2022 Third-Party Service Provider Audit

December 22

2022

Site-Four, LLC, Yankton, SD

TABLE OF CONTENTS

December 23, 2022

Audit Committee and Management
Site-Four, LLC
608 Goeden Dr
Yankton, SD 57078

To the Audit Committee and Management of Site-Four, LLC:

UMACHA completed an external Audit of ACH Rules Compliance for Site-Four, LLC on December 22, 2022. The primary objective of the engagement was to provide management with an independent review of the company's ACH operations based on the rules outlined within the Nacha Operating Rules and Guidelines and in accordance with FFIEC Guidance.

The review was designed to assist the Third-Party's board of directors and senior management by identifying potential areas of noncompliance or areas that require stronger internal controls and/or increased focus. The scope of the audit included a review of the company's ACH operations based on established policies, procedures, processes, agreements, selected disclosures and a sampling of ACH reports and transactions.

Conclusions were based on the results of the information reviewed, discussion with various employees and personal observations. Conclusions reached are believed to be a fair and accurate representation of the handling of ACH transactions. Comments or suggestions that involve your core system or any software used, should be discussed with your compliance officer to determine if other compliance areas may be impacted. All systems operate differently and solutions of compliance should be discussed with appropriate parties. Sample forms, authorizations, policies, etc., we provide during the audit process are only samples and should be reviewed and approved by appropriate parties and/or the company's legal counsel. Sound Business Practices may be used for improving operational efficiency.

This report is intended solely for the information and use of the Site-Four, LLC, UMACHA, and Nacha. The Third Party's external auditors and regulators may be provided with a copy of this report in connection with fulfilling their responsibilities. This audit has not been reviewed by a regulatory agency. There is no warranty expressed or implied with respect to the information contained within the report. According to the Rules, proof of your ACH Audit must be maintained for six years.

It was certainly a pleasure working with you and your staff. Thank you for your cooperation during the audit process.

Sincerely,

Sara Hentges, AAP, APRP, NCP
Director of Compliance Services

Auditor Name:	Sara Hentges, AAP, APRP, NCP, Director of Compliance Services
Auditor Signatures:	*Sara Hentges*
Audit Date:	December 22, 2022
Third-Party:	Site-Four, LLC, Yankton, SD

A review of the ACH operations was performed for Site-Four, LLC, Yankton. The scope of the audit included a review of the company's ACH operations and compliance with the Nacha Operating Rules and Guidelines and FFIEC Guidance.

Sound business practice recommendations and/or suggestions are not specific violations of the Nacha Operating Rules but are suggestions that may improve ACH operations or limit the company's liability. However, items noted as suggestions may be found to be exceptions by examiners during other regulatory compliance audits.

Third-Party Management Signature _____

This audit has not been reviewed by a regulatory agency. There is no warranty expressed or implied with respect to the information contained herein.

Nacha™ Direct Member

UMACHA is a Nacha Direct Member. All rights are reserved by UMACHA, and content may not be reproduced, downloaded, disseminated, published, or transferred in any form or by any means, except with the prior written permission of UMACHA.

Audit Introduction, Scope & Objectives

The purpose of this audit is to verify compliance with the Nacha Operating Rules & Guidelines and FFIEC Guidance. Participating DFIs, Third-Party Senders, and Third-Party Service Providers must comply with all provisions of the Nacha Operating Rules & Guidelines and are required to conduct an audit of such compliance on an annual basis. The audit review included all rule requirements and highlighted the most critical components of risk of an audit of ACH Rules compliance. The audit was based on a selective sampling of various disclosures and documents pertaining to ACH and a review of compliance with the Nacha Operating Rules & Guidelines. Conclusions were based on the results of information reviewed, discussion with various employees and personal observations. Conclusions reached are believed to be a fair and accurate representation of the handling of ACH transactions

Audit Classifications Defined

Areas identified within the Rules are given a classification of: Compliance, Compliance with Exception, Non-Compliance, and Unable to Test, or Not Applicable. Sound Business Practices are not specific violations of the Nacha Operating Rules & Guidelines but are suggestions that may improve ACH operations or limit the company's liability. However, items noted as sound business practices may be found to be exceptions by examiners during other regulatory compliance reviews.

- **Compliance –** The Third-Party is compliant with the audit requirement; there are no findings or exception items.
- **Compliance with Exception –** The Third-Party is compliant with the audit requirement; however, there were minor deviations from the Rules and/or its internal policies and procedures, at times. *Example: During the test period, there were 10 items returned that should have had a Written Statement of Unauthorized Debit form on file. There was a Written Statement on file for each item; however, two of the forms were not completed properly.*
- **Non-Compliance –** The Third-Party is not in compliance with this audit requirement. An aggregation of minor deviations and/or major deviations from the Rules occurred.
- **Unable to Test –** The auditor was unable to test for the audit requirement due to certain circumstances. *Example: If Nacha has not requested the ODFI to report return rate information on an Originator or Third-Party Sender, we would be unable to test this requirement.*
- **Not Applicable –** The specific audit requirement does not apply to the Third-Party. *Example 1: The audit requirement is referencing the origination of BOC, CCD or CTX entries and the Third-Party Service Provider does not have originators initiating these types of entries. Example 2: The audit requirement references a Sending Point Agreement and the company does not have a designated Sending Point, because they forward ACH files to the ACH Operator for processing.*
- **Sound Business Practices –** Sound business practices are not specific violations of the Nacha Operating Rules but are suggestions that may improve ACH operations or limit the institution's liability. However, items noted as sound business practices or suggestions may be found to be exceptions by examiners during other regulatory compliance audits. *Example: the auditor suggests processes that may not be rule requirements but are considered sound business practices or there were minor deviations from institution's documented policy and procedures.*

Site-Four, LLC
Yankton, SD

2022 Audit Findings & Exception Items

The external audit of Site-Four, LLC was performed December 22, 2022. The purpose of this audit is to verify compliance with the Nacha Operating Rules & Guidelines.

Please know any comments or sound business practices that might involve your core system or any software used, should be discussed in detail with appropriate parties and your Compliance Officer to determine if sound business practices may affect other compliance areas. All systems operate differently and solutions of compliance should be discussed with appropriate parties.

Audit Findings
There are 0 audit findings to report.

Compliance with Exception
There is 1 area of compliance with exception to report.

Article One (a.) General Audit Requirements -- The Third-Party Service Provider did not conduct an ACH Audit in 2017. In accordance with Article One, Subsection 1.2.2.1 (General Audit Requirements) a Sending Point and Receiving Point are required to conduct an ACH Audit by December 31st annually. It is recommended that the Third-Party Service Provider continue to conduct an ACH Audit annually.

Site-Four, LLC
Yankton, SD

2022 Sound Business Practices & Comments

Sound Business Practices:

The following items are not specific violations of the Nacha Operating Rules but are suggestions to improve efficiency of ACH operations or limit the Third-Party's liability. However, items noted as suggestions may be found to be exceptions by examiners during other regulatory compliance audits.

There is 1 sound business practice to report.

Sending and Receiving Point Agreements - It is recommended that the Third-Party Service Provider follow up with its group providers to ensure that, through a chain of agreements, there is a Sending and Receiving Point agreement with each Financial Institution that spells out the processes and liabilities of each party.

Comments:

The following items are not specific violations of the Nacha Operating Rules but are comments the Third-Party should consider to industry changes and/or new products and services the Third-Party may offer.

There are no comments.

2022 ACH Audit Report

The external audit for Site-Four, LLC was performed on December 22, 2022, to verify compliance with the Nacha Operating Rules & Guidelines and FFIEC Guidance. Each Participating DFI, Third-Party Service Provider, and Third-Party Sender must, in accordance with standard auditing procedures conduct an audit of compliance with provisions of the ACH Rules in accordance with the requirements of the Nacha Operating Rules & Guidelines. UMACHA utilizes a risk-based audit approach. The audit included interviews with appropriate management and staff; review of policies, procedures, records, agreements, authorizations; observation of activities and operations; and testing of ACH entries originated or received during defined test periods.

ACH AUDIT PROFILE

1. **Third-Party Name and Location:** Site-Four, LLC; Yankton, SD

2. **Who is the primary ACH Audit contact?** Alan Rogers

3. **Third-Party Company Website:** www.site-four.com

4. **Name(s) and Routing Number(s) of Financial Institution(s) (ODFIs):** Several

5. **ACH Operator:** Federal Reserve Bank

6. **Does the Third-Party send files to the Federal Reserve Bank on behalf of customers?** Yes

7. **Does the Third-Party receive files from the Federal Reserve Bank and make those files available to financial institutions they service?** Yes

   a. **If the Third-Party acts as a Receiving Point, is the Third-Party responsible for posting entries to the financial institution's customer accounts?** Yes

8. **If applicable, are agreements in place with the Federal Reserve Bank designating the Third-Party as authorized Sending and Receiving Points?** Yes

9. **Is the Third-Party's customer base made up of corporations, financial institutions, or both?** Financial Institutions

10. **This audit is for which year?** 2022

11. **Does the Third-Party have proof of the audit from the previous year? Have all issues/findings been addressed?** Yes

12. **How many financial institutions does the Third-Party provide ACH services?** 118

13. **Does the Third-Party also act as a Third-Party Sender?** No

   a. **If yes, how many Originators does the Third-Party provide ACH origination services to?** Not Applicable

14. **Does the Third-Party process ACH entries for client Third-Party Senders?** No

- **If yes, how many?** Not Applicable

15. What SEC codes are allowed?

☐ PPD
☐ CCD
☐ CTX
☐ ARC
☐ BOC
☐ POP
☐ RCK
☐ WEB
☐ TEL
☐ IAT
☐ POS
☑ Other:

The Third-party is a Sending and Receiving Point

16. Does the Third-Party also act as a financial institution and a correspondent for ACH related activity for other financial institutions? No

   a. **If yes, how many?** Not Applicable

17. Does the Third-Party originate Reinitiation Entries and/or Return Fee Entries on its own behalf or on behalf of its client Originators and/or Third-Party Senders? Not Applicable

18. Does the Third-Party originate Same Day ACH entries on its own behalf or on behalf of its client Originators and/or Third-Party Senders? Not Applicable

19. Does the Third-Party have documented ACH procedures in place for processing incoming and outgoing ACH items? Yes - Reviewed daily run sheets and staff was interviewed.

