

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019  
4

# A Bill

HOUSE BILL 1405

5 By: Representative Womack  
6 By: Senator Rapert  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING THE CANCELED  
10 CHECKS OF A PUBLIC ENTITY; TO PROVIDE ALTERNATIVE  
11 FORMATS FOR MAINTAINING AND ACCESSING THE CANCELED  
12 CHECKS OF A PUBLIC ENTITY; AND FOR OTHER PURPOSES.  
13

## Subtitle

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15 TO AMEND THE LAW CONCERNING THE CANCELED  
16 CHECKS OF A PUBLIC ENTITY; AND TO PROVIDE  
17 ALTERNATIVE FORMATS FOR MAINTAINING AND  
18 ACCESSING THE CANCELED CHECKS OF A PUBLIC  
19 ENTITY.  
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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25 SECTION 1. Arkansas Code §§ 19-2-505 and 19-2-506 are amended to read  
26 as follows:

27 19-2-505. Approval by Arkansas Legislative Audit.

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

33 (1) Stored on a CD-ROM or similar tangible digital media;

34 (2) Accessible through the internet; or

35 (3) On paper.

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



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

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 5 19-2-506. Digital images or copies of documentation.

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

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

17 (c) ~~Digital Images.~~

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

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

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

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

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

1 ~~basis.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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