

Pay Vendors Through ACH with No Customization, No Third-Party Involvement, No Third-Party Software

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Objective

Learn how Dallas/Fort Worth International Airport (DFW) is paying its vendors through ACH with no customization, no third-party involvement, and no third-party software. The objective of this paper is to walk through setup steps for creating and paying vendors through ACH (Automated Clearing House) without any customization, provide information on challenges and how to overcome them as well as communicate benefits of paying vendors through ACH. The paper also provides information about the integration of Oracle iSupplier application with ACH data collection.

About Dallas/Fort Worth Airport

Dallas/Fort Worth International Airport is the Second largest airport in the United States. DFW Airport is the Third largest airport in the world for operations. DFW currently has 1700 employees.

Introduction

DFW Airport is on Oracle E-Business Suite applications version 11.5.10.2 with database version 9.2.0.8.0. Oracle E-Business Suite applications include General Ledger, Accounts Payable, Accounts Receivable, Purchasing, Inventory, Assets, Projects, XML Publisher, Single Sign On, iProcurement, iSupplier, Procurement Contracts and Sourcing applications and the base applications like System Administration and Workflow. Before implementing ACH, DFW paid the vendors through checks and wires. DFW implemented ACH in March 2007. The presentation steps are divided into four categories – Setup, Payment and Transmission, Challenges, and Future Plans.

Setup

When we started working on this project, we noticed that Bank Accounts tab has not been enabled in the Supplier Entry form. This is where ACH bank is associated with the Supplier. We researched on the issue and found that there are a couple of functions that we need to assign to the Menus to make that tab available. The functions are:

- ❖ AP Bank Access: Supplier – APXSUMBA_SUPPLIER_BANK_ACCT
- ❖ Bank Account Access: Supplier Assignments – AP_ACCESS_SUPPLIER_ACCOUNTS

We assigned the above functions to each of the following Menu under System Administrator

Responsibility:

- ❖ AP_APXVDMVD_MENU
- ❖ AP_APXVDMVD_MENU_G
- ❖ AP_APXSUMBA_MENU
- ❖ AP_APXSUMBA_MENU_G

When the changes were made, Bank Accounts tab was enabled. Check to see if the tab is enabled for your organization. If not, follow the above steps.

The next step is to check Concurrent Programs. There are two programs that work together for creating ACH payments. View the NACHA Payment Format program under Payables Manager Responsibility – Setup – Payment – Formats. This program shows Payment Method as Electronic. Format Payments program under NACHA Payment Format is also named as NACHA Payment Format. This is a Concurrent Program. To view the details of this concurrent program, navigate to System Administrator Responsibility – Concurrent – Program – Define. Notice the Output Style. It is EFT For Germany.

Troubleshooting - To support that Print Style, System Administrator needs to add EFT_DE style to Printer Type for example, PASTA Printer. Define a Printer with that Type e.g. Printer FIN123 as a PASTA type printer. After this is done, a user needs to use that printer while creating ACH batch.

Part of the Setup is to change Payment Method for a Supplier and/or Site. If a Supplier has multiple Pay sites and he has provided bank information applicable only to one particular site then change the Payment Method for that site to Electronic. If Electronic option is set at a Supplier Header level, the new pay site will take a default of Electronic from Header. It can be overwritten at site level. Payables Manager has multiple tasks to perform before using Electronic Payment Method. Here are the tasks and details:

- a) Define new bank for ACH: Account use – Internal:
 - ❖ Under Payables Manager – Setup – Payment – Banks, DFW defined new ACH bank for ease of operation and convenience. The name of the bank is prefixed with ACH. You can follow your own naming convention. Enter Bank Name, Branch Number and Type. DFW selected Bank as Institution because we do not have Cash Management implemented. The other choice is to select Clearing House. Selecting Institution as Clearing House uses Automatic Bank Transmission feature but then we need to enter details in Transmission Details window that Payables and Cash Management Program require.
 - ❖ Moving ahead to Bank Accounts – Enter Bank Name, Branch Name, Bank Account Operating Unit, Bank Account Name, Bank Account Number and Currency. The Account Use on Bank Account is selected as Internal. As soon as this selection is made, Supplier Assignments tab is disabled. This is because the bank we are defining is for Internal use and therefore, not to be assigned to any supplier. DFW uses the same bank account of Disbursement but has named the Bank Account as ACH. Enter the Cash Account in the GL Accounts tab. Enter information in other tabs, as necessary. Save the changes.
 - ❖ Click on Payables Documents button. In the Document Information tab, define new Document name – how about ACH? Define Disbursement Type. Important - Select Payment Format as NACHA Payment Format. Payment Method field is grayed out. Electronic payment method is automatically selected when a Payment Format is selected. This is because, as mentioned above, NACHA Payment Format has Payment method of Electronic.
 - ❖ In Additional Information tab, enter Last Used and Last Available numbers. This number is like Start and End document number. Once you start processing ACH, Last Used number will get updated. Enter information in GL Accounts and Future Dated Payments tab, as necessary. DFW has not entered any information in GL Accounts. Future Dated Payments has Not Allowed option in the Future Date Use column.