   Sound Business Practices: There are no sound business practices identified for management consideration.

20. What ACH policies are in place? *(i.e. ACH Management Policy, ACH Credit Policy, ACH Risk Policy, Business Continuity, Vendor Management, IT/IS Policy, Regulation E Policy, etc.)* Information Security Policy

   a. **If policies are in place, have they been properly approved based on the Third-Party's internal policies and procedures?** Yes
      1. **If yes, what is the most recent approval date?** Information Security Policy - 05/2020

   Sound Business Practices: There are no sound business practices identified for management consideration.

21. Daily ACH activity reports reviewed for the test period of: August 2016 and December 2022

   a. **List all reports reviewed:** Raw Data Files

ONLINE BANKING & OTHER PRODUCTS

1. What products are available through online banking? Check all that apply.

- ☐ Account Review
- ☐ Alerts
- ☐ Consumer Bill Pay
- ☐ Corporate Bill Pay
- ☐ P2P Payments (Credits)
- ☐ A2A Payments (Credits or Debits)
- ☐ C2C Payments (Debits)
- ☐ ACH Origination
- ☐ Mobile Banking
- ☐ Mobile Deposits
- ☐ Other:
- ☑ Not Applicable

  a. **Is there an enrollment process?** Not Applicable
  b. **If disclosures are given, are Regulation E Disclosures marked as consumer only?** Not Applicable
  c. **Who is the online banking vendor?** Not Applicable
  d. **Do online banking products allow for Same Day ACH entries?** Not Applicable
  e. **Do online banking products allow for international activity?** Not Applicable

  Sound Business Practices: There are no sound business practices identified for management consideration.

2. Does the Third-Party offer an account opening online platform? It is within reasonable assurance the Third-Party does not offer this service.

3. Does the Third-Party offer a P2P, A2A, and/or C2C payment platform? It is within reasonable assurance the Third-Party does not offer this service.

4. Does the Third-Party bill pay services, or a bill pay platform? It is within reasonable assurance the Third-Party does not offer this service.

5. Does the Third-Party offer a Mobile Banking/Mobile Payments platform? It is within reasonable assurance the Third-Party does not offer this service.

6. Does the Third-Party offer platforms that utilize the ACH Network to collect credit card payments? It is within reasonable assurance the Third-Party does not utilize the ACH Network for this purpose.

7. Does the Third-Party offer a platform which allows the ACH Network to be used to collect loan payments? It is within reasonable assurance the Third-Party does not utilize the ACH Network for this purpose.

8. Does the Third-Party offer a platform which allows use of the ACH Network to pay CD interest? It is within reasonable assurance the Third-Party does not utilize the ACH Network to pay CD interest.

9. Does the Third-Party offer a platform which utilizes the ACH Network to provide other products/services to its clients? It is within reasonable assurance the Third-Party does not utilize the ACH Network for this purpose.

10. Does the Third-Party offer remote deposit service platforms? It is within reasonable assurance the Third-Party does not offer this service.

SOUND BUSINESS PRACTICES

1. **Verify the Third-Party has a formal ACH training program designed for all levels of personnel with ACH responsibilities.** Verified - New employees receive training and are cross-trained over a 120 day period. The Third-Party Service Provider also receives information from the Federal Reserve, its sister company CU*Answers, and its Payments Association.

   a. **Does the Third-Party have an Accredited ACH Professional (AAP) and/or an Accredited Payments Risk Professional (APRP) on staff?** No
      1. **If so, how many?** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

2. **Verify that ACH personnel have access to a current copy of the Nacha Operating Rules and Guidelines (electronic or hardcopy).** Verified - Verified a copy of the 2022 Nacha Operating Rules and Guidelines.

   Sound Business Practices: There are no sound business practices identified for management consideration.

3. **Verify appropriate administrative controls, staffing requirements, back-ups, organization structure, dual controls, and segregation-of-duties are in place.** Based on information reviewed, it is within reasonable assurance controls are in place. - Staff was interviewed. Employees cannot make changes to the Files. A separate operator reviews the work of the operator completing the work.

   Sound Business Practices: There are no sound business practices identified for management consideration.

4. **Verify the Third-Party has made arrangements for physical security to prevent unauthorized access.** Based upon review and observation, there are controls in place to mitigate physical security risk. - A key card is required to get into the building. Special access key cards are required to enter into the operations area. In addition, each operator must keep their FedLine token in their own lockbox. Staff was interviewed.

   Sound Business Practices: There are no sound business practices identified for management consideration.

5. **Verify, if the Third-Party has its own access device, the Third-Party assigns access based on employees' assigned responsibilities.** Verified - Staff was interviewed.

   a. **What access device(s) is being used?** FedLine Token

   Sound Business Practices: There are no sound business practices identified for management consideration.

6. **Verify processes are in place to handle employees that resign or are terminated.** Verified - A termination checklist is in place. Access to the Credit Unions and FedLine is removed immediately.

   Sound Business Practices: There are no sound business practices identified for management consideration.

7. **Verify the Third-Party has a contingency plan/disaster recovery plan - specific to ACH.** Verified - Reviewed the Business Continuity Plan. CU*Answers is the contingency Sending/Receiving Point.

a. **When was the plan last tested?** March 2021
b. **Does the plan include testing with vendors and testing of cybersecurity recovery?** Verified
c. **If issues were noted during testing, have the issues been resolved?** Not Applicable - There were no issues found.

   Sound Business Practices: There are no sound business practices identified for management consideration.

8. **Verify the Third-Party balances ACH to the settlement account daily and that there is appropriate management review.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

9. **Effect of Illegality** *(Article 1, Subsection 1.2.1)*

   Nothing in these Rules requires a participating DFI to debit or credit an account or to transfer funds or take other action required by the Rules if the participating DFI reasonably believes that taking such action in connection with a specific Entry would violate applicable U.S. Legal Requirements, including the obligation of the participating DFI under the programs administered by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN). A participating DFI must comply with all other requirements of these Rules with respect to all other Entries or other aspects of the same Entry, including the timely transmission of Return Entries and the availability of funds from Entries.

   Are policies and/or procedures documented to determine action when the Third-Party reasonably feels action as required by the Rules would violate applicable U.S. Legal Requirements, such as OFAC, FinCEN, etc.? Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

10. **Rules Enforcement** *(Article 1, Subsection 1.2.3)*

    Is the Third-Party aware of Rules enforcement procedures as defined in Appendix Nine of the Nacha Operating Rules? Not Applicable

    a. **If the Third-Party recently filed a Rules violation or received a Rules violation, were the proper processes followed according to Appendix Nine?** Not Applicable

    Sound Business Practices: There are no sound business practices identified for management consideration.

11. **Excused Delay** *(Article 1, Section 1.5)*

    Delay by a Participating DFI or ACH Operator beyond the time prescribed or permitted by these Rules is excused to the extent the delay was caused by the interruption of communication or computer facilities, provided that the delay is beyond the reasonable control of the Participating DFI or ACH Operator. This may include delays caused by war or act of God, provided that the Participating DFI or ACH Operator exercises such diligence as the circumstances require. Delay caused by the general failure of a Participating DFI's, or Third-Party Service Provider's computer facilities or other equipment does not constitute an excused delay and should be addressed within the Participating DFI's contingency planning policies.

    Do policies, procedures, and/or business continuity/disaster recovery plans address

Excused Delay as described within the Rules? Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

COMPLIANCE RELATED QUESTIONS

1. OFAC and IAT

    a. **Verify the Third-Party has formal policies and procedures in regard to OFAC compliance to include domestic and international ACH entries.** Not Applicable

    b. **Verify IAT transactions are screened and suspects are cleared prior to posting and memo posting.** Not Applicable

    c. **Verify customers have been made aware of possible delays in the posting of IAT transactions.** Not Applicable

    d. **Describe the screening process and indicate what system is used to screen IAT entries.** There are no sound business practices identified for management consideration.

    e. **Verify all seven mandatory addenda records are being screened and, in addition, information within the Payments Related Information field contained in the optional, up to five, Remittance Information addenda records are also being screened.** Not Applicable

        ○ **Verify the addenda records the institution is screening for IAT entries.**
- ☐ Receiver Name
- ☐ Originator Name and Street Address
- ☐ Originator City & State/Province, Originator County & Postal Code
- ☐ Originating Financial Institution Name, Identification, Branch Country Code
- ☐ Receiving Financial Institution Name, Identification, Branch Country Code
- ☐ Receiver Identification Number and Street Address
- ☐ Receiver City & State/Province, Information in the Payment Related Information contained in the optional Remittance Information addenda records
- ☑ Not Applicable

    f. **Are IAT entries received in a separate file from the Federal Reserve Bank?** Not Applicable

    Sound Business Practices: There are no sound business practices identified for management consideration.

2. Verify required written policies and procedures to identify and block unlawful Internet gambling transactions have been implemented. If the Third-Party has client Third-Party Sender relationships, verify processes include those relationships. Not Applicable

    Sound Business Practices: There are no sound business practices identified for management consideration.

