

Generate Electronic Payments

Your vendors may want the convenience of having their payment directly deposited into their bank account. This is possible because Accounts Payable is able to generate an electronic file that your bank can process through the Automated Clearing House (ACH) Network.



NOTE: Accounts Payable generates a file that complies with National Automated Clearing House Association (NACHA) requirements. Verify that your bank also follows NACHA standards.

Topics discussed in this lesson include:

- Specifying bank information.
- Generating an electronic file for your bank to process payments.

Set Up the Software for Electronic Payments

Bank Accounts

Any bank account that is used to generate electronic payments must be set up in Cash Management (**CM: Setup > Bank Accounts** or **Setup > Setup Assistant**).



TIP: The bank account that you use to print checks can also be used to generate electronic payments.

On the bank setup (**Setup > Bank Accounts**):

- Assign an **AP check format** (**General** tab).



NOTE: When you generate electronic payments, the software generates an electronic payment notification for each vendor. This document is based on the AP check format. See “To Generate Electronic Payments,” on page 4.

- Enter the **Account number** (**Contact** tab).
- Select Accounts Payable as an application that can be used (**GL Cash Account** tab).

Vendors

For each vendor that you pay electronically, specify the following on their setup (**AP: Setup > Vendors**).

- On the **Terms and Defaults** tab, select **Electronic** as the default **Payment type**.



FOR MORE INFORMATION: You can change the payment type during invoice entry or during invoice payment selection. See “Electronic Payment Workflow” on page 3.

- On the **Electronic Payment Settings** tab, enter the vendor’s bank information. If you need to send a prenote to your bank to verify the vendor’s information, select the **Prenote only** check box and leave the **Prenote date** blank.



NOTE: When you generate a prenote file, it contains a zero dollar transaction for the vendor. The software automatically enters the **Prenote date** on the vendor setup so that it can generate payment transactions in the future. If you need to create another prenote for the vendor, enable **Audit setup activity** (**Tools > Options**) first, and then clear out the **Prenote date** on the vendor setup before you generate the prenote file

Electronic Payment Workflow

Invoice Entry

When you enter invoices, the payment type from the vendor is automatically assigned to each distribution. You can change the payment type by displaying the **Payment Type** column in the distribution grid.



TIP: The distributions of an invoice can have different payment types. In other words, you can pay part of an invoice electronically and part of it by check.

Invoice Payment Selection

In **Tasks > Select Invoices to Pay**, you can select items to be paid electronically and by check at the same time. If needed, you can change the payment type of an invoice distribution: in the **Payment Selection** window—click **Distributions**, and then click **Other** and select **Change payment type**.



NOTE: You can choose to fully pay or partially pay any invoice or distribution electronically but the payment cannot be a joint one with another vendor.

Before you generate electronic payments, you should verify the invoices that have been selected to be paid by this method. Select **Reports > Invoice Registers > Invoices Selected for Payment** and add a condition where the **Default Payment Type** equals **Electronic**.



WARNING: If you pay invoices out of different bank accounts and your software is set up to assign the bank account per invoice distribution, do not make your invoice payment selection for all the bank accounts at the same time. Select the invoices that you want to pay from the first bank account and then generate electronic payments from that account. Next, select invoices to pay from the second bank account and generate electronic payments from that account, and so on.

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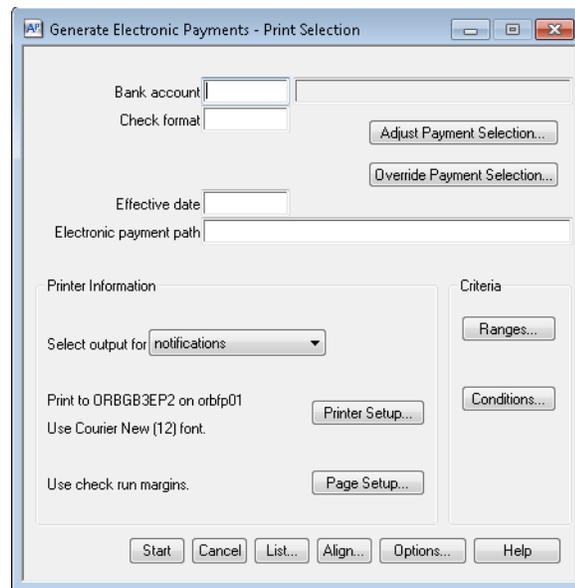
Before you generate electronic payments, obtain the ACH file specifications from your bank as you will need to enter specific information about the file.