- b) Define Supplier Bank: Account user – Supplier:
 - ❖ Under Payables Manager – Setup – Payment – Banks, define Supplier's bank for ACH. Enter Bank Name, Branch Name, Branch Number and Type. DFW enters Supplier Name in Bank Number and Address field. This is because Bank Number, Branch Number and Type need to be a unique combination. If two suppliers have account in same bank and branch then you will not be able to enter and save the data. Also it is easier to identify the bank account with the supplier. DFW also prefixes ACH for the bank account name to easily identify it is an ACH bank account. Bank Name and Number do not appear on ACH transmission files.
 - ❖ After entering details on Define Bank screen, click on Bank Accounts button. Enter Bank name (same as the one entered in the previous screen), Branch name and branch account name. Important – Enter Account use as Supplier. Enter bank account number. This number appears in the ACH transmission file.

- c) Assign Supplier to Bank - Click on Supplier Assignment tab. This tab gets enabled when Account Use is selected as Supplier. Enter Supplier and Site (as needed) and save the changes. Designate one account as Primary account.

Troubleshooting – You will be able to assign Supplier to the Bank even though that Supplier does not have Payment Method as Electronic at Header or Site level. In that scenario, when you create Invoice for that Supplier, the Payment Method will not default to Electronic. Therefore, when you create

Payment, that Invoice will not be available on the Electronic (ACH) Payment. Make sure you change the Payment Method to Electronic when you attach Supplier to Bank Account or before creating Invoice.

At the same time, if you define a new Supplier with Electronic Payment method, system will show you message that you have selected Electronic Payment method with no active supplier bank account and before you enter invoice you need active Primary Bank Account for that Supplier or Site.

Payment and Transmission

Following are the steps to create and pay the Invoices, and transmit the Payment through ACH:

- a) Create Invoices for a Supplier – Enter Invoice for a vendor. If the Payment Method has been changed to Electronic at Supplier or Site level then it will default to the Invoice. If not, you can override the Payment Method to Electronic. Complete approval and validation, as necessary.
- b) Create Payment for Supplier – You can create Payment Batch or a Quick Payment to pay the Invoice. Pick the bank account name that you defined in Setup – Define New Bank Account for ACH: Account User – Internal. Select and Build the payment.
- c) Verify NACHA Program - When you run Format program, it automatically selects NACHA Payment Format. This is because we attached that format to the ACH bank account under Payables Documents – Document Information.
- d) Confirm the Payment/Batch. Verify the output of Format Payment Concurrent Program. You would be transmitting this output to the bank.
- e) Transmit Payment file to bank – At DFW, we follow this procedure – AP informs Request id of Format program to Treasury, Treasury connects to DFW's FTP site and retrieves that output file, Treasury saves the output file on local drive, uses PGP program to encrypt the file and renames the file as per bank requirements. Treasury then logs into Bank's FTP site and transmits the encrypted file to the bank. Bank sends confirmation on the same FTP site when they receive the transmission. DFW plans to automate this process in future.