PROCESSING GOVERNMENT PAYMENTS

1. **Verify procedures are documented in regard to the handling of government payments (i.e., DNEs, notice of death by family, etc.).** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

2. **Verify DNE reports are reviewed daily.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

3. **Verify procedures are documented in regard to receipt of government reclamation.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

4. **Verify subsequent payments are returned immediately once the Third-Party learns of the death of a customer.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

5. **Verify the Third-Party is aware that only change codes C01, C02, CO3, C05, C06 and C07 are used for Federal Government NOCs.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

6. **Verify the Third-Party is aware federal agencies must initiate reclamations within 120 calendar days after the date the agency receives notification of death.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

7. **Verify the Third-Party is aware Treasury will reclaim post-death payments within six years of most recent payments.** Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

8. **Verify the Third-Party is aware they may limit its liability for post-death payments under the following circumstances:**
   - **No actual or constructive knowledge of death at the time of the deposits or withdrawals of post-death deposits**
   - **All post-death payments are returned after RDFI learns of death**
   - **RDFI responds completely and accurately within 60 days of receipt of Notice of Reclamation**

   Not Applicable

   Sound Business Practices: There are no sound business practices identified for management consideration.

9. **Verify the Third-Party is aware their liability can be limited to the amount of the account balance at the time the RDFI first received notice of death plus the amount of all post-**

death benefit payments received within 45 calendar days following death. Not Applicable

    Sound Business Practices: There are no sound business practices identified for management consideration.

10. **Verify there is a current copy of Treasury's Green Book or the Third-Party references the Green Book online at http://www.fiscal.treasury.gov/fsreports/ref/greenBook/greenbook_home.htm.** Not Applicable

    Sound Business Practices: There are no sound business practices identified for management consideration.

ARTICLE ONE - GENERAL RULES FOR ALL PARTICIPATING DFIs

a. **Verify the Third-Party conducted an audit of its compliance with the Rules for the previous year. Verify the Third-Party has proof of the audit from the previous six years.** *(Article 1, Subsection 1.2.2)*

- **Does the Third-Party have proof of the audit from the previous six years?** No - The Third-Party Service Provider did not complete an ACH Audit in 2017 due to an internal miscommunication. All audits were conducted previous to and after 2017.
  - **How long are audits retained?** Indefinitely
- **Have all issues/findings from previous audits been addressed/corrected?** Not Applicable
- **Has the Third-Party confirmed completion of the Rules compliance audit of Third-Party Service Providers who offer ACH processing services?** Not Applicable
- **Has the Third-Party confirmed completion of the Rules compliance audit for Third-Party Senders, if applicable?** Not Applicable

Exception Items: General Audit Requirements -- The Third-Party Service Provider did not conduct an ACH Audit in 2017. In accordance with Article One, Subsection 1.2.2.1 (General Audit Requirements) a Sending Point and Receiving Point are required to conduct an ACH Audit by December 31st annually. It is recommended that the Third-Party Service Provider continue to conduct an ACH Audit annually.

How was test performed? Reviewed the Third-Party Service Provider's ACH Audits from 2016 and 2018 through 2021 and staff was interviewed.

Classification/Status: Compliance with Exception

Sound Business Practices: There are no sound business practices identified for management consideration.

b. **Verify the Third-Party conducts or 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.** *(Article 1, Subsection 1.2.4)* *(The Rules require DFIs and Third-Party Senders conduct, or have conducted on its behalf, a risk assessment of ACH activities. It is not required of Third-Party Service Providers.)*

- **If the Third-Party is also a Third-Party Sender, has the Third-Party conducted an ACH Risk Assessment?** Not Applicable
- **If the Third-Party is also a Third-Party Sender, has the Third-Party implemented a Risk Management Program?** Not Applicable
- **If the Third-Party has client Third-Party Sender relationships, have the client Third-Party Senders conducted an ACH Risk Assessment and implemented a Risk Management Program?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

c. **Verify a record of each entry is retained for six years from the date the entry was transmitted, except as otherwise expressly provided in these Rules. Verify a printout or**

reproduction of the information relating to the entry can be provided, if requested by the Third-Party's customer or any other participating DFI or ACH Operator that originated, transmitted or received the entry. *(Article 1, Subsections 1.4.1 and 1.4.2)*

- **How long are records maintained?** Records are maintained for more than six years.
- **How are records maintained?** Electronically
- **Can records of entries be accurately reproduced?** Yes
- **Are records and backups stored in a safe location?** Based on interview and observations, it is within reasonable assurance records and backups are stored in a secure location.

Exception Items: There are no exceptions noted.

How was test performed? Reviewed the raw Data Files from 08/31/2016 and staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

d. **When a record required by these Rules is created or retained in an electronic form, verify the electronic form (a) accurately reflects the information in the record, and (b) is capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.** *(Article 1, Subsection 1.4.3)*

- **Are ACH related forms maintained in hardcopy or electronic format (Written Statements of Unauthorized Debits, stop payments, agreements, etc.)?** Electronically
- **Is the information contained within the record accurate and capable of being reproduced?** Yes

Exception Items: There are no exceptions noted.

How was test performed? Reviewed a FedACH Participation Agreement and three Master Services Agreements.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

e. **Verify if the Third-Party uses electronic signatures for records required by the Rules to be signed or similarly authenticated, the electronic signature complies with the terms of the Electronic Signatures in Global and National Commerce Act, including the provisions that reference state versions of the Uniform Electronic Transactions Act, and in a manner that evidences the identity of the person who signed and that person's assent to the terms of the record.** *(Article 1, Subsection 1.4.4)*

- **Are records that are required by the Rules to be signed or similarly authenticated, allowed to be signed using an electronic signature? If yes, which records are signed with an electronic signature?** Yes
- **Do electronic signatures comply with the terms of the Electronic Signatures in Global and National Commerce Act, including the provisions that reference state versions of the Uniform Electronic Transactions Act? Including:**
  - **being unique to the person using it**
  - **verifiable, proof of authenticity**
  - **under sole control of person using it**
  - **process must guarantee the document signed cannot be altered**
  - **process must capture and preserve the signer's intent, consent, understanding, or responsibility related to a document that is being signed**
  - **consumer must be able to retain, store, print, or reproduce the information or**

else may be denied legal effect – Note: companies are not required to give customers an option to receive a paper contract
  - ○ **consumer must have given affirmative consent and must not have withdrawn consent**
  - ○ **notice of right or option to have the record provided or made available on paper or in a non-electronic form, description of process to request, any fees**
  - ○ **whether the consent applies only to the particular transaction that triggered the disclosure or to identified records that may be provided during the course of the party's relationship**
  - ○ **electronic signature must be attached to or located somewhere on the electronic document**

It is within reasonable assurance electronic signatures comply with the terms of the Electronic Signatures in Global and National Commerce Act.

- **Do electronic signatures evidence the identity of the person who signed and that person's assent to the terms of the record?** It is within reasonable assurance electronic signatures evidence the identity of the person who signed and that person's assent to the terms.

Exception Items: There are no exceptions noted.

How was test performed? Staff was interviewed and reviewed a FedACH Participation Agreement.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

f. **Verify the Third-Party has established, implemented and updated, as appropriate, security policies, procedures and systems as required by the Rules***. (Article 1, Section 1.6)*

Note: The definition of Protected Information not only covers financial information, but also includes sensitive non-financial information (such as non-financial account information contained in Addenda Records for bill payments) that may be incorporated into the Entry or any related Addenda Record.

- **Do the policies and procedures:**
  - ○ **protect the confidentiality and integrity of Protected Information?**
  - ○ **protect against anticipated threats or hazards to the security or integrity of Protected Information?**
  - ○ **protect against unauthorized use of Protected Information that could result in substantial harm to a natural person?**
  - ○ **include controls on system access?**

Based upon review of policies, it is within reasonable assurance processes are in place to protect the confidentiality of consumer information, against threats to security or integrity, against unauthorized use and that systems include controls.

- **How does the Third-Party protect sensitive data, consumer level information, in transit and at rest?** It is within reasonable assurance that data is encrypted in transit and at rest.
  - ○ **Does the financial institution:**
    - ▪ **encrypt all customer data (whether in transit or at rest)**
    - ▪ **use multi-factor authentication to control access to customer data**
    - ▪ **restrict physical access to locations containing customer information**
    - ▪ **have policies and procedure for securing physical devices (laptops, phones, tablets)**
    - ▪ **conduct risk assessments on information security program**
    - ▪ **have policies for secure disposal and change management**

It is within reasonable assurance the financial institution has implemented adequate controls.

- **There are updates to these Rules which will be effective in two phases that expands the existing ACH Security Framework to explicitly require large, non-financial institution Originators, Third-Party Service Providers, and Third-Party Senders to protect account numbers used in the initiation of ACH entries by rendering them unreadable. The rule applies only to account numbers collected for or used in ACH entries and does not apply to the storage of paper authorizations. The rule also does not apply to depository financial institution when acting as internal Originators, as they are covered by existing FFIEC and similar data security requirements and regulations.**

  Phase 1: Rules language will become effective on June 30, 2021. Any Originator, Third-Party Service Provider, or Third-Party Sender that originates six million or more ACH entries in calendar year 2020 will need to be compliant by June 30, 2021.

  Phase 2: Rules language will become effective on June 30, 2022. Any Originator, Third-Party Service Provider, or Third-Party Sender that originates two million or more ACH entries in calendar year 2021 will need to be compliant by June 30, 2022.

  Does the Third-Party have Originators, Third-Party Service Providers, and/or Third-Party Senders that originate more than two million ACH entries annually? No - The Third-Party Service Provider processes over 2 million transactions within a calendar year.

Exception Items: There are no exceptions noted.

