



POLICY

POLICY TITLE: ACH and Electronic Transactions Policy

APPROVED BY: SALS Board of Trustees

APPROVAL DATE:

EFFECTIVE DATE:

New Policy: X

Revised Policy:

Date Revised:

I. Purpose

The purpose of this policy is to establish guidelines for the use of Automated Clearing House (ACH) transfers and Electronic Funds Transfers (EFT) to streamline payments, reduce costs, and ensure appropriate oversight of public funds.

II. Authority to Enter into ACH Agreements and EFT

In accordance with any legal requirements of the local, state or federal law, the SALS Board authorizes the Executive Director to act as **Electronic Transactions Officer (ETO)** to enroll SALS into ACH Arrangements and authorizes use of Electronic Fund Transactions for executing payment, debit or credit transfers which are processed through an ACH when such actions conform **with applicable SALS' policies.**

III. Responsibility for ACH Agreements

The Board designates the Executive Director and Treasurer to be responsible for ACH Arrangements and for generally overseeing compliance with this ACH Policy.

IV. Access and Security

The Executive Director manages all usernames, passwords, and security credentials associated with online financial accounts.

Online account credentials must be stored securely and updated as needed to maintain security, especially following staff transitions.

Access to electronic banking software is restricted to authorized administrative personnel.

V. Internal Accounting Controls for use of EFT and ACH Transactions

A. Pre-Approved Payees and Payment Limits

1. The Finance Manager, the individual or firm designated by SALS to maintain the accumulation of its day-to-day financial records, shall prepare a list, for pre-approval by the Executive Director, of all vendors, ACH Arrangements, and other agencies to receive payments from SALS via Electronic Fund Transactions and ACH Arrangements (the "Payees") on a regular or on-going basis.

2. This list shall also define the not-to-exceed amounts for which the Financial Manager, Executive Director, and Treasurer may process and execute payments. The Executive Director will seek specific approval from the Board prior to making any payments that exceed the pre-approved limit or in preparation for making EFT or ACH payments to Payees that have not been listed on the preapproved list.
3. The list shall be provided to the Treasurer for approval.
4. The Financial Manager initiates the transaction upon receipt of an invoice from a vendor on the authorized ACH list.
5. The Financial Manager presents the invoices, a list of bills for payment, and a separate list of the electronic payments for pre-approval by the Executive Director, or the Assistant Director in the Executive Director's absence. The Treasurer shall approve all ACH invoices before payment.
6. Following Treasurer approval, the Financial Manager initiates the electronic transaction with the vendor, and makes the actual transfer of funds.
7. The Financial Manager shall retain all ACH transaction documents for audit purposes.

B. Reporting EFT and ACH Activities to the Board

All EFT and ACH payment activities will be reported to the Board at the next scheduled meeting following execution of such payments. These reports will be provided to the Board as part of the financial report that is delivered during each scheduled meeting.

C. Receiving EFT & ACH Deposits

When Deposits from State, County, and/or Federal authorities, and from third-party payment processors (e.g., banks, vendors, etc.) are received, the Financial Manager shall obtain the amount of the deposit for recording and accounting purposes.

VI. Procedures

To promote the safety of SALS funds in the EFT environment, the following procedures will be adhered to for all EFT transactions.

A. Requirements for the Disbursement of Funds

Authentication of new EFT requests and changes to existing EFTs is required prior to the transaction being initiated. The procedure to initiate an EFT payment is subject to the same financial policies, procedures, and controls that govern disbursements by any other payment mechanism.

1. **Validate** all new electronic payment instruction requests received.
2. **Contact** the supplier or requester directly by phone to confirm any requests for payment method or payment instruction changes. Do not use the contact information

provided on the request to change payment method or payment instructions; do use contact information known to be genuine such as the contact information in your master supplier file or information collected from the original contract. Have the contact confirm existing payment instructions on file prior to making changes to those instructions (i.e., current bank account and routing number provided in original instructions).

3. **Verify** the new information provided on the payment instructions provided with the known contact (i.e., contact bank to confirm correct account name, number and routing information).
4. **Document** the verification process that was followed to validate payment instructions. The person responsible for entering/updating EFT instructions and the person approving new/updated EFT instructions must approve the record of verification. A record of the verification must be maintained in accordance with record retention policies.

B. Diligence Requirements for the Receipt of Funds

1. Approval of the Executive Director and Treasurer is required prior to giving banking instructions to an external party from whom SALS will receive an EFT. Follow steps above to authenticate EFT deposit requests.
2. After approval, the Financial Manager will provide the banking instructions to the external party via secure email or fax.
3. Upon learning of an incoming EFT, the Financial Manager will enter deposit details into SALS' accounting system and maintain documentation regarding the receipt of funds.

C. Record Retention

SALS shall retain all ACH invoices and transaction confirmations for audit purposes.

D. Errors

In the event of an error (e.g., unauthorized or incorrect transaction), the ETO will report it to the bank immediately and to the Board at the next meeting.

E. Limitation of Liability

SALS shall not be liable for any loss due to improper use of ACH unless the loss is due to negligence or lack of proper internal controls. The ETO will work with the banking institution to stop payments if authorized, in accordance with the bank's ACH rules.