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**Q. Our bank fees are going up substantially, while our investment returns have been declining. Should we consider changing banks? How can we reduce fees?**

The township's fees may be increasing due to two factors: increased Federal Deposit Insurance Corporation (FDIC) premiums paid by the banks, and the loss of investment income. Many banks were able to reduce or eliminate fees in exchange for slightly lower than market rates paid on township investments. As interest income reached "zero" due to the Federal Reserve's actions to stimulate the economy and help financial institutions survive, many banks could no longer "cover" fees through investment returns.

Before switching banks, the township should first look internally at its processes to determine if costs can be reduced. Meet with the township's bank to determine if fees can be eliminated by consolidating or eliminating unnecessary bank accounts, and other cost-saving approaches. If any lessons are to be learned from the financial meltdown last fall, all financial institutions are not the same, nor should they be judged solely on investment returns and low costs. A good banking relationship with a solid bank may be worth higher fees.

**Q. Which bank accounts can and cannot be "pooled"?**

According to the *Accounting Procedures Manual for Local Units of Government in Michigan*, the following accounts cannot be pooled: Current Taxes and Debt Service and Construction Accounts.

Townships should also review local ordinances and discuss with legal counsel prior to implementing a pooled investment program. Most computer software programs are set up to accomplish pooled investments and use of common disbursement accounts, and should make the transition smooth. Please note, however, that investment income, net of fees, must be allocated to all participating funds.

**Q. Our bank offers remote deposit capture (RDC), which allows us to scan checks we receive and deposit them directly to our bank account—without actually going to the bank. Is it permissible?**

Yes, we believe townships have authority to make deposits through the automated clearinghouse (ACH) system, provided the township has followed the requirements of Public Act 738 of 2002. Local units of government are required to approve a resolution authorizing payments and credits using the ACH, which contains the following:

- Approval of an ACH policy
- Designation of an electronic transfer officer

- Documentation of payments
- Establishment of a system of internal controls

Visit [www.michigantownships.org](http://www.michigantownships.org) for sample resolutions and policies.

**Q. How does the process work?**

The RDC process is relatively simple: Once the township has established an RDC relationship with its bank, a designated official can scan each deposit item (i.e., checks) into a digital image file using a desktop scanner and personal computer. Image files are then transmitted electronically to the township's bank. Often, banks recommend the use of a particular brand of scanner that is compatible with the bank's RDC solution.

**Q. Are there special risks associated with RDC?**

While RDC can be a tremendous time-saving tool, the service is not without risks, such as:

- Intentional or unintentional redeposit of the item, either into the township bank account or a township employee's personal bank account, thus exposing the township to monetary liability should such items clear after they have been deposited.
  - Potential fraudulent use of a remitter's bank account numbers, from inappropriate access to deposited items, kept on file at the township.
- Townships should remain aware of the added risks and take protective measures, including:
- Limiting access to bank mandated paper files of deposit items maintained by the township.
  - Timely destruction via secure shredding and incineration, with dual controls over the process.

*Information provided in Financial Forum should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.*

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