How was test performed? Reviewed the Information Security Policy, VPN Access, and staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

g. **Verify required encryption or a secure session is used for confidential information transmitted via an Unsecured Electronic Network.** *(Article 1, Section 1.7)*

- **Is information sent securely between the Third-Party Service Provider and/or Third-Party Sender client financial institutions and/or ODFIs?** Based upon review, it is within reasonable assurance information sent between the Third-Party and its clients is secure.
- **If applicable, is information sent securely from the Third-Party Service Provider and/or Third-Party Sender to the ACH Operator?** Based upon review, it is within reasonable assurance information sent from the Third-Party to the ACH Operator is secure.
- **Is information sent securely between the Third-Party Service Provider and/or Third-Party Sender and client Originators and client Third-Party Senders and the ODFI?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Reviewed security certificate, VPN access, and staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

ARTICLE TWO - ODFI - RULES OF COMPLIANCE FOR ODFIs, THEIR ORIGINATORS, AND THIRD-PARTY SENDERS

. Does the Third-Party act as an ODFI in the ACH Network? Yes

a. Verify the Third-Party has utilized a commercially reasonable method to verify the identity of each Originator or Third-Party Sender that enters into an Origination agreement with the Third-Party. When a Third-Party has a relationship with a Third-Party Sender rather than with an Originator directly, also verify the Third-Party Sender has utilized a commercially reasonable method to verify the identity of each Originator that enters into an Origination agreement with the Third-Party Sender. *(Article 2, Subsection 2.2.1)*

- **How does the Third-Party verify the identity of each Originator and/or client Third-Party Sender?** Not Applicable
- **Does the Third-Party have a documented Customer Identification Program?** Not Applicable
- **If the Third-Party has client Third-Party Sender relationships, have they informed client Third-Party Senders of their responsibility to utilize a commercially reasonable method to verify the identity of each Originator that enters into an Origination agreement with the client Third-Party Sender?** Not Applicable
- **If the Third-Party has client Third-Party Sender relationships, do client Third-Party Senders obtain the following information on its Originators and/or client Third-Party Senders:**
    - **Originator's / Third-Party Sender's name**
    - **Tax ID number**
    - **Principle business activity**
    - **Geographic location**
    - **Verification of legitimate business**

Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

b. Verify the Third-Party has kept Originators and Third-Party Senders informed of their responsibilities under these Rules. *(Article 2, Section 2.1)*

- **How are Originators and Third-Party Senders trained?** Not Applicable
- **How are Originators and Third-Party Senders informed of Rules changes and updates?** Not Applicable
- **Do Originators/Third-Party Senders clearly identify themselves in an ACH entry through the use of a name known to and readily recognized by the Receiver?** Not Applicable
- **Does the Third-Party make their Originators and Third-Party Senders aware of their responsibilities?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

c. **Verify the Third-Party has entered into Origination Agreements with all Originators and/or client Third-Party Senders that bind the Originator and/or client Third-Party Sender to these Rules; that authorize the Third-Party to originate entries on behalf of the Originator and/or client Third-Party Sender; that, within such agreements, the Originator and/or client Third-Party Sender acknowledges 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; the right of the Third-Party and/or its ODFI to audit the Originator's, the client Third-Party Sender's, and the Third-Party Sender's Originators' compliance with the Origination Agreement and the Rules, and that includes the Third-Party's and/or its ODFI's right to terminate or suspend the agreement for breach of these Rules. Verify agreements with client Third-Party Senders includes that the client Third-Party Sender has entered into an agreement with each Originator that satisfies the requirements of Article 2, Subsection 2.2.2.1 of the Rules.** *(Article 2, Subsections 2.2.2.1,2.2.2.2, 2.2.3.1, 2.3.4, and 2.5.8.3)*

- **How many Originators does the Third-Party originate ACH transactions for?** Not Applicable
- **Do any of the Third-Party's customers act as Third-Party Senders?** Not Applicable
  - **If yes, how many Third-Party Sender relationships are there?** Not Applicable
  - **If yes, how many Originators are associated with the Third-Party Sender(s)?** Not Applicable
  - **If yes, does the Third-Party have detailed information on the Third Party Sender's Originators?** Not Applicable
- **Do any Originators/Third-Party Senders send their files direct to the Federal Reserve Bank?** Not Applicable
- **What process is in place to approve new Originators/Third-Party Senders?** Not Applicable
- **What types of entries are originated (Standard Entry Class Codes, debits, credits)?** Not Applicable
- **Are agreements in place with Originators/client Third-Party Senders?** Not Applicable
  - **Does the agreement, at a minimum, address the requirements as defined within the Rules:**
    - **authorize the Third-Party to originate entries on behalf of the Originator to the Receiver's account;**
    - **binds the Originator/Third-Party Sender to the Rules;**
    - **Originator/Third-Party Sender must agree not to originate entries that violate the laws of the United States;**
    - **address restrictions on the types of entries that may be originated;**
    - **gives the Third-Party the right to terminate or suspend the agreement for breach of the Rules; and**
    - **gives the Third-Party the right to audit the Originator's/Third-Party Sender's compliance with the agreement and the Rules?**
    Not Applicable
  - **If an Originator initiates IAT entries, does the agreement in place between the Originator and ODFI address the terms and conditions for the allocation of gains, losses, and the assumption of risk for foreign exchange conversion; and the rights and responsibilities of the ODFI in the event of an Erroneous Entry?** Not Applicable
  - **If the financial institution allows Origination of ARC, BOC, IAT, POP, RCK, TEL or WEB entries, does the agreement in place with the respective Originator address their responsibilities when initiating these entries?** Not Applicable
- **Based on the policies and procedures of the Third-Party, are the Originator/Third-**

Party Sender files complete? Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

d. **Verify, if applicable, the Third-Party has entered into agreements with all Sending Points that transmit entries on the ODFI's behalf to an ACH Operator.** *(Article 2, Subsection 2.2.2.3).*

   Note: A Sending Point is the designated organization that sends ACH entries to the ACH Operator on behalf of an ODFI. A Sending Point may be the ODFI itself, a correspondent or Third-Party Service Provider.

   - **Does the Third-Party act a designated Sending Point?** Yes
     - **If yes, list the financial institutions the Third-Party acts on behalf of as a designated Sending Point.** Several
   - **Are the appropriate agreements in place?** Yes

Exception Items: There are no exceptions noted.

How was test performed? Reviewed a FedACH Participation Agreement and staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: Sending and Receiving Point Agreements -- It is recommended that the Third-Party Service Provider follow up with its group providers to ensure that, through a chain of agreements, there is a Sending and Receiving Point agreement with each Financial Institution that spells out the processes and liabilities of each party.

e. **Verify the Third-Party, when acting on behalf of an ODFI or when acting as a Third-Party Sender, has assessed the risks of the Originator's and/or client Third-Party Sender's ACH activity, and has established, implemented, and periodically reviewed an exposure limit for each Originator and/or client Third-Party Sender. Verify the Third-Party has established and implemented procedures to monitor the Originator's and/or client Third-Party Sender's origination and return activity across multiple settlement dates; enforce restrictions on the types of entries that may be originated; and enforce the exposure limit.** *(Article 2, Subsection 2.2.3)*

   - **Are procedures in place to set exposure limits for each Originator and/or client Third-Party Sender?** Not Applicable
   - **Does the Third-Party assess the nature of the Originator's/Third-Party Sender's ACH activity to determine risk?** Not Applicable
   - **Has the Third-Party implemented processes to enforce restrictions on the types of entries that may be originated?** Not Applicable
   - **How are exposure limits determined?** Not Applicable
   - **Are the exposure limits set consistently throughout the agreements, exposure limit forms, and software applications?** Not Applicable
   - **In regard to Originators and/or client Third-Party Senders who upload files using their own software, are system set limits and transaction types monitored?** Not Applicable
   - **Are procedures in place to review exposure limits periodically?** Not Applicable
   - **Are procedures in place to monitor the Originator's and/or client Third-Party Sender's origination and return activity across multiple settlement dates?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

f. **Verify the Third-Party ensures the Originator and/or Third-Party Sender is aware of their responsibilities when obtaining a consumer debit authorization and that the debit authorization contains information as required by the Rules. Verify the Third-Party informs the Originator and/or client Third-Party Sender that they must provide each Receiver with an electronic or hard copy of the Receiver's authorization for all debit entries initiated to a consumer account.** *(Article 2, Subsections 2.3.2.2, 2.3.2.3, 2.3.2.4, 2.3.2.5 and 2.3.2.6)*

With the exception of XCK entries, verify upon receipt of the RDFI's written request, the original, a copy, or other accurate record of the Receiver's authorization with respect to a consumer account can be provided within ten (10) banking days of receipt of request without charge. *(Article 2, Subsections 2.3.2.5 and 2.5.18.6)*

For a CCD, CTX, or inbound IAT entry to a Non-Consumer account, verify upon receipt of the RDFIs written request, an accurate record evidencing the Receiver's authorization, or the contact information for the Originator (at a minimum, includes (a) the Originator's name and (b) the Originator's phone number or email address) can be provided within ten (10) banking days of receipt of the request without charge. *(Article 2, Subsection 2.3.3.3)*

- **Is the Third-Party aware it must respond to an RDFI's request for a copy of an authorization within 10 banking days and it may not charge a fee?** Not Applicable
- **How does the Third-Party inform Originators and/or client Third-Party Senders of their responsibilities with regard to retention and provision of record of authorization?** Not Applicable
- **How does the Third-Party inform Originators and/or Third-Party Senders that they must inform Receivers when the date of a debit entry changes or the amount of a debit entry initiated to a consumer account differs from the amount of the immediately preceding debit entry relating to the same authorization, or differs from a preauthorized amount?** Not Applicable
- **Are Originators' and/or client Third-Party Senders' consumer debit authorization(s) in compliance with Rules?** Not Applicable
    - **Do the authorizations at a minimum contain the following information?**
        - ⌐Receiver's name
        - ⌐Readily identifiable as an authorization, expresses "I authorize"
        - ⌐Clear and readily understandable terms, including amount or method of determining amount
        - ⌐Single entry or recurring entry
        - ⌐Account number and routing number
        - ⌐Timing (including start date), number and/or frequency
        - ⌐Revocation language for recurring entries or single entries scheduled in advance
        - ⌐Signed or similarly authenticated
        - Not Applicable
- **If Originators and/or client Third-Party Senders originate ARC, BOC, POP, RCK, TEL or WEB entries, are the authorization requirements for these types of entries in compliance with the Rules?** Not Applicable
- **In regard to CCD, CTX and inbound IAT entries to Non-Consumer accounts, does the Third-Party provide to the RDFI, upon request, an accurate record evidencing the**

