

HOUSE BILL No. 6496

November 7, 2002, Introduced by Reps. Shulman and Cassis and referred to the Committee on Local Government and Urban Policy.

A bill to authorize and regulate electronic transactions of public funds involving local units of government; and to provide for powers and duties of certain governmental agencies and officials.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "ACH arrangement" means the agreement between the origi-
3 nator of the ACH transaction and the receiver of the ACH
4 transaction.

5 (b) "ACH policy" means the procedures and internal controls
6 as determined under a written policy developed and adopted by the
7 treasurer or the electronic transactions officer of a local unit
8 under section 3.

9 (c) "ACH transaction" means an electronic payment, debit, or
10 credit transfer processed through an automated clearing house.

1 (d) "Automated clearing house" or "ACH" means a national and
2 governmental organization that has authority to process elec-
3 tronic payments, including, but not limited to, the national
4 automated clearing house association and the federal reserve
5 system.

6 (e) "Electronic transactions officer" or "ETO" means the
7 person designated under this act by charter or by the governing
8 body in a local unit.

9 (f) "Governing body" means any of the following:

10 (i) The council, commission, or other entity vested with the
11 legislative power of a city or village.

12 (ii) The township board of a township.

13 (iii) The county board of commissioners of a county.

14 (iv) The board of county road commissioners of a county.

15 (v) The board of education of a local or intermediate school
16 district.

17 (vi) The board of trustees of a community college district.

18 (vii) The official body to which is granted general govern-
19 ing powers over an authority or organization of government estab-
20 lished under the revised municipal finance act, 2001 PA 34,
21 MCL 141.2101 to 141.2821.

22 (viii) A community mental health authority created under
23 section 205 of the mental health code, 1974 PA 258,
24 MCL 330.1205.

25 (g) "Local school district" means a school district orga-
26 nized under the revised school code, 1976 PA 451, MCL 380.1 to
27 380.1852, or a district governed by a special or local act.

1 (h) "Local unit" means any of the following:

2 (i) A village.

3 (ii) A city.

4 (iii) A township.

5 (iv) A county.

6 (v) A county road commission.

7 (vi) A local school district.

8 (vii) An intermediate school district.

9 (viii) A community college district.

10 (ix) An authority or organization of government established
11 under the revised municipal finance act, 2001 PA 34, MCL 141.2101
12 to 141.2821.

13 (x) A community mental health authority created under
14 section 205 of the mental health code, 1974 PA 258,
15 MCL 330.1205.

16 (i) "Treasurer" means the elected treasurer in a township or
17 county.

18 Sec. 2. (1) The treasurer or the ETO of a local unit may
19 enter into an ACH arrangement as provided by this act.

20 (2) An ACH arrangement under this act is not subject to the
21 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
22 141.2821, or to provisions of law or charter concerning the issu-
23 ance of debt by a local unit.

24 Sec. 3. A local unit shall not be a party to an ACH
25 arrangement unless the governing body of the local unit has
26 adopted a resolution to authorize electronic transactions and the
27 treasurer or the ETO of the local unit has presented a written

1 ACH policy to the governing body. The ACH policy shall include
2 all of the following:

3 (a) That an officer or employee designated by the treasurer
4 or ETO is responsible for the local unit's ACH agreements,
5 including payment approval, accounting, reporting, and generally
6 for overseeing compliance with the ACH policy.

7 (b) That the officer or employee responsible for disburse-
8 ment of funds shall submit to the local unit documentation
9 detailing the goods or services purchased, the cost of the goods
10 or services, the date of the payment, and the department levels
11 serviced by payment. This report can be contained in the elec-
12 tronic general ledger software system of the local unit or in a
13 separate report to the governing body of the local unit.

14 (c) A system of internal accounting controls to monitor the
15 use of ACH transactions made by the local unit.

16 (d) The approval of ACH invoices before payment.

17 (e) Any other matters the treasurer or ETO considers
18 necessary.

19 Sec. 4. After notice and hearing as provided under the
20 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
21 24.328, the department of treasury may issue an order limiting or
22 suspending the authority of a local unit to make electronic
23 transactions under this act for failure to comply with the
24 requirements of this act or with the requirements of the local
25 unit's ACH policy.

1 Sec. 5. (1) This act does not affect the validity of an ACH
2 arrangement entered into by a local unit before the effective
3 date of this act.

4 (2) All electronic transactions made on or after the effec-
5 tive date of this act shall comply with this act.