

2021 ACH Audit



December 31, 2021

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ACH Audit Summary Report

Participants in the ACH network are required to comply with the provisions of the ACH Operating Rules. ACH rules provide the requirements for an audit of compliance, and an examination of procedures, policies and controls relating to the origination of ACH entries. Controls include both administrative and operational controls.

Site-Four is a data processor, and their clients are Third-Party Service Providers of core and peripheral data processing services as Credit Union Service Organizations (CUSO) providing services to client Credit Unions across the United States.

Site-Four services include receipt and posting of ACH files to the core system and initiate returns on behalf of client Credit Unions. Neither Site-Four nor their core clients are Financial Institutions and do not have a routing and transit number. Origination contracts are held between the ACH vendor (MagicWrighter) and the credit unions.

The ACH Audit of Compliance for Site-Four was performed on December 30, 2021. The audit sample period included October 18-29, 2021. Procedures were examined regarding each applicable requirement.

This audit was conducted for Site-Four in compliance with the ACH Operating Rules, Article Two and all other applicable Appendixes.

ACH Audit Requirements

Audits of Rules Compliance

An annual audit must be conducted under these Rule Compliance Audit Requirements no later than December 31 of each year. The Participating DFI, Third-Party Service Provider or Third-Party Sender must retain proof that it has completed an audit of compliance in accordance with these Rules. Documentation supporting the completion of an audit must be (1) retained for period of six years from the date of the audit, and (2) provided to the National Association upon request.

Status: Compliant

Comments: Site-Four conducted an ACH Audit for 2020; evidence of retention of 2016-2019 audits were available for review. Proof of completion of the most recent ACH audit was obtained for applicable Third-Party Providers of ACH services.

All assessment and audit reports conducted for or by Site-Four are presented to the Board of Directors upon completion and made available to the credit union clients via the core client websites.

Electronic Records

A Record required by these rules to be in writing may be created or retained in an electronic form that (a) accurately reflects the information contained within the record, and (b) are capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.

A Record that is required by these Rules to be signed or similarly authenticated may be signed with an Electronic Signature in conformity with the terms of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. §7001, et seq.), and in a manner that evidences the identity of the Person who signed and that Person's assent to the terms of the Record.

Status: Compliant

Comments: By agreement, Site-Four provides electronic records to its clients as evidence of compliance with Nacha Operating Rules and regulatory requirements. Client credit unions receive 90 days of electronic records and may opt to retain daily reports within their own internal servers. Client Credit Union's are responsible for maintaining security and retention requirements of their member ACH data.

Site-Four was able to provide proof that they can reproduce ACH record data.

Client credit unions submit signed FedACH participation agreements to Site-Four which are saved on a secure drive at Site-Four.

Security of Protected Information

Each Non-consumer Originator, Participating DFI, and Third-Party Service Provider must establish, implement, and update, as appropriate, policies, procedures, and systems with respect to the initiation, processing, and storage of Entries that are designed to (a) protect the confidentiality and integrity of Protected Information until its destruction; (b) protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction; and (c) protect against unauthorized use of Protected Information that could result in substantial harm to a natural person. Such policies, procedures, and systems must include controls that comply with applicable regulatory guidelines on access to all systems used by such Non-Consumer Originator, Participating DFI, and Third-party Service Provider to initiate, process, and store Entries.

The ACH security requirements consist of three elements (1) the protection of sensitive data and access controls; (2) self-assessment; and (3) verification of the identity of Third-Party Senders and Originators.

Effective June 30, 2021: Each Non-Consumer Originator that is not a Participating DFI, each Third-Party Service Provider, and each Third-Party Sender, whose origination or transmission volume exceeds 6 million entries annually must, by June 30 of the following year, protect DFI account numbers used in the initiation of Entries by rendering them unreadable when stored electronically

Status: Compliant

Comments: Site-Four completed a Data Security Self-Assessment in December 2021. The security of protected information is identified in company policies. The assessment ensures ACH related information is protected and confidential.

Evidence of risk and security assessments is obtained from applicable Third-Party Service Providers of ACH services via their independent audit reports.

A review of the FedLine token report was verified to ensure the appropriate employees have access to the FedLine system. No exceptions to note.

