

Creating a Carrier Database for Electronic Payment

By: Jason Kirkpatrick (Article appeared in the August 2007 issue of "The Logistics Journal")

In previous issues we've discussed the benefits of electronic payment and why your company should move away from paper processing. One of the biggest questions about converting to an electronic process is how to collect and store remittance information in your carrier database. Traditionally, the most important information to collect has been the carriers' billing address. When paying electronically your company must collect and store email addresses to deliver remittance notices and bank account information to make electronic payments.

At first glance, the process of collecting and storing email and bank information may not seem any more difficult than maintaining a carrier billing database. However, storing bank information is a more risky proposition than storing a physical address. When a carrier provides you with this information, they trust you to properly manage it and keep it secure. Because of this, it's imperative that your company have a plan to collect, store and utilize this information without placing your carrier at risk.

One of the first decisions you should make is to limit the number of employees who have access to this information. In general, the number people who create, edit or delete these bank records should be as small as possible. By limiting access, you will greatly reduce the risk that this information will get into the wrong hands.

Next, your company should decide how to collect the remittance information you'll need. This can be accomplished by requiring the carrier to complete a custom form and provide you with a voided check. Once you receive this information, it will be important to verify the routing number with the carrier's bank. This is because the routing number on paper checks is not always the same number banks use for electronic transfers.

Once the information is collected, your company will need to store it securely. This process should include having a network specialist test and verify the integrity of your network to assure its security and minimize the risk of unauthorized users gaining access to sensitive information. This review will allow your company to find and fix flaws before they can be exploited.

Next, you'll need to make certain that you can communicate with carriers and notify them of successful payments. You should also make certain that your accounting software is capable of separating carriers paid by check from those who will be paid electronically. To facilitate electronic exchanges, your software will be required to create and send files containing electronic payment information. Most banks will require this information to be in a standard NACHA (National Automated Clearing House Association) format.

If your software lacks this functionality, another option may be to enter the information directly into a web-interface, made available by most banks. Once completed, these templates will directly connect to and exchange information with payment processors. The downside of these templates is that they often require data re-entry. In addition, they're generally incapable of integrating into accounting software and as a result do little to make your office more efficient.

The best alternative, for companies seeking a higher level of efficiency, is to utilize software packages that directly exchange files with a Federal Reserve Originating Bank and have the advantage of integrating with management and accounting software. One of the benefits of using these systems is that they shift the responsibility of collecting and storing sensitive bank information to the vendor or the software provider and in doing so, allow third parties to focus on more traditional aspects of carrier relations.

In summary, when your company begins to plan its conversion from paper to electronic settlements, it's important to have the proper plan to manage and safeguard your carriers' sensitive bank information. It's also important to determine who will process your payments and how information will be exchanged. Experience has shown that a well conceived plan is one that maintains sensitive data, minimizes data re-entry, exchanges information efficiently and makes payments when they are due. The most successful users of these systems have planned carefully and implemented systems that will never require them to revert to issuing paper checks.

(Jason Kirkpatrick is the Director of Application Development at Level One Technologies)