When you generate electronic payments, Accounts Payable creates:

- An ACH file in text file format (*.txt) which you submit to your bank for processing.
- A Generate Electronic Payments journal which contains information about the entries.
- A notification for each vendor that shows the payment details.
- A withdrawal for each electronic payment in the Cash Management bank register, as well as entries to interfacing applications.

► To Generate Electronic Payments

1. Select **Tasks > Generate Electronic Payments**.



2. Enter the **Bank account**.



WARNING: All invoice distributions with the payment type of **Electronic** that have been selected for payment will be paid by this bank account. If your software is set up to assign the bank account per distribution, make your invoice payment selection and generate electronic payments for one bank at a time.

3. The **Check format** is automatically entered based on the bank setup but you can change it. The format determines the appearance of the notifications that are generated by this task (see step 7).

4. If you need to change your invoice payment selection, click **Adjust Payment Selection** or **Override Payment Selection**.
5. Enter the **Effective date**. This is the date that will appear in the ACH file and is the date of the withdrawal in the Cash Management bank register.
6. The **Generate Electronic Payments** task creates an ACH file in text file format (*.txt) that you submit to your bank for processing. Specify the name and location of this file in **Electronic payment path**.
7. In **Select output**, select each option to assign a printer or print to file.
 - **Payment report**—this is the Generate Electronic Payments journal which contains information about the entries, including the number of prenotes that were generated, the run number, errors, and so on.
 - **Notification**—a notification is printed for each vendor and can be used to notify the vendor of the payment details. The face of a notification is similar in appearance to a check face but it prints the vendor's bank account number and deposit amount in place of the dollar amount that is normally printed on the check. The stub of the notification print the details of the invoice and distributions.



NOTE: A 10 point maximum font size is allowed when printing notifications. For notifications printed to a file, a default font size of 12 points is always used.

- **Payment stub carbons**—this is a copy of the notification stub for your own records. This type of output is only available if the option is selected in **AP Settings (File > Company Settings > AP Settings > Payment Settings)**.
8. Click **Options** to open the **Electronic Payments Options** window. The information that you enter here is used in the file header, batch header, and batch control records of the ACH file.



WARNING: The information in the file header, batch header, and batch control records may vary from bank to bank. You must obtain the file format specifications from your bank so that you can enter the appropriate information in the **Electronic Payments Options** window for the software to create a file that complies with your bank's requirements.



TIP: Once you enter the information in the **Electronic Payments Options** window, the system uses it each time you run the **Generate Electronic Payments** task but you can change it at any time.

- The **Origin ID type** determines the information that is entered in the **Source** area. The system may automatically enter certain information which you can accept or change.

The information in the **Source** area is used as follows in the ACH file

Field	ACH File Record Type and Position
Origin Name	File Header record, positions 64 - 86
Immediate Origin	File Header record, positions 14 - 23
Company ID	Batch Header record, positions 41 - 50
	Batch Control records, positions 45 - 54

- The **File ID modifier type** is used in position 34 of the ACH file header. This character ensures that even when submitting multiple ACH files to the same bank on the same day, each file is uniquely identified. Select the character type that your bank uses.

11. In the **Destination** area, enter information about the bank that is processing the ACH payments. This information is used as follows in the ACH file.

Field	ACH File Record Type and Position
Name	File Header record, positions 41 - 63
Routing number	File Header record, positions 4 - 13
Company descriptive date	Batch Header record, positions 64 - 69

12. When you select the **Generate unbalanced file** check box, the ACH file excludes the offsetting debit entry to your company's checking account. If this is selected, you may need to handle this entry manually with your bank.
13. Click **OK** in the **Electronic Payments Options** window.
14. Click **Start** in the **Generate Electronic Payments - Print Selection** window.
15. Review the Generate Electronic Payments journal and notifications when the task is finished.



TIP: If there are asterisks in the payment stub area of the notifications, it means that the number of digits is greater than number that fits in the box of the stub. To correct this, use **Tasks > Regenerate Electronic Payments** and select a smaller font for the notification output. As an alternative, you can print notifications from **Reports > Forms > Electronic Payment Notifications**, however the format of this report is different from the one that prints from the **Generate Electronic Payments** task.

