

**CITY OF HILLSBORO, OHIO
RESOLUTION NO. 25-22**

**A RESOLUTION ADOPTING ACH AND VENDOR ACCOUNTS POLICIES FOR THE
CITY OF HILLSBORO, AND DECLARING AN EMERGENCY**

WHEREAS, to ensure compliance state laws and regulations, it is recommended that the City of Hillsboro, Ohio implement policies for the management of Automated Clearing House (ACH) payments, vendor accounts, banking information, and updates to vendor payment methods; and

WHEREAS, the proposed rules would apply to all departments within the City of Hillsboro, Ohio that do not have already have policies relating to the same; and

WHEREAS, the City of Hillsboro, Ohio has determined that the following policy is in the best interest of the municipality and its citizens.

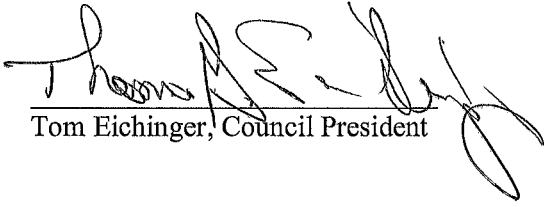
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HILLSBORO, STATE OF OHIO, WITH A MAJORITY OF ALL COUNCIL MEMBERS CONCURRING THAT:

SECTION 1: Effective December 18, 2025, the City of Hillsboro ACH and Vendor Accounts Policy attached hereto as Exhibit A is hereby adopted and shall be established in the City of Hillsboro, Ohio Finance Department.

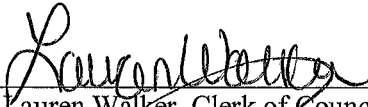
SECTION 2: That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal actions were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

SECTION 3: This Resolution is hereby declared to be an emergency measure immediately necessary for the preservation of the public peace, health, safety and welfare, wherefore this resolution shall be in full force and take effect immediately upon its passage and approval by the Mayor.

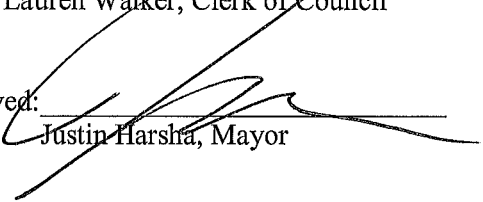
Passed this 18 day of December, 2025.


Tom Eichinger, Council President

Attest:


Lauren Walker, Clerk of Council

Approved:


Justin Harsha, Mayor

Date: 12/22/2025

Prepared by the City Law Director.

EXHIBIT A

City of Hillsboro ACH and Vendor Accounts Policy

Policy Number: FIN-ACH-001

Effective Date: December 18, 2025

Approved By: City Council of Hillsboro, Ohio

Review Frequency: Annually, or as required by changes in Ohio Revised Code (ORC) or Auditor of State guidance

Contact: City Auditor, City of Hillsboro

Purpose

This policy establishes standards and procedures for the management of Automated Clearing House (ACH) payments, vendor accounts, banking information, and updates to vendor payment methods for the City of Hillsboro, Highland County, Ohio. The policy ensures compliance with applicable Ohio laws, including ORC Chapter 1306 (Uniform Electronic Transactions Act), ORC § 9.38 (Public Deposits), and guidance from the Ohio Auditor of State, including Bulletin 2024-003 on Payment Re-Direct Schemes and the Cybersecurity Advisory on Business Email Compromise (BEC).

The primary objectives are to:

- Safeguard public funds against fraud, including payment redirection schemes and phishing attacks.
- Maintain accurate, secure, and verifiable vendor records.
- Promote segregation of duties, independent verification, and internal controls to support audit compliance.
- Facilitate efficient, secure electronic payments while minimizing risks associated with banking information handling.

Non-compliance with this policy may result in disciplinary action, financial liability for negligence, and reporting as a material weakness in audits per Ohio Admin. Code 117-10-01.

Scope

This policy applies to all City of Hillsboro departments, employees, contractors, and agents involved in:

- Establishing or maintaining vendor accounts.
- Processing ACH payments or other electronic funds transfers (EFTs).
- Handling or updating banking information (e.g., routing numbers, account numbers, bank names).
- Approving or initiating changes to vendor payment methods (e.g., from check to ACH, or updates to direct deposit details).

It covers all vendors receiving payments for goods, services, or reimbursements, excluding payroll (governed by separate EFT policies) and intergovernmental transfers.

Definitions

- **ACH Payment:** An electronic funds transfer via the Automated Clearing House network, used for vendor disbursements.
- **Vendor Account:** A record in the City's financial system containing vendor details, including tax ID, contact information, and payment method (e.g., check, ACH, wire).
- **Banking Information:** Sensitive data including bank name, routing number, account number, and SWIFT/BIC codes for international payments.
- **Payment Re-Direct Scheme:** Fraudulent attempts to alter payment destinations, often via BEC phishing.
- **Independent Verification:** Confirmation of changes using sources unrelated to the request (e.g., in-person or a pre-verified phone number).
- **Segregation of Duties:** Separation of responsibilities for initiating, approving, and recording transactions to prevent fraud.