Receivers authorization or contact information for the Originator? Not Applicable

- **If Originators and/or client Third-Party Senders are obtaining consumer debit authorizations electronically, how does the Third-Party inform Originators and/or client Third-Party Senders of the requirements of the E-Sign Act and ensure electronic authorizations are visually displayed in a manner that enables the consumer to read the communication?** Not Applicable
- **Is the Third-Party aware the Rules prohibit disclosure of the Receiver's account number or routing number to any Third-Party for such Third-Party's use, directly or indirectly, in initiating a separate debit entry?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

g. **Verify the Third-Party has provided its Originators and/or client Third-Party Senders with proper notice to ensure compliance with UCC Article 4A with respect to ACH transactions.** *(Article 2, Subsection 2.3.3.2)*

In the case of credit entries subject to Article 4A (generally non-consumer entries; entries not covered by Regulation E), the financial institution must provide the Originator with notice of the following:

1. **entries may be transmitted through the ACH;**
2. **other rights and obligations of Originator is governed by which state law (this will default to the state of New York if the Originator and ODFI have not agreed upon the laws of another jurisdiction);**
3. **credit given by the RDFI to the Receiver is provisional until the RDFI has received final settlement through a Federal Reserve Bank or otherwise has received payment; and**
4. **if the RDFI does not receive payment for entry, the RDFI is entitled to a refund from the Receiver in the amount credited to Receiver's account, and the Originator will not be considered to have paid the amount of the entry to the Receiver.**

- **Have the above-mentioned notices been provided to Originators and/or client Third-Party Senders either in an agreement entered into by the Originator/client Third-Party Sender binding the Originator/client Third-Party Sender to these ACH Rules or have the notices been provided to the Originator/client Third-Party Sender in a different form?** Not Applicable
- **If the Third-Party has client Third-Party Sender relationships, does the Third-Party ensure its client Third-Party Senders are providing their Originators with these disclosures?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

h. **Verify Third-Parties who have Originators and/or client Third-Party Senders initiating entries identified within Article 2, Section 2.5 of the Rules have informed the Originators and/or client Third-Party Senders of their responsibilities with respect to**

the entries. *(Article 2, Section 2.5)*

- **Accounts Receivable Entries (ARC)** *(Article 2, Subsection 2.5.1)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate ARC entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Back Office Conversion Entries (BOC)** *(Article 2, Subsection 2.5.2)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate BOC entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Corporate Credit and Debit (CCD) and Corporate Trade Exchange (CTX)** *(Article 2, Subsections 2.5.3 and 2.5.5)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate CCD and/or CTX entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Customer Initiated Entry (CIE)** *(Article 2, Subsection 2.5.4)* **-- Does the Third-Party, Originators, and/or client Third-Party Senders initiate CIE entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Automated Enrollment Entry (ENR)** *(Article 2, Subsection 2.5.7)* **-- Does the Third-Party initiate ENR entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **International ACH Transaction (IAT)** *(Article 2, Subsection 2.5.8)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate IAT entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Machine Transfer Entry (MTE)** *(Article 2, Subsection 2.5.9)* **-- Does the Third-Party have Originators and/or client Third-Party Sender that initiate MTE entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Point-of-Purchase Entries (POP)** *(Article 2, Subsection 2.5.10)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate POP entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Point-of-Sale Entry (POS)** *(Article 2, Subsection 2.5.11)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate POS entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Prearranged Payment and Deposit Entry (PPD)** *(Article 2, Subsection 2.5.12)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate PPD entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Represented Check Entries (RCK)** *(Article 2, Subsection 2.5.13)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate RCK entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Shared Network Entry (SHR) (Article 2, Subsection 2.5.14)** **-- Does the Third-Party have Originators and/or clientThird-Party Senders that initiate SHR entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Telephone-Initiated Entries (TEL)** *(Article 2, Subsection 2.5.15)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate TEL entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Check Truncation Entries (TRC and TRX)** *(Article 2, Subsection 2.5.16)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate TRC/TRX entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Internet-Initiated/Mobile Entries (WEB)** *(Article 2, Subsection 2.5.17)* **-- Does the Third-Party have Originators and/or client Third-Party Senders that initiate WEB entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Destroyed Check Entries (XCK)** *(Article 2, Subsection 2.5.18)* **-- Does the Third-Party, its Originators and/or client Third-Party Senders originate XCK entries?** It is within reasonable assurance the initiation of the entries is not permitted.
- **Does the Third-Party allow origination of ACH Same Day entries?** Not Applicable - Not Applicable as an ODFI or TPS.

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

i. **Verify prenotification entries are initiated in accordance with the requirements of the Rules.** *(Article 2, Section 2.6)*

- **Does the Third-Party have Originators and/or client Third-Party Senders that initiate prenotification entries to the Receiver's account?** Not Applicable
    1. **If yes, have the Originators and/or client Third-Party Senders been made aware that they must wait until the third-banking day to initiate subsequent entries if there have been no returns or notifications of change?** Not Applicable
    2. **If yes, how does the Third-Party verify compliance with this Rule?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

j. **Verify reversing entries and reversing files are initiated in accordance with the requirements of the Rules.** *(Article 2, Sections 2.8 and 2.9)*

- **Does the Third-Party have procedures in place regarding reversing entries and reversing files?** Not Applicable
- **Is the Third-Party aware reversing files or entries must be transmitted in such a time as to be available to the RDFI within five banking days following the settlement date of the erroneous entry/file?** Not Applicable
- **Are Originators/client Third-Party Senders made aware the Company Entry Description field should contain the word REVERSAL?** Not Applicable
- **Is the Third-Party aware a reversing entry or file may only be initiated if the entry/file is a duplicate or an erroneous entry/file?** Not Applicable
- **Is the financial institution aware the content of the following fields in a reversing entry must remain unchanged from the original, erroneous entry: SEC code, Company Identification/Originator Identification, and Amount?** Not Applicable
- **Is the financial institution aware situations that will be treated as improper uses of reversing entries include, but are not limited to:**

    ○ **The initiation of a reversing entry by an ODFI because its Originator or Third-Party Sender customer, or any downstream customer of its Third-Party Sender, failed to provide funding for the original entry.**
    ○ **The initiation of a reversing entry beyond the time period outside the five banking days following the settlement date of the erroneous entry.**
    Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

k. **Verify reclamation entries and/or written demand for payments are initiated in accordance with the requirements of the Rules.** *(Article 2, Section 2.10)*

- **Do Originators/client Third-Party Senders initiate reclamation entries and/or written demand for payments?** Not Applicable
- **Are Originators/client Third-Party Senders made aware a reclamation entry and/or written demand for payment is initiated with respect to previously transmitted credit entry where the Receiver has died and the Receiver's right to receive one or more pension, annuity, or other benefit payments has terminated, and neither the Receiver's estate nor any other holder of the account is entitled to the payments?** Not Applicable
- **Are Originators/client Third-Party Senders that initiate reclamation entries made aware, they:**
    - **must not initiate an entry in an amount that exceeds the amount of any payment the Receiver is not entitled to**
    - **must identify in each entry or written demand for payment the name of the Receiver, the account at the RDFI, the exact amount, and approximate date of initiation**
    - **must originate each entry or written demand for payment within five banking days after the Originator receives notice of the death**
    - **must not contain an effective entry date earlier than the effective entry date of the credit entry to which it relates?**
  Not Applicable
- **Are Originators/client Third-Party Senders made aware that they must reimburse the RDFI for any payments made to the Originator that are subject to a subsequent claim of the United States Government?** Not Applicable
- **Are Originators/clientThird-Party Senders made aware the Company Entry Description field should contain the word RECLAIM?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

I. **Verify information relating to NOCs and Corrected NOCs is provided to each Originator or client Third-Party Sender within two banking days of the settlement date of the NOC or corrected NOC in accordance with Appendix Five (Notification of Change). For CIE and credit WEB entries, verify information relating to NOCs and corrected NOCs is provided to any Third-Party Service Provider initiating such entries on behalf of the consumer Originator. Verify refused NOCs are transmitted within fifteen (15) days of receipt of an NOC or corrected NOC.** *(Article 2, Section 2.11)*

- **Is the Third-Party aware they must provide information relating to NOCs and corrected NOCs to each Originator/client Third-Party Sender within two banking days of settlement date of the NOC or corrected NOC?** Not Applicable
- **How is this information provided to Originators/client Third-Party Senders?**
    - ☐ Encrypted email
    - ☐ FedPayments Reporter
    - ☐ System generated encrypted email
    - ☐ Fax
    - ☐ Mail
    - ☐ Secure Website
    - ☐ Originator is notified by phone.
    - ☐ Other
    - ☑ Not Applicable
- **How does the Third-Party notify Originators/client Third-Party Senders they must make the corrections within six banking days or prior to next live entry?** Not

Applicable

- **In regard to CIE and credit WEB entries, is NOC and corrected NOC information provided to any Third-Party Service Providers who initiate such entries on behalf of the consumer Originator?** Not Applicable
- **Does the Third-Party at a minimum provide the following information to the Originator/client Third-Party Sender related to the NOC or corrected NOC:**
  - **Company Name**
  - **Company Identification**
  - **Company Entry Description**
  - **Effective Entry Date**
  - **DFI Account Number**
  - **Individual Name/Receiving Company Name**
  - **Individual Identification Number/Identification Number**
  - **Change Code**
  - **Original Entry Trace Number**
  - **Original Receiving DFI Identification**
  - **Corrected Data?**

  Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

m. **Verify the Third-Party accepts return entries and extended return entries that comply with these Rules and are transmitted by the RDFI within the time limits established by these Rules. Verify dishonored return entries are transmitted within five banking days after the Settlement Date of the return entry and contested dishonored return entries are accepted, as required by these Rules. Verify the Third-Party is using return reason codes in an appropriate manner.** *(Article 2, Subsections 2.12.1, 2.12.5.1 and 2.12.5.3; Appendix 4)*

Verify, when agreed to by the Third-Party, late return entries are accepted in accordance with these Rules. *(Article 2, Subsection 2.12.6)*

Note: A permissible return entry (R31) is requested by an RDFI when the RDFI receives written notification from the Receiver after the time for return has expired that CCD or CTX debit entry to a Receiver's account was, in whole or in part, not authorized by the Receiver. The ODFI must verbally or in writing agree to accept the entry.

