

State of Arkansas
92nd General Assembly
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A Bill

HOUSE BILL 1405

By: Representative Womack

By: Senator Rapert

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING THE CANCELED CHECKS OF A PUBLIC ENTITY; TO PROVIDE ALTERNATIVE FORMATS FOR MAINTAINING AND ACCESSING THE CANCELED CHECKS OF A PUBLIC ENTITY; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE LAW CONCERNING THE CANCELED CHECKS OF A PUBLIC ENTITY; AND TO PROVIDE ALTERNATIVE FORMATS FOR MAINTAINING AND ACCESSING THE CANCELED CHECKS OF A PUBLIC ENTITY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code §§ 19-2-505 and 19-2-506 are amended to read as follows:

19-2-505. Approval by Arkansas Legislative Audit.

(a) ~~Any~~ A financial institution desiring to provide public entities with images of canceled checks ~~on paper or by digital media~~ as provided in this subchapter shall provide a sample of imaged documents ~~or the digital media~~ in one (1) or more of the following formats to Arkansas Legislative Audit for review:

- (1) Stored on a CD-ROM or similar tangible digital media;
- (2) Accessible through the internet; or
- (3) On paper.

(b) Upon receipt of imaged documents submitted under subsection (a) of



this section, Arkansas Legislative Audit shall immediately review and notify the financial institution whether or not the imaged documents ~~or digital media~~ are in compliance with this subchapter.

19-2-506. Digital images or copies of documentation.

(a) ~~Agreement.~~ After a financial institution has received written notification from Arkansas Legislative Audit that the submitted samples of its imaged documents ~~or digital media~~ under § 19-2-505 comply with ~~the provisions of~~ this subchapter and upon agreement with the public entity, the financial institution may provide ~~public entities~~ the public entity canceled check images in the ~~media type~~ format and quality approved by Arkansas Legislative Audit.

(b) ~~Complete Image.~~ The canceled check ~~copies or the digital~~ images of financial transactions provided to the public entity by the financial ~~institutions must~~ institution under this subchapter shall be legible and show both the front and back images of the canceled checks.

(c) ~~Digital Images.~~

(1) If a financial institution provides ~~the~~ canceled check images on tangible digital media under this subchapter, the images shall be provided on a read-only CD-ROM or other agreed upon digital media that would provide a permanent and tamper-proof record.

(2)(A) If particular software is needed to view or search the digital images provided under this subchapter, the financial institution shall provide ~~such~~ the software to the public entity and, upon request, to Arkansas Legislative Audit. ~~When using the appropriate software, the~~

(B) Software provided under subdivision (c)(2)(A) of this section shall make canceled check images ~~must be~~ clear and readable.

(3) Before delivery of ~~the~~ a CD-ROM or other tangible digital media to ~~the~~ a public entity, ~~the~~ a financial institution shall perform random verification of the legibility of the contents of the data. ~~The financial institution shall submit a letter or other method approved by Arkansas Legislative Audit acknowledging verification of the contents, along with the CD-ROM or other digital media, to the public entity.~~

~~(4) The financial institution may also provide a duplicate copy of the check images on digital media, conforming to the specifications provided in this subchapter, to Arkansas Legislative Audit on a monthly~~

basis.

(d)(1) If a financial institution provides canceled check images to a public entity through internet access to online banking documents under this subchapter, the financial institution may provide Arkansas Legislative Audit read-only internet access to the public entity's online banking documents.

(2) Read-only internet access granted under subdivision (d)(1) of this section shall permit viewing and copying of each public entity's bank statements, canceled check images, deposit slips, and other financial transaction documentation made available to the public entity.

(3)(A) If particular software is needed to view or search images made available under this subsection, the financial institution shall provide the necessary software to the public entity and, upon request, to Arkansas Legislative Audit.

(B) Software provided under subdivision (d)(3)(A) of this section shall make canceled check images clear and readable.

(4) An online banking document made available to a public entity under this subsection shall be available for read-only internet access for at least five (5) years after the document is made available to the public entity online.

~~(d) Paper Images. (e) If a financial institution provides the canceled check images on paper under this subchapter, the images must shall be of such clarity and size that the details may be read without the aid of a magnifying device. The financial institution must be able to, and, at the request of Arkansas Legislative Audit, must provide duplicate copies of any checks and statements delivered to a public entity with the same clarity and size as the imaged documents previously delivered.~~

~~(e) Authentication of Paper Images.~~

(f)(1) If ~~the~~ a financial institution provides canceled check images ~~on paper~~ under this subchapter, the financial institution shall implement one (1) of the following procedures to provide verification of the authenticity of the records retained by the public entity:

(A) A duplicate copy of the check images on paper and statements mailed to Arkansas Legislative Audit on a monthly basis;

(B) The use of an identifying mark unique to the financial institution on the paper images of checks sent to the public entity;

(C) The delivery of a duplicate copy of the check images

stored on tangible digital media, conforming to the digital imaging specifications set forth stated in this subchapter, to Arkansas Legislative Audit on a monthly basis; or

(D) The provision to Arkansas Legislative Audit of read-only internet access to the public entity's online banking documents in accordance with the requirements of this subchapter; or

(E) Any other authenticating method approved by Arkansas Legislative Audit.

~~(2) The A financial institution is authorized to may elect which of the foregoing procedures listed in subdivision (f)(1) of this section it shall implement to provide authentication of paper images relating to the accounts of each public entity. Upon reasonable notice to Arkansas Legislative Audit and the public entity, the financial institution may elect to implement one (1) of the other authentication procedures or elect to provide images on digital media as set forth in this subchapter.~~

(g) A financial institution shall be able to, and, at the request of Arkansas Legislative Audit, shall provide duplicate copies of any checks and statements delivered to a public entity:

(1) With the same clarity and size as the imaged documents previously delivered; and

(2) In the format requested by Arkansas Legislative Audit if the format is currently available to the financial institution.

APPROVED: 2/28/19