

Overcoming Check Challenges for AP & AR



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Meet Our Panel

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Introduction

In late March, the White House issued an executive order directing the U.S. Treasury Department to eliminate check usage for all federal disbursements, including tax refunds and intragovernmental, benefits and vendor payments. Are the days of check payments numbered?

Not so fast. The United States has been trying to phase out checks for decades. The federal government already makes the majority of its payments digitally. And payments industry stakeholders have introduced multiple initiatives over the years to reduce check usage. As new payment methods proliferate, many AP and AR departments would like to do away with checks if possible. Still, checks remain.

Public Sector Actions

- **March 22, 2024:** U.S. Treasury Dept. mandates that the federal government uses electronic funds transfer (EFT) for non-tax payments.
- **March 25, 2025:** Executive Order directing the federal government to cease using checks by Sept. 30, 2025.
- **June 16, 2025:** Federal Reserve request for comment on potential actions to help mitigate the risk of check fraud.

Private Sector Actions

- **Mar. 10, 2023:** Nacha voices support for the federal government using EFT for non-tax payments (which later became law).
- **Oct. 1, 2024:** American Bankers Association (ABA) launches #PracticeSafeChecks initiative, encouraging consumers to pay electronically whenever possible.
- **Q1 2025:** ABA hosts a private event with other groups like Nacha and The Clearing House on eliminating check usage.

Quick Stats

- 63% of treasury and finance professionals experienced actual or attempted fraud via checks in 2024. - 2025 AFP Payments Fraud & Control Survey
- The median transaction costs for issuing (\$2.01 to \$4.00) and receiving (\$1.01 to \$2.00) checks are higher than issuing or receiving ACH transactions (\$0.26-\$0.50). - 2022 AFP Payments Cost Benchmarking Survey
- 91% of organizations currently use checks. - 2025 AFP Payments Fraud & Control Survey

75% of organizations have no plans to reduce check usage in the next 2 years.

- 2025 AFP Payments Fraud & Control Survey

Time to Check Out?



Check Payments for Accounts Payable

Challenges

- Manual processing
- Administrative and labor costs
- High propensity for fraud
- Investment in fraud prevention services like Positive Pay, Payee Positive Pay
- Escheatment (if checks go uncashed)
- Lack of traceability/tracking

Workarounds

- Conduct outreach program with vendors to see which ones accept ACH payments and virtual cards from other organizations
- Educate vendors on benefits of migrating to electronic payment

Check Payments for Accounts Receivable

Challenges

- Manual processing, lockboxes
- Administrative and labor costs
- High DSO
- High propensity for fraud
- Float

Workarounds

- Promote the benefits of electronic payments
- List payment options in preferred order
- Request customers allow more time for checks to clear and settle
- Work with banks and Nacha on documentation to share knowledge on migrating to electronic payments

Conclusion

Given that the Treasury Department has until the end of September to phase out checks, it's unlikely that we'll see a dramatic drop-off in check usage this year. But what about 2026? Government payments have been one area where checks are still widely used, even though the majority of government payments are already electronic. Still, about 23% of benefit recipients receive payment by check or voucher.

But for B2B payments, the real question will be whether organizations – typically smaller ones – can be convinced to move on to different payment methods. And that might be many years away.

Q&A



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