

**AUTOMATED CLEARING HOUSE (ACH) ARRANGEMENTS AND ELECTRONIC
TRANSACTIONS OF FUNDS (ETF)**

I. Purpose.

The purpose of this policy is to provide a process for addressing use of ACH and Electronic Transaction of Funds for the purchase of materials or the payment of funds for the Bath Township Public Library (library).

II. Definitions.

- A. "Automated clearing house" or "ACH" means a national and governmental organization that has authority to process electronic payments, including, but not limited to, the national automated clearing house association and the federal reserve system.
- B. An "ACH arrangement" means the agreement between the originator of the ACH transaction and the receiver of an ACH transaction.
- C. An "ACH transaction" means an electronic payment, debit, or credit transfer processed through an automated clearinghouse.
- D. An "ACH policy" means the procedures and internal controls as determined under this written policy.
- E. "Electronic Transactions Officer" or "ETO" means the person designated by the Library to have the authority granted under this Policy.

III. Authority to Enter into ACH Arrangements and EFT

- A. In accordance with an legal requirements of the local, state or federal law, the library board has authorized the library director to act as an ETO to enroll the library into ACH arrangements and authorized use of EFT for executing payment, debit or credit transfers which are processed through an ACH when such actions conform with this policy.
- B. The library director responsible for disbursement of funds shall submit to the library board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment.

IV. Responsibility for ACH Agreements

- A. The library board designates the library director to be responsible for ACH arrangements, including payment approval, accounting, reporting and for generally overseeing compliance with this ACH policy.
- B. The library director is also responsible for submitting documentation to the board treasurer who will then present the information to the board providing details of the disbursement of funds including the goods or services purchased, the cost of the goods or services, and the date of the payment and the department levels serviced by each payment of public funds made by electronic transfer. This report may be contained in the Library's electronic general ledger software system or in a separate report to the Library Board.

V. Internal Accounting Controls for Use of ACH and EFT Transactions

- A. Authorized Vendors: The library director shall prepare a list of vendors authorized to be paid by ACH transaction and provide that list to the treasurer and act as follows:
 - 1. The Treasurer initiates the transaction upon receipt of an invoice from a vendor on the authorized ACH list identified in Section V.A. above.
 - 2. The Treasurer presents the invoices, a list of bills for payment, and a separate list of the electronic payments for Library Board approval. The Library Board shall approve all ACH invoices before payment.
 - 3. Following Library Board approval, the Treasurer signs the ACH invoice, initiates the electronic transaction with the vendor, and makes the actual transfer of funds.
 - 4. The Treasurer shall retain all ACH transaction documents for audit purposes
- B. Reporting ACH and EFT Activities: All ACH and EFT payment activities will be reported to the treasurer which will then be reported. The reports will be presented at the following board meeting by the treasurer.
- C. Paying State and Federal Payroll Taxes: Payment of state and federal payroll taxes and other payroll liabilities will be paid through a third party as contracted by the board.
- D. Receiving ACH and EFT Deposits: When deposits from the state, county or federal authorities and from third-party payment processors are received the library director shall obtain the amount of the deposit for recording and accounting purposes.

VI. ACH Not Subject to Revised Municipal Finance Act.

An ACH arrangement under 2002 PA 738 is not subject to the Revised Municipal Finance Act, 2001 PA 34 (MCL 141.2101, et seq.), or to provisions of law or charter concerning the issuance of debt by a local unit.