

# ACH Audit Guide

Step-by-Step Guidance and Interactive Form  
for Internal ACH Audits

Audit Year 2021

Price: \$399

Member Price: \$199

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**Publications**

**ACH Audit Guide**

Step-by-Step Guidance and Interactive Form  
for Internal ACH Audits

For Nacha Operating Rules Compliance  
Reflecting Latest Rules Changes Required for 2021 Audits

Price: \$399

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## ACH Audit Workbook Overview

Wespay has produced this workbook to guide financial institutions through the process of conducting an annual audit required by the Nacha Operating Rules.

### How do I use this document?

The Nacha Operating Rules do not define procedures to complete the audit. This guide is designed to be a working document which, when completed, may be filed with other internal audit documentation and used for updates when individual non-compliance issues are resolved. In addition, this interactive guide automatically generates a management report providing a summary of the findings of your audit that can be submitted to management for review.

### Components:

**Introduction and General Guidelines:** This section provides a simple outline of best practices for conducting your ACH Audit. This can also be used as a guide to prepare materials for when an independent auditor or for your audit department conducts your annual ACH Audit.

Throughout the document the following icons may be used to indicate types of content:



Editorial Notes



Issues that require special attention or consideration



Checklists of items you may want to verify to complete the audit

**Audit Workbook:** For each area of rules compliance to be verified, Wespay provides the following tools for you to conduct your audit, each identified with a unique icon:



1. Summary of rules requirement.



2. Indication if rule has or will change.



3. Audit Finding – This is a pull-down menu that provides the range of findings you can record for each point. This item will be included in the Management Report.

4. Test Procedures – In this field, input the procedure you used to test this audit point. (e.g., dates covered, documents or policies reviewed, etc.)

5. Action Items and Comments – In this field, input the items that need follow-up or general concerns raised by the audit test. This item will be included in the Management Report.



6. Discussion on rules compliance point. The concepts discussed are thoughts developed by Wespay regarding particular approaches to auditing for specific functions but are not audit requirements.



7. Recommendations for test procedure and documentation.



8. Sound Practices.

**Management Report:** This guide automatically creates a management report based on the findings and action items you have entered in the body of the workbook. This report can be used for management review or as documentation for regulators to verify completion of the audit.



**NOTE:** If you exceed the allowable space on one of the audit reports to document the Exceptions, Actions or Concerns, you can use the Additional Comments section at the end of the management report.



### **Outgoing Returns**

Documentation that supports the processing of outgoing returns of received entries for the focal weeks. These reports must include the settlement date of the received entry and the subsequent return.

- ✓ For each extended return (i.e., disputed entry) provide the associated Written Statement of Unauthorized Debit

### **Stop Payments**

Documentation that demonstrates processing of outgoing returns of stopped payments for the focal weeks. These may be the same reports as for outgoing returns cited above. If applicable, the stop payment requests associated with each entry returned stop payment.

### **Posting of Entries**

Received entry reports and reports and/or screenshots showing the time at which received credits and debits are posted to receivers' accounts.

### **Payment-Related Information for Business Receivers**

If any businesses have requested payment-related information for payments they have received (e.g., CCD, CTX, or IAT entries), have evidence of compliance in providing the appropriate information timely.

### **Receiver Statements**

Reports showing at least one entry using each of the standard entry class (SEC) codes below and the receiver statement that displays the entry:

- ✓ ARC, BOC, CCD, CIE, CTX, IAT, MTE, POP, POS, PPD, RCK, SHR, TEL, WEB (credit and debit), and XCK

If any of the SEC codes cannot be found in your defined focal period, you may need to expand your search to find some of the more rarely used SEC codes noted in red, and you may discover that some were not received by your organization.

### **Uniform Commercial Code 4A (UCC4A) Disclosures**

Evidence available regarding applicable UCC4A disclosures. This is typically provided via the account agreement but may also be done through a separate notice.

### **Processing of Government Entries**

Procedures and transaction records demonstrating the handling receipt of Federal Government death notification entries and general processing of Federal Government reclamations.



