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PURPOSE:

The following policy shall govern the use of electronic transactions and Automated Clearing House (ACH) arrangements for the City of Kalamazoo. The Electronic Transactions Officer or "ETO" shall mean the City Treasurer or such official as may be subsequently designated as ETO by the city's Chief Financial Officer.

POLICY:**1. Authority to Enter into ACH Agreements and Electronic Transfer of Public Funds**

The ETO may enter into an ACH agreement as provided by Public Act 738 of 2002 (Act) after the City Commission adopts a resolution to authorize electronic transactions and adopts this policy. Applicable definitions in the Act shall apply. An ACH arrangement under PA 738 of 2002, MCL 124.301 to 124.305 is not subject to the Revised Municipal Finance Act, 2001 PA 34, MCL 141.2101 to 141.2821, or to provisions of law or city charter concerning the issuance of debt by the city.

2. Responsibility for ACH Agreements

The ETO shall be responsible for all ACH agreements, including payment approval, accounting, reporting, and generally overseeing compliance with the ACH policy. The ETO shall submit to the City Comptroller documentation detailing the goods or services purchased, the cost of goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the city's electronic general ledger software system or in a separate report.

3. Internal Accounting Controls to Monitor Use of ACH Transactions

- a. The ETO shall be responsible for the establishment of ACH agreements, and shall notify the City Comptroller of those accounts/invoices to be paid by ACH or electronic transfers.
- b. Upon receipt of an invoice for payment for accounts paid by ACH, the City Comptroller or designee shall approve payment and notify the ETO of the date of debit to the city accounts. Accounts payable by this method may include utility and recurring payments. These payments shall be included on the report of payments to the Chief Financial Officer in the same manner as invoices paid by check. All other invoices approved by the City Comptroller and Treasurer, and payable by ACH, may be paid in that manner if deemed in the best interest of the city, e.g. to avoid a late fee.

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- c. Each ACH payment shall have supporting documentation to ensure that all purchasing and accounts payable policies are followed and that appropriate reviews and approvals are in place.
- d. All invoices with copies of payment advices shall be held by the City Comptroller or designee.
- e. For payment of State and Federal payroll taxes, the City Treasurer, or designee, shall initiate payment to the proper authority upon receipt of the information from the payroll department using the established Electronic Federal Tax Payment System (EFTPS) and state programs.
- f. For deposits from state, county, and/or federal authorities, and from third-party payment processors, e.g. (banks, vendors), the City Treasurer, or designee, shall obtain the amount of the deposit and send an advice to the person responsible for accounting records.
- g. Internal ACH transfers (to and from bank accounts held by the City) shall have supporting documentation with appropriate reviews and approvals in place.

EFFECTIVE DATE: June 16, 2008

SEE ALSO: Public Act 738 of 2002

HISTORY: On June 16, 2008 the City Commission adopted Resolution 08-41, which adopted the *ACH and Electronic Transactions Policy* and authorized the utilization of electronic transactions in compliance with the written procedures and internal controls as set forth in the policy.