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“It’s My Credit Union... It’s Where You Belong!”

December 19, 2014

On, December 19, 2014, Jan M. Putnam, AAP for Services Center Federal Credit Union conducted the Site-Four annual ACH audit. The objective of the audit is to assess Site-Four’s compliance in respect to the 2014 NACHA Operating Rules (Section 8.1 – General Audit Requirements for Participating Depository Financial Institutions and Section 8.2 – Audit Requirements of Participating Financial Institutions). Site-Four does not originate ACH transactions, other than returns for its Credit Unions, so therefore is not required to complete Section 8.3 (Audit Requirements of Originating Depository Financial Institutions).

Section 8.1 – General Audit Requirements

Each Participating DFI, Third-Party Service Provider, and Third-Party Sender must, in accordance with standard auditing procedures, conduct an internal or external audit of compliance with provisions of the ACH rules in accordance with the requirements of this Appendix Eight. These audit provisions do not prescribe a specific methodology to be used for the completion of an audit but identify key rule provisions that should be examined during the audit process. An annual audit must be conducted under these Rule Compliance Audit Requirements no later than December 31 of each year.

Site-Four began processing ACH for their contracted Credit Unions on 02-01-13. They have a Federal Reserve Bank FedACH® Participation Agreement Part 2: Origination Options (Table S.2 – Service Provider Designation) and Part 3A: Receipt Options for Participating Institutions (Table R.3 – Service Provider Designation) on file for each Credit Union they provide services for.

They also have a “Notice of Sharing Fedline Access Routers” form on file for the shared connection(s) relationship with Services Center Federal Credit Union (SCFCU) as they use SCFCU’s connection(s) to receive and send ACH files from and to the Federal Reserve (ACH Operator).

Comments/Concerns/Recommendations:

It was recommended in the 2013 audit that Site-Four complete and enter into an agreement with its participating credit unions, or clarify their group provider agreement(s), addressing their responsibilities, accountabilities and liabilities pertaining to ACH. An attorney’s opinion was sought and it was determined the agreement could be done only with the group providers, CU*NorthWest, CU*South and Services Center FCU. This agreement is in process but has not yet been completed.

I would recommend that Site-Four complete this agreement with each of its group providers, CU*NorthWest, CU*South and Services Center FCU as it pertains to ACH processing to address their responsibility, accountability and liability. Per NACHA Operating Guidelines – Section VI – Special Topics (Chapter 50 Third-Party Service Providers) “This agreement should define the responsibility, accountability, and liability for the handling of ACH files. It should also address provisions for any additional services the processor may offer to the RDFI, such as processing returns, notifications of change, etc.” The agreement should contain posting times, cut off times and other pertinent processing information.

Section 8.2 – Audit Requirements for All Participating DFIs

Section 8.2.a – Record Retention Verification

Records are saved on the IFS core system and are available since 02-01-13 when Site-Four began processing. Prior records, pertaining to the six year retention requirement, are available from the previous processors CU*NorthWest, CU*South and Services Center Federal Credit Union. It was verified these records are available.

Section 8.2.b – Electronic Record Verification

Site-Four does not utilize electronic records for transaction receiving processing and they do not do any origination processing, other than returns that require an authorization, electronic or otherwise.

Section 8.2.c – Audit Verification

This is the second required ACH audit performed for Site-Four. A copy of the previous (first) audit was made available.

Section 8.2.d – Secure Data Transmission

Site-Four downloads and uploads files using the Federal Reserve’s encrypted VPN connection directly to the Integrated File System (IFS) on the core system. Site-Four uses the Advanced Encryption Standard (AES) 256 bit encryption to move data between themselves and client credit unions.

Section 8.2.e – NACHA Fees

Not Applicable

Section 8.2.f – Risk Assessment

Not Applicable as Site-Four is a Third Party Service Provider and not required to complete an annual ACH Risk Assessment.

Section 8.2.g – Security Requirements

Site-Four has adopted and put in place the necessary policies and procedures to safeguard Protected Information as required.

Section 8.3 – Audit Requirements for RDFIs

Section 8.3.a – Prenote Verification

Not Applicable

Section 8.3.b – Sending Notifications of Change (NOCs)

Not Applicable – Each individual credit union processes and queues their own notifications of change and Site-Four is only responsible for transmitting them into the ACH network.

Section 8.3.c – Acceptance of Entries

All entries are accepted and transmitted to client credit unions. DNE transactions are provided to client credit unions on a separate report.

Section 8.3.d – Credit Availability

Credits for participating credit unions are posted no later than 7:00 am CST. Debits for participating credit unions are posted no later than 11:00 pm CST.

Section 8.3.e – Account Statement Content

All required information is printed on the account statement.

Section 8.3.f – Timely Returns

Each individual client credit union queues their own returns and Site-Four transmits them to the ACH Operator no later than 4:00 pm CST.

Section 8.3.g – Re-presented Check Entries

Represented check entries (RCK) are returned with other returns at the appropriate time and queued by individual client credit unions.

Section 8.3.h – Return of Credit Entries

Credit transactions are returned with all other returns at the appropriate time.

Section 8.3.i – Stop Payments

Not Applicable - Each individual client credit union is responsible for accepting stop pay orders and submitting the information to Site-Four through the CU*BASE software platform.

Section 8.3.j – Written Statement of Unauthorized Debit (WSUD)

Not Applicable - Obtaining a Written Statement of Unauthorized Debit (WSUD) is the responsibility of each client credit union.

Section 8.3.k – Uniform Commercial Code Appendix 4A Compliance

Not Applicable - Site-Four is not responsible for providing sample UCC 4A disclosures to client credit unions.

Section 8.3.l – Payment-Related Information

Addenda information is made available to Site-Four's client credit unions for them to provide to their members, if requested.

Respectfully submitted,
Jan M. Putnam, AAP, NCCO
Services Center Federal Credit Union