- **How are Originators/client Third-Party Senders informed of returned entries?**
  - ☐ Encrypted email
  - ☐ FedPayments Reporter
  - ☐ System generated encrypted email
  - ☐ Fax
  - ☐ Mail
  - ☐ Secure Website
  - ☐ Originator is notified by phone.
  - ☐ Other
  - ☑ Not Applicable
- **Is the Third-Party aware of the return rate thresholds for debit entries?** Not Applicable
- **Is the Third-Party aware of the following in regard to dishonored return entries: dishonored return entries must be transmitted within five banking days after the**

settlement date of the return entry; when dishonoring an entry they must be able to substantiate the RDFI did not return the entry timely, or the return entry contained incorrect information or not all of the required information; aware of the return reason codes used to dishonor entries; and aware that IAT entries must not be dishonored?** Not Applicable

- **Is the Third-Party aware fees will be assessed to each ODFI who have Originators/client Third-Party Senders that receive entries returned back to them as unauthorized?** Not Applicable
- **Are procedures in place to determine if the Third-Party will accept a late return entry as requested by the RDFI?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

n. **Verify if the Third-Party has Originators and/or client Third-Party Senders reinitiating returned entries, the entries are initiated as allowed by the Rules.** *(Article 2, Subsection 2.12.4)*

Does the Third-Party have Originators and/or client Third-Party Senders reinitiating returned entries? It is within reasonable assurance there are no Originators/client Third-Party Senders reinitiating returned entries.

o. **Verify Originators and/or client Third-Party Senders are initiating correction entries returned with Return Reason Code R11 (Customer Advises Not in Accordance with the Terms of the Authorization) as allowed by the Rules. (Article 2, Subsection 2.12.5)**

- **Has the Third-Party informed its Originators/client Third-Party Senders of the following:**
  - **An Originator that has received a Return Entry using Returned Reason Code R11 may correct, if possible, the error or defect in the original entry and transmit a new entry that conforms to the terms of the original authorization, without the need for re-authorization by the receiver**
  - **The Originator must transmit the new entry within 60 days after the Settlement Date of the return entry**
  - **The following errors causing the return of the original entry as R11 cannot be corrected by the Originator, transmission of a new entry in these cases is prohibited: (1) if the Originator did not provide required notice for an ARC, BOC, or POP entry prior to accepting the check, or the notice did not conform to the requirement of the Rules; (2) if the source document for an ARC, BOC, or POP entry was ineligible for conversion?**

Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

p. **Verify if the Third-Party has Originators and/or client Third-Party Senders origination Return Fee Entries, the entries are originated as allowed by these Rules.** *(Article 2, Section 2.14)*

Does the Third-Party have Originators and/or client Third-Party Senders that initiate Return Fee Entries? Not Applicable

q. **Verify if the Third-Party provides services to client Third-Party Senders. If the Third-Party provides services to client Third-Party Senders, verify that these relationships comply with Rules requirements.** *(Article 2, Section 2.15)*

Does the Third-Party have relationships with client Third-Party Senders? Not Applicable

r. **Verify the ODFI has reported return rate information on each Originator or Third-Party Sender, as requested by the National Association.** *Note: Third-Party Service Providers and Third-Party Senders are excluded from this audit requirement. However, the ODFI can request information from the Third-Party regarding return information if requested by the National Association. (Article 2, Subsection 2.17.2)*

- **Is the Third-Party aware when requested to do so by Nacha or its ODFI(s), the Third-Party must report information on each Originator or client Third-Party Sender?** Not Applicable
- **Has the Third-Party received a written request from Nacha or its ODFI(s) for information with regards to excessive return rates for any Originator or client Third-Party Sender? If so, what steps were taken to correct the problem?** Not Applicable
- **Has the Third-Party developed processes to monitor Originator/client Third-Party Sender return rates based on thresholds identified within the Rules?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

ARTICLE THREE – RDFI - RULES OF COMPLIANCE FOR RDFIs AND THEIR RECEIVERS

a. When the Third-Party has been designated the Receiving Point and has the responsibility of posting entries to the customers' accounts, verify, subject to the RDFI's right of return, all types of entries that comply with these Rules and are received with respect to an account maintained with the RDFI are accepted. Verify the RDFI handles XCK entries and entries to non-transaction accounts appropriately. *(Article 3, Subsections 3.1.1 and 3.8.2)*

- **Does the Third-Party, when acting on behalf of an RDFI, accept all credit, debit and zero dollar entries that comply with the Nacha Operating Rules & Guidelines?** Yes
- **The Nacha Operating Rules & Guidelines permit an RDFI to return any entry that concerns an account that is not a "transaction account" as defined by Regulation D of the Board of Governors of the Federal Reserve System. Since loan accounts and general ledger accounts are not considered to be "transaction accounts", an RDFI may return entries to loan accounts and general ledger accounts as an R20 (Non-Transaction Account), provided all Rules governing return entries are met. Does the Third-Party, when acting on behalf of an RDFI, have procedures in place regarding acceptance of entries to non-transaction accounts?** Not Applicable
- **XCK entries are ACH transactions an ODFI has chosen to initiate in order to collect checks that have been lost, destroyed, or otherwise unavailable while in transit for presentment to a paying bank, and cannot be obtained. Acceptance of XCK entries by the RDFI is voluntary. The RDFI should have a policy regarding the acceptance of XCK entries. If the RDFI chooses not to accept XCK entries, the RDFI will need to recognize the entries and return them using Return Reason Code R33. If the RDFI chooses to accept XCK entries, it will be required to print the contents of the Check Serial Number Field to the consumer's monthly statement. Does the Third-Party, when acting on behalf of an RDFI, have procedures in place regarding the acceptance of XCK entries?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

b. For consumer accounts, verify the Third-Party, when acting on behalf of an RDFI, provides or makes available to each of its Receivers required information concerning each credit and debit entry to a consumer account of such Receiver. For non-consumer accounts, verify the Third-Party, when acting on behalf of RDFI, provides or makes available to the Receiver the contents of the Check Serial Number Field of an ARC, BOC, and POP entry. *(Article 3, Subsections 3.1.5.1 and 3.1.5.2)*

- **As required by the Nacha Operating Rules, is the following information provided on the account statements:**
  - **Posting date to Receiver's account;**
  - **Dollar amount of the entry;**
  - **Company/Originator Name;**
  - ***Note: For credit WEB entries for P2P payments, the name of the consumer Originator is located within the Individual Identification Number field of the Entry Detail Record; for credit WEB entries for reversals the name of the Originator is located in the Company/Batch Header Record. The ODFI or Third-Party Name is***

- *within the Company Name and Company ID Field*
  - *Note: The Individual Identification Number field should only print to the statement when associated with credit WEB entries for P2P.*
  - **Company Entry Description;**
  - **Account type;**
  - **Account number;**
  - **Amount of any charges assessed against the account for services related to the entry;**
  - **Balances in the Receiver's account at the beginning and at the close of the statement period;**
  - **Address & telephone number consumer can use for inquiries, to report lost/stolen devices, or provide notice of error;**
  - **Telephone number consumer can use to determine whether or not preauthorized transfer has been made;**
  - **For ARC, BOC, RCK or XCK entry, or an IAT entry where the Transaction Type Code contains a value of "ARC", "BOC", or "RCK", the check serial number;**
  - **For POP and IAT-POP entry, the check serial number, terminal city, and terminal state;**
  - **For MTE, POS, SHR or an IAT- "MTE", "POS", or "SHR", terminal location and/or terminal identification code, terminal city, and terminal state?**

  Not Applicable - The Third-Party Service Provider passes information to the statement provider. The Credit Union is responsible for determining what information is included on the statement.

