



Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: ACH Debit

Effective Date: April 30, 2006

Revision Date: September 16, 2025

Policy Number: 3.1

Sponsor: Office of the Treasurer

Purpose

The purpose of this Automated Clearing House (ACH) Debit Policy is to establish uniform standards, internal controls, and authorization requirements governing all ACH debit transactions that result in the withdrawal of funds from the accounts of the Metropolitan Government. This policy is intended to ensure that such transactions are properly authorized and accurately executed. The policy seeks to safeguard public funds, protect sensitive banking information, and mitigate the risk of unauthorized or erroneous withdrawals.

Definitions

ACH debit: An electronic payment initiated by the payee, processed through the Automated Clearing House, in which funds are withdrawn from the payer's bank account and deposited into the payee's bank account.

ACH credit: An electronic payment initiated by the payer, processed through the Automated Clearing House, in which funds are withdrawn from the payer's bank account and deposited into the payee's bank account.

ACH debit block: A mechanism that may be placed on a bank account that automatically rejects all ACH debits from posting to that bank account.

ACH positive pay: A bank product that allows a customer to set up criteria with its bank establishing which outside entities are authorized to initiate ACH entries to/from the customer's account. The product allows authorized ACH transactions to post to the customer's account while causing unauthorized ACH transactions to be suspended until the customer reviews them and either releases them for posting or rejects them, causing them to be returned to the initiator.

General Policies

Generally, payments are made by check or Metro initiated ACH credit. The preferred method of payment is ACH credit as it is the most secure, cost-effective and timely method of payment.

There are three instances in which Metro uses (payee initiated) ACH debit:

- Payroll taxes paid to the IRS - the Federal Government requires payment of payroll taxes via ACH debit.
- Various payments made to the state of Tennessee. Payments to the state include, but are not limited to, monthly sales tax payments, monthly telecommunication charges, monthly Metro Nashville Public Schools Tennessee Consolidated Retirement System payments and annual privilege taxes. In the case of both sales tax and privilege tax, Metro employees enter the direct debit amount and date of withdrawal. In the case of TCRS payments, the MNPS employee enters the direct debit amount.
- Credit card refunds or chargebacks – Metro agencies may need to refund payments to citizens that were made by credit card. Additionally, some credit card payments may be disputed by citizens due to fraudulent activity on the cards or other reasons for which they are awarded credit by their financial institutions. Both refunds and chargebacks are processed by Metro's credit card gateway in separate ACH debit batches to Metro's merchant (bank) account.



METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

ACH debits shall not be initiated against Metro bank accounts unless first approved by the Metro Treasurer. The Metro Treasurer shall determine if ACH debit is the appropriate payment method.

Metro bank accounts have debit blocks placed on them. For those accounts in which ACH debit transactions are approved, ACH positive pay is put in place. Specific identifying information for the initiators of the ACH debit transactions must be submitted to the bank by the Metro Treasurer's office to allow such transactions to be processed. All other ACH debit transactions are rejected automatically.

Applicable Local, State or Federal Regulations

Metro. Charter art. 8, § 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

Metro. Charter art. 8, § 8.106: The metropolitan treasurer shall supervise and be responsible for the custody and disbursement of all funds belonging to the metropolitan government and all funds handled by metropolitan government officers as agents or trustees except as otherwise provided in this Charter or by ordinance or general law not inconsistent with this Charter.

Metro. Code § 5.08.040: The metropolitan treasurer shall deposit daily all money and funds of the metropolitan government coming into his hands with the legal depositories, with whom contracts have been entered into by the metropolitan government as provided in this chapter and who have complied with the provisions of this chapter concerning security collateralization; and the metropolitan treasurer shall make such daily deposits to the credit of the proper fund of the metropolitan government, taking from such legal depository a property receipt therefore.

Associated Policies

None.

Effective Date

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.

Approvals

Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

Jenneen Reed

Director of Finance

Date: September 16, 2025