# Identifying Questionable Payroll Credits

Nacha, in consultation with payroll providers and users, has created an optional Payroll Credit formatting standard for ACH payroll files. This standard was developed to make it easier for Receiving Depository Financial Institutions (RDFIs) to identify payroll credits in cases of possible questionable activity. The below fields would be formatted as illustrated for the ease of RDFI recognition of these payments.

* Company Entry Description – PAYROLL
* Individual Name – First name, then a space, then the last name. No punctuation. Truncate the last name if the combined name exceeds 22 characters.
  + Example – Timothy Bennett - TIMOTHY BENNETT
  + Truncation Example – Mary-Elizabeth Turnipseed – MARY-ELIZABETH TURNIPS
* Individual Identification Number - Originator’s discretion, but all first-time entries to an account number would be populated with “NEW” in positions 40-42. First-time entries to an account number include: 1) the first payroll credit for a new employee; and 2) a change to the account number of a current employee.
  + Example – First Time Payroll – NEW13006789
  + Example – Standard Recurring Payroll - 13006789

While use of the new formatting standard for payroll credits is voluntary, it would benefit the sender of the payment (Originator), as well as the RDFI, allowing each party to work together in identifying and acting on suspected questionable activity.

* Company Entry Description and Individual Name Fields – Standardized formatting allows for RDFI recognition of the PPD credit as a payroll
  + RDFIs are not required under the Nacha Operating Rulesto name match; however, the standardized format simplifies this task for those that choose to review payroll credits for questionable activity.
* Individual Identification Number – Identification of the first occurrence of a payroll credit
  + Use of this field indicates to the RDFI that the PPD credit is a first-time direct deposit from a specific Originator, allowing for use in any fraud checks.
  + Identifying new direct deposit credits can aid in detecting instances of payroll redirect fraud.

An RDFI is exempt from the funds availability requirements of the Nacha Operating Rules if it reasonably suspects that an ACH credit entry is unauthorized (see Subsection 3.3.1.1). An RDFI must promptly notify the ODFI if it invokes this exemption.

Nacha is committed to helping financial institutions, businesses, other organizations, and consumers protect themselves and prevent fraudulent activity. To learn more about frauds including Payroll Impersonation and Diversion, please visit our [Current Fraud Threats Resources](https://www.nacha.org/content/current-fraud-threats) page.