

Policy for Automated Clearing House (ACH) Arrangements and Electronic Transactions of Funds

The following policy shall govern the use of electronic transactions and ACH arrangements for Waterloo Township:

1. 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 township treasurer.

2. Authority to Enter into ACH Arrangements and Electronic Transfers of Public Funds. The township treasurer may enter into an ACH arrangement as provided by Public Act 738 of 2002, effective December 30, 2002.

Waterloo Township shall not be a party to an ACH arrangement unless the Waterloo Township Board has adopted a resolution to authorize electronic transactions and the Waterloo Township Treasurer 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.

3. Responsibility for ACH Agreements. The Waterloo Township Treasurer or deputy is responsible for Waterloo Township's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.

The treasurer shall submit to the township board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the

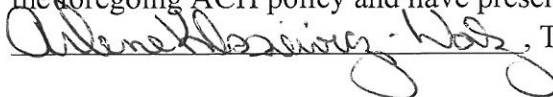
department levels serviced by each payment of public funds made by electronic transfer. This report may be contained in the township's electronic general ledger software system or in a separate report to the township board.

4. Internal Accounting Controls to Monitor Use of ACH Transactions Made by Township. The following system of internal accounting controls will be used to monitor the use of ACH transactions made by Waterloo Township:

- 1) The treasurer shall prepare a list of vendors authorized to be paid by ach transaction and provide that list to the clerk.
- 2) The clerk 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. The clerk signs the ACH invoice, which then acts as the warrant.
- 3) The clerk presents the warrants (or check if the clerk prepares the checks in a double signature system), a list of bills for payment, and a separate list of the electronic payments for township board approval. The board approves all transactions prior to disbursement. The township board has established a policy identifying specific payments that have pre-approved authorization (monthly utility bills, payroll), 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 signs the ACH warrant, initiates the electronic transaction with the vendor, and makes the actual transfer of funds.
- 5) The treasurer shall retain all ACH transaction documents for audit purposes.
- 6) The clerk shall retain all invoices for audit purposes.

Certification

I, Arlene K. Walz , Treasurer of Waterloo Township, certify that I developed and adopted the foregoing ACH policy and have presented it to the Waterloo Township Board.

 , Treasurer , Date 1-29-07