

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

I. Purpose.

The purpose of this policy is to provide a process for addressing use of Automated Clearing House (ACH) and Electronic Transactions of Funds (ETF) for the purchase of materials or the payment of funds for the Chesterfield Township Library (Library), in accordance with Public Act 738 of 2002, MCL 124.301 *et seq.*

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

- A. In accordance with legal requirements of 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 Electronic Funds Transfer (EFT) for executing payment, debit or credit transfers which are processed through an ACH when such actions conform with this policy.

IV. Responsibility for ACH Agreements

- A. The library board designates the library director (ETO) to be responsible for ACH arrangements, including payment approval, accounting, reporting and for generally overseeing compliance with this ACH policy.
- B. The ETO is also responsible for submitting documentation to the board providing details of the disbursement of funds including 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. This report may be contained in the Library’s electronic general ledger software system or in a separate report to the library board.

- C. An ACH arrangement or ACH transaction may only be used by the ETO as payment for goods and services for official business of the Library, in accordance with normal Library finance procedures.

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

- A. Authorized Vendors: The ETO shall prepare a list of vendors authorized to be paid by ACH transactions and act as follows:
 - 1. The ETO shall approve all ACH invoices before payment.
 - 2. The ETO or designee will strive to avoid third-party payment services and authorize ACH transactions directly to the vendor from the Library's checking account, or pay the invoice by check or credit card.
 - 3. The ETO or designee initiates the electronic transaction upon receipt and approval of an invoice from a vendor on the authorized ACH list.
 - 4. The ETO submits documentation to the board detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by the payment.
 - 5. The ETO or designee shall retain all ACH transaction documents for audit purpose.
- B. Reporting ACH and EFT Activities: All ACH and EFT payment activities will be reported monthly to the Board.
- 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 ETO or designee shall obtain the amount of the deposit for recording and accounting purposes.

Approved: June 15, 2022

Chesterfield Township Library Board of Trustees