

ACH Audit Requirements

Sound Practices Checklists

Price: \$150
Member Discounted Price: \$75
(489) Revised: 02/2019

Purpose of this Document

WesPay Advisors has prepared this “sound practices checklist” document based on our staff auditors’ observations of solid operational processes when in the field conducting ACH audits. The suggestions listed are our best effort to provide guidance to members on processes and practices they may consider adopting to strengthen existing practices related to the various audit points listed.

This information may be used to supplement the member’s own suggestions that may be developed in the course of the completion of their self- assessment and is not meant to suggest a definitive course of action or a “one size fits all” solution.

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General Audit Requirements

Each Participating DFI, Third-Party Service Provider, and Third-Party Sender must, in accordance with standard auditing procedures, conduct an internal or external audit of compliance with provisions of the ACH Rules in accordance with the requirements of the ACH Operating Rules. These audit provisions do not prescribe a specific methodology to be used for the completion of an audit but identify key rule provisions that should be examined during the audit process. An annual audit must be conducted under these Rule Compliance Audit Requirements no later than December 31 of each year. This audit must be performed under the direction of the audit committee, audit manager, senior level officer, or independent (external) examiner or auditor of the Participating DFI, Third-Party Service Provider, or Third-Party Sender. The Participating DFI, Third-Party Service Provider or Third-Party Sender must retain proof that it has completed an audit of compliance in accordance with these Rules. Documentation supporting the completion of an audit must be (1) retained for a period of six years from the date of the audit and (2) provided to the National Association upon request. Failure of a Participating DFI to provide proof of completion of an audit according to procedures determined by the National Association may be considered a Class 2 rule violation pursuant to Appendix Ten, Subpart 10.4.7.4 (Class 2 Rules Violation)



Audit Requirements for All Participating DFIs

Each Participating DFI, Third-Party Service Provider, and Third-Party Sender must conduct the following audit of ACH operations. These audit specifications apply generally to all Participating DFIs, regardless of a Participating DFI's status as an ODFI or RDFI.

Record Retention

Verify that 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 that a printout or reproduction of the information relating to the entry can be provided, if requested by the Participating DFI's customer or any other Participating DFI or ACH Operator that originated, transmitted, or received the entry. (Article One, Subsection 1.4.1 and 1.4.2)

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- For Records maintained in physical form, ensure that storage location is secure, with limited access, security controlled, and in a fireproof area.
- Consider a backup process to ensure redundancy in Electronic Records.
- If not present, develop a written policy that all ACH Entry Records (received FI originated FI returns, NOCs, etc.) will be maintained for six years from the settlement date of the Entry.
- Ensure that written policies and procedures address your institution's data destruction policy—how and when you will securely destroy ACH transaction Records or other documents related to ACH processing.
- If you are a Third-Party Sender that is relying upon your ODFI to store your ACH records on your behalf, have a plan on how you will access at least six years' worth of your ACH data if you change ODFIs.

Records Retained in Electronic Form

When a Record required by these Rules is created or retained in an electronic form, verify that 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 One, Subsection 1.4.3)

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- For documents requiring signatures that are stored electronically, the “written signature” requirements of the NACHA Rules can be met by compliance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act).
- For electronic records requiring authentication, the authentication method must evidence both the signer’s identity and their assent to the terms of the record.
- Records can also be “similarly authenticated” using the same authentication methods currently prescribed for consumer debit authorizations—i.e. via the use of a digital signature, PIN, password, shared secret, etc. or a hard copy record that may be authenticated via the telephone by recording the receiver’s voice or unique identification code.
- Keep any records related to Regulation E error resolution proceedings for a period of two years from the conclusion of the error investigation.
- Keep copies of all ACH authorization agreements for two years from the termination of the authorization.
- Keep originals of origination agreements for five years from termination of the agreement (in lines with guidelines for CIP compliance).

Note:

ACH participants should be aware that other ACH participants may also utilize Electronic methods to obtain and retain Records of ACH documents. In such cases, the participants can expect to receive Electronic versions, rather than hard copies, of documents that they request from other ACH participants.