

AuditLink

2018 Annual ACH Audit Site-Four

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PURPOSE

An objective, comprehensive evaluation of Site-Four's ACH policies, procedures and processes was conducted on November 1, 2018.

The overall objective was to assess ACH Compliance with respect to the 2018 NACHA Operating Rules; Appendix Eight Part 8.1 - General Audit Requirements for Participating Depository Financial Institutions, Part 8.2 - Audit Requirements of Participating Financial Institutions, Part 8.3 – Audit Requirements for RDFI's

The annual ACH audit of the credit union consists of audit findings, observations, recommendations, and violations, if applicable, with a conclusion.

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General Audit Requirements – Article One

Audits

Verify that Site-Four has conducted an audit of compliance with the ACH Rules and retained for a period of six years. Ensure that any Third-Party Service Providers affiliated with Site-Four has also had an ACH audit performed annually.

Findings/Recommendations: Site-Four's last audit was performed in 2016. There was not an audit performed in 2017.

Magic-Wrighter is a third party service provider for Site-Four and they provided proof of their audit as well.

Record Retention

Verify that all ACH records, received, returns and originated entries are securely retained for six years from the date of the entry and access is restricted.

Findings/Recommendations: Site-Four has been a data center for core processors, CU*NorthWest and CU*South, since 2014. They provided a sample of various ACH reports to prove out retention dating back to 2014. CU*NorthWest also provided samples of ACH reports from 2012 to 2014.

Secure Transmission of ACH information via Unsecured Electronic Networks

Verify that required encryption or a secure session is used for banking information transmitted via an Unsecured Electronic Network

Findings/Recommendations: Site-Four provided proof of commercially reasonable encryption levels for the client core platform (CU*BASE GOLD), Go Anywhere (A2A and transmissions between Site-Four and MagicWrighter) and FedLine. 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

Site-Four has six employees with FedLine tokens and CU*NorthWest has one employee with a token as a backup for Site-Four. Restrictions have been placed on the tokens that limit anyone from using their token from an offsite location. All active token holders are still current employees.

Security of Protected Information

Verify the participating DFI has conducted an assessment of the risks of its ACH activities and has implemented a risk management program on the basis of such an assessment and has established, implemented and updated policies and procedures. Verify the Participating Third-Party Service Provider has implemented policies, procedures and systems to protect the confidentiality and integrity of Protected Information.

Findings/Recommendations: Site-Four provided their 2018 SSAE 18 for review. The daily processes were discussed verbally but the procedures are not documented. Site-Four has not performed an ACH Data Security Self-Assessment.

Site-Four does have the systems and processes in place to protect the confidentiality and integrity of ACH data but lack documentation. It is recommended that Site-Four document their processes and also perform an ACH Data Security Self-Assessment.

ACH Entries Accepted

Verify that all types of entries that comply with these rules and are received with respect to an account maintained with the RDFI are accepted.

Findings/Recommendations: Site-Four's processes accept all ACH entries. CU*NorthWest and CU*Souths' credit unions have their own policies in place to determine whether they will accept all entries or not.

Rights and Responsibilities of ODFIs, Originators and Third-Party Senders – Article Two

Provisions for Internal Origination

Verify that transactions originated internally are in compliance with the related ACH rules.

Findings/Recommendations: Site-Four does not provide origination services to their clients.

Rights and Responsibilities of RDFIs and Their Receivers – Article Three

Obligation to Provide Information about Entries and Notices to the Receiver for Credit Entries Subject to Article 4A

Verify that required information is made available for each credit and debit Entry to an Account, that the Receiver has been provided proper notice to ensure compliance with UCC 4A and that, when requested, payment related information is provided in a timely manner

Findings/Recommendations: Samples of client member statements were provided for review. The core processors do make the appropriate payment information available to members via the account statement and in the account history on Home Banking. It is a process that is hard coded at the core processor level.

Timing Requirements Make Credit and Debit Entries Available.

Verify that all valid ACH transactions are accepted and consumer credits are made available no later than open of business on Settlement date.

Findings/Recommendations: The CU*BASE GOLD software allows clients to choose to configure up to three posting times and whether they want debits, credits or both to post. CU*A posting schedule allows for timely posting and ensures Same Day credits are available by 5:00pm.