- **Does the content of the check serial number field print to the non-consumer's statement for ARC, POP and BOC entries?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

c. **Verify, when requested to do so by the non-consumer Receiver, the Third-Party, when acting on behalf of an RDFI, provides all information contained within the payment-related information field of an addenda record(s) transmitted with a CCD, CIE, CTX, and IAT entry. The RDFI must provide this information by the opening of business on the RDFI's second banking day following the Settlement Date of the entry.** *(Article 3, Subsection 3.1.5.3)*

- **In what format is the payment-related information provided to the Receiver? Select all that apply.**
  - ☐ Encrypted email
  - ☐ FedPayments Reporter
  - ☐ System generated encrypted email
  - ☐ Fax
  - ☐ Mail
  - ☐ Secure Website
  - ☐ Other
  - ☑ Not Applicable
- **Is the Third-Party aware, when requested to do so by the Receiver, the Third-Party, when acting behalf of an RDFI, must provide all payment-related information transmitted with CCD, CIE, CTX and IAT entries to non-consumer accounts to the Receiver by opening of business on the second banking day following the settlement date of the entry?** Not Applicable
- **Can the Third-Party provide or make available to healthcare providers payment-**

related information electronically via a secure electronic delivery channel? Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

d. **Verify the Third-Party, when acting on behalf of an RDFI, has provided the Receiver with proper notice to ensure compliance with UCC Article 4A with respect to ACH credit transactions.** *(Article 3, Subsection 3.1.6)*

In the case of credit entries subject to Article 4A (generally non-consumer entries; entries not covered by Regulation E), the financial institution has provided the Receiver with notice of the following:

1. **entries may be transmitted through ACH;**
2. **the rights and obligations of Receiver is governed by which state law (this will default to the state of New York if the Receiver and RDFI have not agreed upon the laws of another jurisdiction);**
3. **credit given by the RDFI to the Receiver is provisional until the RDFI has received final settlement through a Federal Reserve Bank or otherwise has received payment;**
4. **if the RDFI does not receive payment for entry, the RDFI is entitled to a refund from the Receiver in the amount credited to Receiver's account, and the Originator will not be considered to have paid the amount of the entry to the Receiver; and**
5. **these Rules do not require the RDFI to provide the Receiver with notice the RDFI has received the entry unless the RDFI has agreed to do so.**

- **Have the above-mentioned notices been provided to the Receiver either in an agreement entered into by the Receiver binding the Receiver to these Rules or have the notices been provided to the Receiver in a different form?**

Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

e. **When the Third-Party has been designated the Receiving Point and has the responsibility for posting entries to customer account, verify subject to the RDFI's right of return, the amount of each credit entry received from its ACH Operator is made available to the Receiver as required by Article Three, Subsection 3.3.1 (Availability of Credit Entries to Receiver). Verify that debit entries are not posted prior to the Settlement Date, even if the Effective Date of the Entry is different from the Settlement Date of the Entry. (***Article Three, Subsection 3.3.1 and 3.3.2 – Timing of Debit Entries***)**

Notes: On March 19, 2021, a new same-day processing window will allow Same Day files to be submitted to the ACH Operators until 4:45 p.m. ET. RDFIs will receive files from this window by 5:30 p.m. ET, with interbank settlement occurring at 6:00 p.m. ET. RDFIs

must make the amount of the credit entry available in the Receiver's account no later than the completion of the RDFI's processing for that settlement date. RDFIs will need to make credits available by the end of processing for the settlement date.

- **How many times each day are ACH files picked up from the ACH Operator (Federal Reserve Bank)?** 5
- **Is the Third-Party responsible for posting entries to customer accounts?** The Third-Party pulls files and posts to customer accounts for the financial institution.
- **Does the Third-Party ensure debit entries are not posted prior to Settlement Date?** Yes
- **Does the Third-Party have the ability to warehouse credit and debit entries received?** Yes
- **Are ACH entries, that are not Same Day credit entries, made available to the RDFI by the ACH Operator by 5:00 p.m. (RDFI's local time) on the banking day prior to settlement date made available to the Receiver on settlement date?** Yes
- **Are credit entries received in the first Same Day window made available to the Receiver for withdrawal by 1:30 p.m. (RDFI's local time) on settlement date and credit entries received in the second Same Day window made available to the Receiver for withdrawal no later than 5:00 p.m. (RDFI's local time) on the settlement date of the entry?**

  (An RDFI whose local time is Atlantic Time may use Eastern Time; an RDFI located east of the Atlantic Time Zone and west of the International Date Line must make the amount of a credit Same Day entry received in any same-day processing window available to the Receiver no later than 9:00 a.m. (RDFI's local time) on the banking day following the settlement date of the entry.) It is within reasonable assurance credit entries are made available as required by the Rules.
- **Does the Third-Party, when acting on behalf of an RDFI, grant funds availability prior to settlement of the credit entry?** Yes
- **Does the Third-Party process for financial institutions in different time zones?** Yes
- **Does the Third-Party receive IAT entries in separate files for some financial institution clients?** No
- **Is the Third-Party, when acting on behalf of an RDFI, aware of the Voluntary Availability Exception Rule that allows the RDFI to take advantage of a voluntary exception from the existing funds availability requirements prescribed within the Rules for an ACH credit the RDFI reasonably suspects as suspicious?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Reviewed the daily run sheet and staff was interviewed.

Classification/Status: Compliance

Sound Business Practices: There are no sound business practices identified for management consideration.

f. **Verify the account number contained in a prenotification entry is for a valid account. If the prenotification does not contain a valid account number, or is otherwise erroneous or unprocessable, verify the Third-Party when acting on behalf of an RDFI, transmits either (a) a return entry, or (b) a Notification of Change.** *(Article 3, Section 3.5)*

Note: Prenotifications are zero dollar entries sent by the Originator to verify the account number is valid. Prenotifications are optional; however, if an RDFI receives a prenotification it must comply with the prenotification Rules. If an NOC is sent to correct the account number, the RDFI warrants information is correct.

- **How are prenotifications identified and verified?** Not Applicable
- **If a prenotification is not processable or is erroneous, is the prenotification returned**

to the ODFI by opening of business on the second banking day following settlement date using the proper Return Reason Code? Not Applicable

- **If a prenotification is incorrect but the proper account number can be identified, is a Notification of Change sent within two banking days of settlement date?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

g. **Verify the Third-Party, when acting on behalf of an RDFI, handles reclamation entries according to these Rules.** *(Article 3, Section 3.6)*

- **Is the Third-Party aware of how the liability for a commercial reclamation differs from a government reclamation?**

  Note: An RDFI's liability for a commercial reclamation shall be the lesser of the amount of any payments to which the Receiver was not entitled or the amount in the Receiver's account, not to exceed the amount of the reclamation, at the time the RDFI receives the reclamation entry. Not Applicable

- **Is the Third-Party aware reclamation entries may be returned to the ODFI in accordance to these Rules including, but not limited to NSF, account closed, etc.?** Not Applicable

- **Is the Third-Party aware commercial reclamations are subordinate to government reclamations?** Not Applicable

- **Is the Third-Party aware reclamation entries are identified by the word RECLAIM within the Company Entry Description field?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

h. **When the Third-Party is acting on behalf of an RDFI, verify the RDFI honors stop payment orders provided by Receivers, either verbally or in writing, to the RDFI at least three banking days before the scheduled date of any debit entry to a consumer account other than a single entry. Verify the Third-Party, when acting on behalf of an RDFI, honors stop payment orders provided by Receivers to the RDFI at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the order prior to acting on any debit entry to a non-consumer account, or an ARC, BOC, POP, or RCK entry, or a single entry IAT, PPD, TEL, or WEB entry to a consumer account.** *(Article 3, Subsections 3.7.1.1, 3.7.1.2 and 3.7.2)*

Verify the Third-Party, when acting on behalf of an RDFI, follows the effective period of stop payment orders to consumer accounts by allowing the stop payment order to remain in effect until the earliest of: (a) the withdrawal of the stop payment order by the Receiver; or (b) the return of the debit entry, or, where a stop payment order applies to more than one debit entry relating to a specific authorization or involving a specific Originator, the return of all such debit entries. *(Article 3, Subsection 3.7.1.4)*

Verify the RDFI follows the effective period of stop payment orders to non-consumer

accounts by allowing the stop payment order to remain in effect until the earliest of: (a) the withdrawal of the stop payment order by the Receiver; (b) the return of the debit entry; or (c) six months from the date of the stop payment order, unless it has been renewed in writing. *(Article 3, Subsection 3.7.2)*

Verify the RDFI uses return reason codes R38 (Stop Payment on Source Document) and R52 (Stop Payment on Item Related to RCK Entry) properly. Verify, for each ARC, BOC, or RCK entry for which a stop payment order was in force with respect to (a) the check that was used as an eligible source document, or (b) the item to which the RCK entry relates, the extended return entry is transmitted to the RDFI's ACH Operator by its deposit deadline for the extended return entry to be made available to the ODFI no later than the opening of business on the banking day following the sixtieth calendar day following the settlement date of the original entry. *(Note: A Written Statement of Unauthorized Debit is not required for entries returned for these reasons.) (Article 3, Subsections 3.11.2.2 and 3.13.1; Appendix 4)*

Note: Regulation E indicates regarding a consumer's right to stop payment of pre-authorized electronic debits, if it is the consumer's intent the stop payment should apply to all future debits from a specific Originator, and the financial institution must make arrangements, so no future debits are posted to the consumer's account. The financial institution must honor an oral stop-payment order made at least three business days before a scheduled debit. If the debit item is resubmitted, the institution must continue to honor the stop-payment order. (For example, by suspending all subsequent payments to the payee-Originator until the consumer notifies the institution that payments should resume.)