Encryption

Banking information related to an Entry that is Transmitted via an Unsecured Electronic Network must, at all times from the point of data entry and through the Transmission of such banking information, be either encrypted or Transmitted via a secure session, in either case using a technology that provides a commercially reasonable level of security that complies with applicable regulatory requirements.

Status: Compliant

Comments: Site-Four core clients provide online banking services for their credit union clients; evidence of encryption was provided for review. The option for person-to-person transactions (P2P) and bill payment services is provided by Payveris whose ODFI is Webster Bank. Additional services provided include Membership Opening Product (MOP), LoanPay Express and A2A. The credit unions who choose to offer these services through CU*BASE are in a contract with Magic Wrighter.

CU*Base client connectivity is by dedicated secure VPN or dedicated Multiprotocol Label Switching (MPLS) with VPN back-up.

Agreements

When agreements have been executed between the Originator and the ODFI, it is also recommended that agreements be entered into between the Originator and the Third-Party Service Provider, and between the Third-Party Service Provider and the ODFI. Such agreements should acknowledge that Entries may not be initiated that violate the laws of the United States; that includes any restrictions on types of Entries that may be originated; that include the right to terminate or suspend the agreement for breach of the Rules, and the right to audit.

Status: Compliant

Comments: Site-Four provides services to approximately 120 Credit Unions nationally. The credit unions complete the FedACH agreements which are submitted to Site-Four for processing.

A Master Services Agreement is executed between the core clients and their client Credit Union; evidence of agreements provided for selected clients.

Return Entries

A Third-Party Service Provider must accept Return Entries and Extended Return Entries received from an RDFI. Dishonored Return Entries must be transmitted within five Banking Days after the Settlement Date of the Return Entry and contested dishonored Return Entries must be accepted, as required by these Rules. A Third-Party Service Provider may Reinitiate an Entry, other than an RCK Entry, that was previously returned as established in these Rules. A Third-Party Sender may originate a Return Fee Entry to the extent permitted by applicable Legal Requirements and as established in these Rules.

Status: Compliant

Comments: Site-Four does not work returns or make pay/return decisions on behalf of client Credit Unions; each client is responsible for working their exceptions. Upon receipt of each client return file, Site-Four transmits batch files to the Federal Reserve.

Notification of Change

A Third-Party Service Provider must accept a Notification of Change (“NOC” and “COR Entry”) or a corrected NOC and provide Originator with notification as identified in these Rules. An Originator must make the changes specified in the NOC or corrected NOC within six Banking Days of receipt of the NOC information or prior to initiating another Entry to a Receiver’s account, whichever is later.

Status: Compliant

Comments: Neither Site-Four nor their core clients create Notifications of Change (NOC) on behalf of client Credit Unions; each Credit Union is responsible for working their exceptions. Upon receipt of the client NOC files, Site-Four transmits files to the Federal Reserve.

Request for Authorization

An authorization must be obtained from a Receiver to originate one or more Entries to the Receivers account; and at the request of the ODFI, the Third-Party or Originator must provide a copy of such authorizations in accordance with the requirements of these rules.

Status: N/A

Comments: Neither Site-Four nor their core clients originate debits. Origination agreements are held between the ACH Vendor and the credit unions and authorizations are held between the client credit unions and their members.

Reversing Entries and Reversing Files

A Third-Party Service Provider may initiate a Reversing File to reverse all Entries of an Erroneous File or a Reversing Entry to correct an Erroneous Entry previously initiated to a Receivers account in accordance with the requirements of the Rules.

Status: N/A

Comments: Neither Site-Four nor their core clients originate ACH transactions on behalf of the Credit Union clients. Reversing entries and files are not applicable.

Originator Obligations

A Third-Party Service Provider must satisfy Nacha Rule requirements and provide additional warranties for each originated ACH transaction as applicable.

Status: Compliant

Site-Four does not originate ACH transactions on behalf of the Credit Union clients. The core clients offer origination services through MagicWrighter; client Credit Unions contract directly with MagicWrither and are identified as the Originating Depository Financial Institution (ODFI). The core clients offer additional online banking services (bill payment, A2A/P2P) through Payveris and its ODFI, Webster Bank. These process as PPD, WEB or TEL. A sample of each record was reviewed for formatting compliance. No exceptions to note.