

Payroll

Processing ACH Direct Deposits

ACH Direct Deposit Routine

To set up the Direct Deposit Routine, you need to go into I. Installation Options and click on the Direct Deposit Tab. You will fill in the fields with information provided by your bank. Also check under Payroll, Installation Options, Direct Deposit under the Payroll Support FAQ's for line by line instructions.

Before running this procedure for the first time using a live Payroll, it must be tested according to the following simple procedure. It is a good idea to run your regular Payroll several days early. Banks often require at least **two days lead time** for this test.

Be aware that the terms "ACH file" and "electronic funds transfer" are nearly synonymous. For consistency, this procedure sheet will use the terms "ACH file" or "ACH output file" throughout.

Summary of Procedures:

- 1.** First, make certain that the employees who will be using direct deposit have their direct deposit deduction correctly set up in the Payroll module. This is done through "6. Employee Maintenance" off the Main Menu, in the "Deductions" tab.
- 2.** Next, on the Main Menu click on M. Process Direct Deposits and run the routine after coordinating a time with your bank to test the ACH output file for data validity. A few days lead time will allow for some degree of troubleshooting. For instance, routing numbers may be incorrect.
- 3.** There is no limit to the number of times you can run this procedure; the ACH output file only becomes effective when your bank sends it out into the national banking system.

ACH File Information Screen Questions

- 1.** Most of the information asked for on this initial screen is best provided by your bank, if you do not already know the answers. Three of these questions we can address here.
- 2. Description of transaction:** This is for your own reference only and can be answered in a way that suits you best.
- 3. Your checking account number:** Use the checking account number from which you write Payroll checks.
- 4. Use batch control records?:** This will default to "Y"es. Accept the default answer of "Y"es unless you have specific information to the contrary from your bank. Some banks and ACH software require that batch control records not be included.

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5. To create an ACH prenote output file, click on Prenotes in M. Process Direct Deposits. Choose all employees. Send this file to your bank, but make sure they know the file is being provided **as a test**. Your bank will advise you on their preferred method of file transfer. Please let us know the results as soon as you hear from your bank. If your bank approves the file, then you can then create an actual file with your payroll data. If there is a problem of any kind, you may need to void some checks, and run the procedure once again.

A Few Words about "Prenotes"

6. Prenotes, or prenotifications, are a means by which some systems check the setup of new or first-time employees to make certain that any financial information sent out in an ACH file contains usable routing information. The financial transactions must be routed to the desired bank accounts. Prenote files have initial transaction amounts of zero by default, and are used merely as a validity test. Many banks have moved away from using prenotes, preferring to use actual data files to check validity. Check with your bank to see whether they will require you to use a prenote ACH file.
7. **Process Prenotes?:** In Process Direct Deposits, click on the Process Prenotes, click on Select Employees and input a date.
8. **Prenotification for All or Selected employees?:** Choose either Select All , or select specific ones.
9. If you choose "A"ll, then every employee with his or her direct deposit deduction marked "Y"es on his or her deduction screen will be included in the prenote ACH file. This option is usually for first-time ACH users or special circumstances.

If you choose to selected employees, then you will be able to pick out one employee at a time to be included in the prenote ACH file. This option is ordinarily for new employees or those who decide to switch to electronic funds transfer for all or part of their Payroll.

If you have any questions, please call NEMRC support at 800-387-1110