

Policy

Automated Clearing House (ACH) Arrangements and Electronic Funds Transfer (EFT) Policy

PURPOSE:

The following policy shall govern the use of Automated Clearing House (ACH) and Electronic Funds Transfer (EFT) arrangements for Hamburg Township.

DEFINITIONS:

- “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.
- An “ACH arrangement” means the agreement between the originator of the ACH transaction and the receiver of an ACH transaction.
- An “ACH transaction” means an electronic payment, debit, or credit transfer processed through an automated clearinghouse.
- An “ACH policy” means the procedures and internal controls as determined under this written policy developed and adopted by the Hamburg Township Board of Trustees.
- The “Electronic transactions officer” or “ETO” means the person designated under the Electronic Funds Transactions Act, Public Act 738 of 2002, as set forth in MCL 124.301, et seq., by the Township.

AUTHORITY:

- The Township Treasurer, is designated by the Act as the Township’s ETO and may enter into an ACH arrangement as provided by the Act.

GUIDELINES:

- The Township shall not be a party to an ACH arrangement unless the Hamburg Township Board has adopted a resolution to authorize electronic transactions and the Hamburg Township Director of Accounting has presented a written ACH policy to the township board.
- An ACH arrangement under PA 738 of 2002 is not subject to the Revised Municipal Finance Act, Public Act 34 of 2001 (MCL 141.2101, et seq.), or to provisions of law or charter concerning the issuance of debt by a local unit.
- Responsibility for ACH Agreements. The Hamburg Township Director of Accounting is responsible for Hamburg Township’s ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- The Accounting Specialist shall submit to the board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by each payment of public funds made by electronic transfer.

Policy

This report may be contained in the Townships electronic general ledger software system or in a separate report to the Township board.

INTERNAL ACCOUNTING CONTROLS TO MONITOR USE OF ACH TRANSATION MADE BY TOWNSHIP:

The following system of internal accounting controls will be used to monitor the use of ACH transactions made by Hamburg Township:

1. The Accounting Specialist shall prepare a list of vendors authorized to be paid by ACH transaction and provide that list to the Hamburg Township Board of Trustees.
2. The Accounting Specialist initiates the transaction upon receipt of an invoice included on the authorized ACH list approved by the appropriate township official. ACH invoices must be approved before payment.
3. The Accounting Specialist presents a report of ACH bills for payment to the township board for approval. The board approves all transactions prior to disbursement. [If the township board has established a policy identifying specific payments that have pre-approved authorization (monthly utility bills, payroll etc.), it must post-audit those payments and confirm their disbursement at the next board meeting following their disbursement. Include in the ACH policy the list of specific types of payments pre-authorized for post approval by the board.]
4. Following board approval, the Treasurer and Clerk, or their designees, sign the report of ACH bills, the Accounting Specialist initiates the electronic transaction with the vendor, and the Director of Accounting reviews and approves the transfer of funds.
5. The Director of Accounting shall retain all ACH transaction documents for audit purposes.
6. The Director of Accounting shall retain all invoices for audit purposes.
7. Vendors will be contacted with their phone number on file for any ACH setups or ACH changes to verify the information before any changes are made.

Resolution

WHEREAS, Electronic payments of public funds are required for some federally mandated transactions of public funds, and electronic payments have become a commonly accepted practice by banks and other financial institutions, and

WHEREAS, Public Act 738 of 2002, effective December 30, 2002, authorizes townships to make electronic transactions involving public funds by electronic payment, debit, or credit transfer processed through an automated clearing house, and

WHEREAS, PA 738 authorizes the designated ETO to enter into an ACH arrangement for a national and governmental organization that has authority to process electronic payments (ACH), including, but not limited to, the national automated clearing house association and the federal reserve system, and

WHEREAS, The Hamburg Township Board deems that it is in the best interest of the township to make certain township financial transactions by electronic payments as described in PA 738.

WHEREAS, the resolution adopted on April 2, 2024 by the Hamburg Township Board of Trustees authorizing use of “Automated Clearing House (ACH) Arrangements and Electronic Transactions of Funds” will supersede any resolution previously submitted;

NOW, THEREFORE BE IT HEREBY RESOLVED, that the Hamburg Township Board authorizes the Township to utilize electronic transactions in compliance with the written procedures and internal controls developed and adopted by the Treasurer as the Township’s ACH policy and presented to the Township Board on April 2, 2024, and to authorize the Director of Accounting and Accounting Department to carry out the policy.