Procedures

1. Establishing New Vendor Accounts

- **Vendor Onboarding:** All new vendors must submit a completed W-9 form (or equivalent for non-U.S. entities) and a Vendor Setup Form, including banking information if ACH is requested.
- **Verification:** Finance Department staff must:
 - Validate vendor identity via independent sources (e.g., Ohio Secretary of State business search, DUNS number, or physical site visit if high-risk).
 - Confirm tax ID via IRS TIN Matching Program.

- For ACH setup, require original voided check or bank letter on bank letterhead.
- **Approval:** The City Auditor or designee must approve new accounts before activation. High-value vendors (> \$50,000 annually) require Safety and Service Director review.
- **Recordation:** Enter data into the financial system (e.g., ERP software) with dual entry by separate staff. Retain supporting documents per ORC § 149.39 (public records retention).

2. Updating Vendor Payment Methods and Banking Information

- **Request Submission:** Changes must be initiated via a secure Vendor Update Form, submitted by the vendor or department head. Electronic submissions (e.g., email) are prohibited as primary methods due to BEC risks.
- **Independent Verification Requirements** (per Auditor of State Bulletin 2024-003):
 - **Preferred Method:** In-person submission at City Hall, with photo ID verification.
 - **Alternative:** If in-person is infeasible, contact the vendor using a pre-verified phone number from the original vendor file, invoice, or official website (not from the request). Ask unique, non-public questions (e.g., details from prior invoices) to confirm identity.
 - Do not use email, text, or embedded contact info from the request for verification.
- **Dual Approval Process:**
 1. Initial review and verification by Accounts Payable staff.
 2. Secondary approval by City Auditor or a designated supervisor (segregated from initial staff).
- **Testing for ACH Changes:** For switches to ACH or major updates, issue a nominal test payment (\$1–\$5) to the new account. Confirm receipt with the vendor via independent verification before full implementation.
- **Prohibitions:**
 - No changes based solely on unsolicited emails, faxes, or calls.
 - Urgent requests trigger immediate fraud alert and hold.
- **Timeline:** Verified changes processed within 5 business days; notify vendor of approval/rejection in writing.

- **Documentation:** Log all changes in a secure audit trail, including verification notes, dates, and approver signatures. Retain for 7 years per ORC § 117.43.

3. ACH Payment Processing

- **Authorization:** Vendors must opt-in to ACH via signed agreement acknowledging ORC Chapter 1306 compliance.
- **Security Protocols:**
 - Use encrypted transmission (e.g., NACHA-compliant files).
 - Implement ACH Positive Pay and Debit Block services with the City's bank.
 - Pre-notify vendors of payment amounts/dates via secure portal (not email).
- **Batch Processing:** ACH files reviewed and approved by two staff before transmission. Reconcile post-payment via bank statements.
- **Error Handling:** Disputes or returns investigated within 24 hours; root cause documented for audit.

4. Banking Information Handling

- **Storage:** Banking data stored in encrypted financial system fields; access limited to role-based permissions (e.g., read-only for most users).
- **Destruction:** Shred or securely delete outdated info per NIST guidelines.
- **Breach Response:** Report suspected compromises to Finance Director and Ohio Auditor of State within 72 hours (per ORC § 1347.15, data protection).

Responsibilities

Role	Key Duties
City Auditor	Oversee policy enforcement; approve high-risk changes; annual review.
Accounts Payable Staff	Initiate verifications; process updates; maintain records.
Department Heads	Submit verified vendor requests; monitor for fraud indicators.
City Auditor	Approve high-value setups/updates; ensure training compliance.
All Employees	Report suspicious requests immediately; complete annual training.

Role	Key Duties
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Internal Audit	Test controls quarterly; report findings to City Council.
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Training and Awareness

- **Mandatory Training:** Annual session on BEC/phishing recognition, policy procedures, and fraud detection, delivered via Auditor of State resources (e.g., Bulletin 2024-003). New hires trained within 30 days.
- **Ongoing Awareness:** Quarterly phishing simulations; distribute Auditor of State advisories.
- **Metrics:** Track training completion (target: 100%) and simulation success rates.

Compliance and Auditing

- **Internal Controls:** This policy aligns with ORC § 117.111 (security for electronic transactions) and Ohio Admin. Code 117-10-01 (financial record-keeping). Segregation of duties, documentation, and verification mitigate risks per Government Auditing Standards (Yellow Book).
- **Auditor of State Review:** Controls designed for compliance with the 2024 Ohio Compliance Supplement, including expense verification and electronic record security. Annual self-audit submitted to Auditor of State if requested.
- **Monitoring:** Finance Department conducts semi-annual reviews of vendor files for outdated info (e.g., >2 years inactive).
- **Amendments:** Updates require City Council approval; notify staff via memo.

This policy promotes fiscal integrity and protects City resources. Questions? Contact the City Auditor at (937) 393-3010.

Adopted by City Council on