ELECTRONIC TRANSACTIONS OF PUBLIC FUNDS

Act 738 of 2002

AN ACT 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.

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

The People of the State of Michigan enact:

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124.301 Definitions.

Sec. 1.

As used in this act:

(a) "ACH arrangement" means the agreement between the originator of the ACH transaction and the receiver of the ACH transaction.

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

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

(d) "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.

(e) "Electronic transactions officer" or "ETO" means the person designated under this act by charter or by the governing body in a local unit other than a township or county.

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

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

(ii) The township board of a township.

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

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

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

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

(vii) The official body to which is granted general governing powers over an authority or organization of government established under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

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

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

(i) A village.

(ii) A city.

(iii) A township.

(iv) A county.

(v) A county road commission.
(vi) A local school district.
(vii) An intermediate school district.
(viii) A community college district.
(ix) An authority or organization of government established under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.
(x) A community mental health authority created under section 205 of the mental health code, 1974 PA 258, MCL 330.1205.
(i) "Treasurer" means the elected treasurer in a township or county.

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

124.302 ACH arrangement; scope.

Sec. 2.

(1) The treasurer or the ETO of a local unit may enter into an ACH arrangement as provided by this act.
(2) An ACH arrangement under this act is not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or to provisions of law or charter concerning the issuance of debt by a local unit.

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

124.303 ACH policy; contents.

Sec. 3.

A local unit shall not be a party to an ACH arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the ETO of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:
(a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
(b) That the officer or employee responsible for disbursement of funds shall submit to the local unit 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 payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.
(c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
(d) The approval of ACH invoices before payment.
(e) Any other matters the treasurer or ETO considers necessary.

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

124.304 Noncompliance; order limiting or suspending local unit's authority.

Sec. 4.

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

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

124.305 ACH arrangement; validity; compliance.

Sec. 5.

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

(2) All electronic transactions made on or after the effective date of this act shall comply with this act.

History: 2002, Act 738, Imd. Eff. Dec. 30, 2002

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