## Origination Documentation

Review the following items and be prepared to discuss any that may apply to your organization. Organizations only performing internal origination should be focusing on their authorization process, procedures, and documentation at minimum.



**Note:** RDFIs that don't support business origination may still have ODFI related activities to audit. Common ODFI related activities include account transfers (i.e., account-to-account or person-to-person transfers), using ACH for loan debits or for funding newly opened accounts. These activities are referred to as internal origination and are included in the audit process.



### Origination and Agreements

Obtain a list of all parties for whom you originate ACH entries and select a representative sample of originators and/or third-party senders for testing. For each originator or third-party sender selected, obtain a copy of the signed origination agreement.

### Agreements with Sending Points and Third-Party Service Providers/Processors

Provide agreements for any external sending points and/or third-party service providers you utilize for ACH origination.

### ODFI Verification of Originator or Third-Party Sender Identity

Policies or procedures used during the onboarding of new business originators or third-party senders to verify their identity when approving them for origination services.

### Uniform Commercial Code 4A (UCC4A) Disclosures

Evidence regarding applicable UCC4A disclosures for business originators. This is typically provided via the origination agreement but may also be done through a separate notice.

### Exposure Limits

Policies and/or procedures that document steps to establish, enforce, and periodically review exposure limits for your all business originators and third-party senders.

### ODFI Handling of Returns

The following reports for the focal weeks, focal month, and/or focal period:

- ✓ Report of incoming returns and their disposition, including contested/corrected returns
- ✓ Report to originators/third-party senders communicating information regarding received returns
- ✓ Report showing outgoing dishonored returns and the associated incoming return

### Notifications of Change (NOCs) Received for Originators

Reports demonstrating the following:

- ✓ Required information is provided from received NOCs to originators/third-party senders
- ✓ NOCs related to CIE or WEB credit entries and their processing

**Permissible Return Entries**

Procedures for requesting a return from an RDFI (i.e., a R06 return requests) and requests from an RDFI to transmit a late return.

**Proof of Authorization Requests**

Any requests for proof of authorization received in the focal period. If there were none, policies or procedures documenting steps to process such requests can be tested.

**Additional Documentation**

In addition to the Nacha Operating Rules and Guidelines, other documentation that might be referenced includes:

- ✓ The Green Book - Bureau of the Fiscal Service
- ✓ Federal Reserve Board's Regulations E, D and CC
- ✓ Risk management policies and procedures
- ✓ Data security policies and processing contingency plans
- ✓ State and federal EFT regulations
- ✓ Regulatory agency bulletins (e.g. OCC 2006-39)
- ✓ Federal Reserve ACH Operating Circular (OC-4)
- ✓ Uniform Commercial Code Article 4 (4A)

**Additional key areas to consider including in your audit:**

- ✓ OFAC related procedures and compliance with all associated regulations, as both an ODFI (if applicable) and RDFI
- ✓ Adequate inclusion of ACH within your organization's business continuity planning
- ✓ Risk management policies and procedures as an ODFI (if applicable) and RDFI
- ✓ Documented ACH training and continuing education processes for relevant personnel
- ✓ Management control of key processes where account numbers can be compromised (e.g., posting of exceptions, originating NOCs, etc.)





## Audit Requirements for All Participating DFIs

### 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, Section 1.4)



1. Nacha Operating Rules require that financial institutions retain records of entries for six years from the date the entry is transmitted and that a printout or reproduction be able to be provided to the financial institution's customer or any other financial institution or ACH Operator that originated, transmitted or received the entry. DFIs are required to verify that they are retaining and are able to provide records of entries in compliance with the rules.
2. The rules do not specify the media in which the record must be kept. Therefore, both physical and electronic media are compliant including paper storage, microfiche, cloud, optical storage, etc.
3. Although not required by the rules, Wespay recommends retaining Written Statement of Unauthorized Debit (WSUD) and ACH stop payment requests for six years, in conjunction with other ACH records.



### Audit Test and Documentation

- ✓ Verify that the appropriate records as listed in the Document Preparation section can be accessed in the medium in which they are archived.