Challenges

DFW faced different challenges while working on ACH Payment process. Here are some of the challenges and the Resolution:

- (1) The format output file errored out with APP-FND-01406: Cannot find a printer driver for printer type HPLJ5 and print style EFT_DE
 - ❖ Resolution – Defined a printer type with EFT_DE print style and selected a printer with that Type to run Format program.
- (2) Tax Payer id had a dash included. ACH format was eliminating last digit of Tax Payer id due to the dash.
 - ❖ Resolution – DFW created new entity under Payables Manager Responsibility – Setup – Tax – Reporting Entities. Entered Tax Payer Number without a dash, with the same Location of existing entity but with different Name, and no balancing segments. Used this newly defined entity in the ACH payment process. Existing Reporting Entity with dash is continued to be used in 1099 and other reports.
- (3) Format Process errored out even when Printer was setup correctly. Found out that there was no payment in the payment batch. Since we had just started using ACH, there were only few suppliers who had that payment method. Therefore, when a batch was created there was nothing due.

- ❖ Resolution – Added a step for AP to view Preliminary Payment Register before running Format step. If there is no payment then AP cancels the batch.
- (4) In the testing phase bank rejected the batch because it produced a continuous line without breaking the output with a carriage return.
 - ❖ DFW opened a Service Request with Oracle and learned that this is NACHA standard and it is commonly accepted. Refer to Metalink Note 281263.1 for further information. This was probably the biggest challenge for DFW. But we were able to work with the bank to accept one line output whereby bank made necessary changes at their end to read the output.
- (5) How to get information on Returned ACH? If bank returns the ACH for any reason, how do we know about it?
 - ❖ DFW created an email account, for example ACHReturn@dfwairpor.com and added all the members to that group who need to be notified when ACH is returned by bank. DFW then provided that email address to bank to send notification when ACH is returned. When ACH is returned, everyone in that group gets notified via email.
- (6) How to pay the Returned ACH? If bank returned the ACH due to incorrect supplier bank information and we need to make a payment before getting the correct information from the Supplier, we can perform following steps:
 - ❖ Void the Electronic Payment. Make a change to the Payment Method of Invoice as Check instead of Electronic and then pay by check. We can also make that change at the Supplier and Site level so that the payment method on subsequent invoices will default to Check until we receive the correct information.
- (7) How to collect information from Suppliers?
 - ❖ DFW created few forms in Microsoft Word, through which information is collected from an authorized contact of Supplier. DFW sends these forms to Suppliers. Suppliers send completed forms to DFW's Accounts Payable department. Information is then entered into AP. Once the information is in place, Supplier is paid through ACH.

Future Plans

With iSupplier implementation, Dallas/Fort Worth Airport plans to collect bank information from Suppliers through secured Oracle iSupplier application.

With iSupplier Portal application access, Suppliers can enter their bank information and once approved by DFW Supplier Administrator, it updates the data into core Purchasing tables/application.

Supplier updates the information under Admin tab – Bank Accounts. An email is generated to DFW Supplier Administrator for the approval of bank account changes. After Supplier Administrator approves the changes, supplier record gets updated in the core tables with the bank information. New Bank is created, Bank Account is added and Supplier is automatically assigned to the bank.

The Who columns are updated with last_updated_by Supplier Administrator's user id and last_update_date with the date on which Supplier Administrator approved the changes. We can view the information in the Supplier page in iSupplier as well as under Purchasing application – Supplier Header and Payables application – Bank definition. The information can be updated, if necessary.

About the title for Third-Party - The presentation mentions about not having third-party involvement and third-party software because such options are available to host the solution or use third-party software to hold related data. DFW does not use any third-party software and does not involve any third-party organization to host the solution while paying vendors through ACH.

Benefits

So what are the benefits of paying vendors through ACH? There are several benefits; some of them are listed here:

- ❖ The most important benefit is that the payment is made through the secured way. The amount is directly deposited into Supplier's account and there are fewer chances for frauds.
- ❖ There is a cost reduction on processing, printing, and mailing the checks
- ❖ No headache of lost checks and voids
- ❖ Save \$ on wire payments. ACH payments are cheaper than wires.
- ❖ If wires are entered into the system as after the fact payment transaction, ACH eliminates that process and records the payment before it is sent to vendors.
- ❖ Vendors are happy to get the payment credited directly to their bank. No depositing and clearing of check

About the Author

Padma Joshi is ITS Project Leader at Dallas/Fort Worth International Airport supporting Oracle E-Business Suite Applications for past 7 years, total of 10+ years experience in Oracle Applications Support and Development and has earned Oracle Masters in Application Implementation – Financials.

Thank You!