- **Are updated procedures in place in regard to Stop Payments?** Not Applicable
- **Is the customer's intent (one-time or all future) obtained when receiving stop payment orders?** Not Applicable
- **How are single-entry stops monitored, as the Rules indicate these stop payment orders should be removed from the system once the entry is returned?** Not Applicable
- **What date is used as the expiration date when a customer wants to stop all future entries?** Not Applicable
- **Is the Third-Party aware return reason code R08 can be used with any SEC Code that carries a dollar value?** Not Applicable
- **When a customer places a stop payment on a check (source document/item) and a related RCK, BOC, or ARC entry hits the customer's account, is the Third-Party aware of the extended return time frame?** Not Applicable
- **Is the Third-Party aware the return reason code for the situation discussed above for ARC or BOC entries is R38 (Stop Pay on Source Document) and the return reason code for RCK entries is R52 (Stop Pay on Item)?** Not Applicable
  1. **Is the Third-Party aware it is not a requirement to obtain a Written Statement of Unauthorized Debit (WSUD) for entries returned for the reasons mentioned above?** Not Applicable
- **Does the Third-Party establish with its customer whether a returned debit is a Stop Payment (R08) or an Authorization Revoked (R07)?** Not Applicable
- **Does the Third-Party provide a platform that allows customers to place ACH stop payment orders online?** Not Applicable
- **Does the Third-Party require a stop payment form?** Not Applicable
  1. **If yes, does the form contain a hold harmless clause?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management

2022 Third-Party Service Provider ACH Audit

consideration.

i. For all entries except the RCK: Verify the Third-Party, when acting on behalf of an RDFI, transmits return entries to its ACH Operator by the ACH Operator's deposit deadline for the return entries to be made available to the ODFI no later than the opening of business on the second banking day following the settlement date of the original entry, except as otherwise provided in these Rules. *(Article 3, Section 3.8)*

Verify late return of unauthorized CCD or CTX entries are transmitted with the agreement of the ODFI and such entries utilize the appropriate return reason code. *(Article 3, Subsection 3.8.3.5; Appendix 4)*

Verify dishonored return entries received by the RDFI are handled appropriately, and contested dishonored return entries and corrected return entries are initiated in a timely manner. *(Article 3, Subsection 3.8.5; Appendix 4)*

Note: An ODFI must dishonor a return entry to its ACH Operator within five banking days after the Settlement Date of the return entry. An RDFI may contest a Dishonored Return and must be transmitted to the ACH Operator within two banking days after the settlement date of the dishonored return. There are specific return reason codes for Dishonored and Contested Dishonored Returns.

- **How are ACH entries returned? What system is used to return entries? If another service Provider is used, who is the Third-Party Service Provider?** Not Applicable
- **Is the Third-Party aware of return time frames?** Not Applicable
- **Is the Third-Party aware of extended return time frames for unauthorized ACH entries and the proper return reason codes to be used for unauthorized entries?** Not Applicable
- **Is the Third-Party aware there is not an extended return time frame for unauthorized corporate transactions (CCD and CTX)?** Not Applicable
- **Is the Third-Party aware of all return reason codes?** Not Applicable
- **Is the Third-Party aware of the return time frames and return reason codes used for Dishonored Returns and Contested Dishonored Returns?** Not Applicable
- **Does the Third-Party have procedures in place regarding the return of a CCD or CTX entry after the return deadline (R31)?** Not Applicable
- **Does the Third-Party have procedures in place to handle return or adjustment requests by an ODFI (R06)?** Not Applicable
- **Is the Third-Party aware the return time frame for an RCK entry differs from the normal ACH return?** Not Applicable
- **Is the Third-Party aware an ARC, BOC, POP, or RCK entry may not be returned R07?** Not Applicable
- **The Rules allow Third-Parties the option to process return entries during the Same Day ACH processing windows. Has the Third-Party decided to use the Same Day ACH processing windows for return entries?** Not Applicable
- **Is the Third-Party aware of the option to use the Return Reason Code R17 to indicate that the RDFI believes the entry containing invalid account information was initiated under questionable circumstances? RDFIs that elect to use R17 for this purpose will be required to use the description "QUESTIONABLE" in the Addenda Information field of the return entry. Other uses of the R17 will continue unchanged such as the opt-in program for return of questionable tax refund ACH credits or that fields cannot be processed by the RDFI.** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

**j. When the Third-Party is acting on behalf of an RDFI, verify any credit entry declined by a Receiver is returned by transmitting a return entry to its ACH Operator by the ACH Operator's deposit deadline for the return entry to be made available to the ODFI no later than the opening of business on the second banking day following the RDFI's receipt of notification from the Receiver it has refused the entry. Also, when the Third-Party is acting on behalf of an RDFI verify it returns all credit entries not credited or otherwise made available to its Receivers' accounts by transmitting a return entry to its ACH Operator by the ACH Operator's deposit deadline for the return entry to be made available to the ODFI no later than opening of business on the second banking day following the settlement date of the original entry. *(Article 3, Subsections 3.8.3.2 and 3.8.4)*

- **Is the Third-Party aware of the return reason code, R23 (Credit Entry Declined by Receiver) and the corresponding time frame?** Not Applicable
- **Is the Third-Party aware of the return time frame for unprocessable credit entries?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

k. Verify if the Third-Party, when acting on behalf of an RDFI, chooses to initiate Notifications of Change, such COR entries are transmitted within two banking days of the settlement date of the entry to which the Notification of Change relates, with the exception of Notifications of Change due to merger, acquisition, or other similar events. *(Article 3, Subsection 3.9.1)*

Note: A Notification of Change is information sent by the RDFI to notify the ODFI previously valid information is outdated or information contained in a prenote is erroneous. The Standard Entry Class Code for a NOC is a COR.

- **Is the Third-Party aware Notifications of Change must be transmitted within two banking days of the Settlement Date of the original entry?** Not Applicable
- **Is the Third-Party aware of the Notification of Change Codes?** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

l. Verify the Third-Party, when acting on behalf of an RDFI, promptly recredits the amount of a debit entry to a Consumer Account of a Receiver, regardless of SEC code, if it receives notification from the Receiver in accordance with Rules regarding Written Statement of Unauthorized Debit. Notification must be received in time and in a manner that reasonably allows the RDFI to meet the deadline for transmitting an extended entry return entry. *(Article 3, Subsection 3.11.1, 3.11.2, and 3.11.3)*

- **Does the Third-Party, when acting on behalf of an RDFI, promptly credit the Receiver when notice is given from the Receiver and a signed Written Statement of**

Unauthorized Debit is received? Not Applicable

- **Does the Third-Party, when acting on behalf of an RDFI, follow its Regulation E Error Resolution procedures for all disputed ACH consumer debit entries and for the ones that fall outside of the deadline for transmitting an extended return entry?** Not Applicable
- **Does the Third-Party, when acting on behalf of an RDFI, promptly recredit the amount of an ARC, BOC, or POP entry to a Non-Consumer Account if it receives notification from the Receiver and a signed Written Statement of Unauthorized Debit is received?** Not Applicable
- **Does the Third-Party, when acting on behalf of an RDFI, promptly recredit the amount of an ARC, BOC, or RCK entry to the account of the Receiver if, at the time the entry was paid by the RDFI, a stop payment order was in place with respect to the check, item, or eligible source document? A Written Statement is not required if a stop payment order is in place.** Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.

m. **Verify Written Statements of Unauthorized Debits are obtained from consumers for all returns bearing return reason codes R05, R07, R10, R11, R37, R51, and R53, and each extended return entry is transmitted to the RDFI's ACH Operator by its deposit deadline for the extended return entry to be made available to the ODFI no later than the opening of business on the banking day following the sixtieth calendar day following the Settlement Date of the original entry. Verify the Written Statement of Unauthorized Debits contain information as required by the Rules. Verify copies of Written Statements of Unauthorized Debits are provided to the ODFI within the required time frame, when such copies are requested in writing by the ODFI.** *(Article 3, Subsections 3.11.1, 3.12.5, 3.12.6, 3.12.7 and 3.13.1; Appendix 4)*

Note: If the Receiver anticipates future debits, the Rules do not prohibit the RDFI from obtaining the stop order at the same time the WSUD is received (this may even be done on the same form). Upon written request from the ODFI, the RDFI must provide a copy of the WSUD. The ODFI has one year from the date the RDFI initiated the adjustment entry to request a copy of the WSUD. The RDFI must provide the copy within 10 days of the written request.

- **Is the Third-Party aware of the return time frame for entries returned R05, R07, R10, R11, R37, R51 and R53?** Not Applicable
- **Is the Third-Party aware a WSUD must be signed by the customer prior to returning an entry R05, R07, R10, R11, R37, R51, and R53?** Not Applicable
- **Is the Third-Party aware the WSUD must be signed and dated on or after settlement date of the entry?** Not Applicable
- **Is the Third-Party aware a return entry for an unauthorized debit to a corporate account (CCD or CTX) must be transmitted using an R29 return reason code in such a time and manner that it is received by the RDFI's ACH Operator by its deposit deadline for the return entry to be made available to the ODFI no later than the opening of business on the second banking day following the settlement date of the original entry?** *Note: There is not an extended return time frame for unauthorized corporate debits.* Not Applicable
- **Is the Third-Party aware when requested by the ODFI in writing, the RDFI must provide a copy of a WSUD within 10 days?** Not Applicable
- **Is the Third-Party aware a copy of the WSUD must be kept for one year after the**

settlement date of the adjustment entry? Not Applicable
- ○ **Is the Third-Party aware that under Regulation E the WSUD should be retained for two years?** Not Applicable
- **Is the Third-Party aware more than one unauthorized debit entry from a specific Originator may be documented on one WSUD provided details are listed for each transaction?** Not Applicable
- **Does the WSUD contain the following minimum requirements:**
  - ○ **Receiver's printed name and signature;**
  - ○ **Receiver's account number;**
  - ○ **Party debiting the account (the payee), as identified to the Receiver;**
  - ○ **Posting date of the entry;**
  - ○ **Dollar amount of the entry;**
  - ○ **Reason for return;**
  - ○ **Signature Date;**
  - ○ **Receiver assertion the WSUD is true and correct; and,**
  - ○ **Receiver assertion the Receiver is an authorized signer or has authority to act on the account?**

  Not Applicable
- **Is the Third-Party aware a WSUD must be obtained when a Receiver claims an incomplete transaction?** *Note: An incomplete transaction is when the Receiver's account was debited by an authorized third-party but the third-party failed to make the payment as instructed.* Not Applicable

Exception Items: There are no exceptions noted.

How was test performed? Not Applicable

Classification/Status: Not Applicable

Sound Business Practices: There are no sound business practices identified for management consideration.