stock of another company. What a mess.

That only had to happen once to open some eyes. The solution was banking software that lets you create your own checks. They combined the software with a MICR printing cartridge (MICR stands for Magnetic Ink Character Recognition. It is required by most banks to be able to read the routing coding that the software puts on the checks.) along with less costly and easier to use blank check stock for all their check printing. No more looking for the right check.

Available Tools

Some accounting packages come with their own, but, if yours doesn't, one of our favorite tools for creating your own checks that works with some of today's popular accounting programs is Print Boss by Wellspring Software (www.printboss.com).

This functionality means that there are no more worries about using the correct bank account to pay bills since the accounting software knows automatically what bank coding to print on checks for each company in the accounting system.

The move toward more electronic banking has raised some fears and increased concerns about security and fraud. Today, one of the popular choices to safeguard check stock is to lock it up. The reality, however, is that anyone can get your bank account information from the check you supplied them (when you pay a bill) and print their "own" checks using your account number.

Services Client Example

A services client reported to us that fraudulent checks had cleared their bank account. The fraudulent checks were discovered during the client's bank reconciliation a month later. (Yeah, there's an eBanking solution for bank reconciliations, too, where cleared checks and deposits electronically download into your accounting program.) The bank put the money back in their account, but with a strong recommendation to consider a Safe Pay or Positive Pay add-on for their accounting software tied to the bank's safe pay service. Many of today's integrated accounting systems should be able to handle this. Safe Pay and Positive Pay are automated check matching services that protect against fraudulent check activity. Each time you do a check run, an electronic file is transmitted to your bank. Each day, the bank reconciles the checks clearing against this file and reports any exceptions. If it's not on the approved list or okayed, it's not paid.

More eBanking Tools

Finally, the coolest and newest of the eBanking tools. There is only one catch.

To take advantage, you have to stop going to the bank to make deposits. It is probably one of the hardest business habits to break, but implementing Electronic Check Processing may be worth it.

Furniture Sales Client Example

A small client sells furniture; they have just two stores. They bring in lunch each day because they don't want employees out when customers come in. Still, the owner had to leave each day to make a bank deposit. This practice took its toll; on several occasions, they missed a large customer sales opportunity while running to the bank. Well, forget that. The furniture store installed a cost-effective Electronic Check Processing machine from its bank. Now they scan their own deposits right into their bank account. Here's how it works: The paper check is converted into an electronic image known as an Image Replacement Document (IRD) and is sent to the receiving bank for presentment. The electronic check is presented to the check writer's bank, and funds are transmitted into the merchant's existing bank account.

The “Best Practice” of eBanking

With the eBanking floodgate now open, as with all technology changes, some businesses are sure to be a little gun shy of these tools. There's no need to be. Practice business “Best Practices” to be more efficient, do less manual work, save on cost, and drive better customer and employee satisfaction by taking advantage of eBanking. Remember, your most successful competitors will continue to use technology to be more effective and efficient. Shouldn't you?

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