

Q. What types of organizations must perform an ACH Rules Compliance audit?

- A. NACHA Operating Rules & Guidelines (2014 edition) – Appendix Eight – Rules Compliance 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 Appendix Eight.”

Q. What is a Depository Financial Institution (DFI)?

- A. A DFI is a financial institution that accepts deposits from its customers and also can accept credits from a Federal Reserve Bank.

For the purpose of the ACH audit, all Participating DFI’s acting as RDFIs, ODFIs, Third-Party Service Providers, and Third-Party Senders must conduct an audit according to Appendix Eight—Part 8.1 General Audit Requirement and Part 8.2 Audit Requirements for all Participating DFIs.

In addition to the audit procedures outlined in Appendix Eight—Part 8.1 and Part 8.2, Receiving Depository Financial Institutions (RDFIs) and their Third-Party Service Providers (TPSP) must conduct an audit relating to receipt of ACH entries according to Appendix Eight—Part 8.3 Audit Requirements for RDFIs.

In addition to the audit procedures outlined in Appendix Eight—Part 8.1 and Part 8.2, Originating Depository Financial Institutions (ODFIs), Third-Party Service Providers (TPSP) and Third-Party Senders (TPS) must conduct an audit relating to the origination of entries according to Appendix Eight—Part 8.4 Audit Requirements for ODFIs.

Q. What is a Third-Party Service Provider (TPSP)?

- A. A TPSP is an Organization (not an Originator, ODFI, or RDFI) that performs any functions on behalf of the Originator, ODFI and/or RDFI. This can include the creation of files or acting as a sending point or receiving point for a Participating DFI. (An organization acting as a Third-Party Sender also is a TPSP – see next question for current definition)

Examples of TPSP: data processing service bureau, correspondent bank, payable through bank, a banker’s bank, or even a financial institution acting on behalf of another financial institution.

Q. What is a Third-Party Sender (TPS)?

- A. As revised in 2014, the definition of a Third-Party Sender is as follows:

“A type of Third-Party Service Provider that acts as an intermediary in Transmitting Entries between an Originator and an ODFI, including through Direct Access, and acts on behalf of an Originator or another Third-Party Sender. A Third-Party Sender must have an Origination Agreement with the ODFI of the Entry. A Third-Party Sender is never the Originator for Entries it Transmits on behalf of another Organization. However, a Third-Party Sender of Entries may also be an Originator of other Entries in its own right.” (Article Eight, Section 8.98)



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Q. Who should conduct the ACH audit itself?

A. The audit must be performed under the direction of the audit committee, audit manager, senior level officer, or independent (external) examiner or auditor. This person(s) may be a member of the financial institution, Third-Party Service Provider or Third-Party Sender staff as long as they are not involved in the daily ACH processing, reconciling or operations' management.

Q. What is the required completion date for the ACH audit?

A. NACHA Operating Rules—Appendix Eight—Part 8.1 General Audit Requirements:

*“An annual audit must be conducted under these Rules Compliance Audit Requirements no later than **December 31** of each year.”*

Q. Why is it important to perform an ACH audit?

- A. • It is required by the NACHA Operating Rules that RDFIs, ODFIs, Third-Party Service Providers and Third-Party Senders perform an annual ACH audit to ensure compliance with the Rules
- To assist in minimizing risks associated with ACH processing
 - To strengthen the financial institution's ACH services/program
 - To assist in maintaining the quality and integrity of the ACH network

Q. When did the ACH audit requirement become effective?

A. In 1993 the NACHA Operating Rules were updated to require an ACH audit be performed every 3 years. In 1999, the NACHA Operating Rules changed the audit requirement to be performed on an annual basis by December 1 of each year. In December of 2011, the NACHA Operating Rules changed the audit completion date to December 31 of each year.

Q. How should the ACH audit be performed?

A. Some of the options available are:

- Follow Appendix Eight—Rules Compliance Audit Requirements in the current NACHA Operating Rules & Guidelines book
- Purchase an *ACH Audit Guide on CD* from UMACHA which provides guidance and tools to help you perform your ACH audit
- Attend UMACHA's ACH Audit Compliance workshop presented at various locations and receive training from UMACHA staff on how to complete the audit. You will also receive the *ACH Audit Guide on CD*.
- Hire UMACHA's accredited, professional staff to perform an on-site ACH audit (Call for current pricing)

Q. If you performed your own ACH audit and want to be sure it has been completed properly, what can you do?

A. Call UMACHA for an ACH audit review. As part of our Consulting Assistance, we can review your ACH audit and documentation to ensure compliance with the NACHA Operating Rules. (Call for current pricing)



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Q. How long should proof of the ACH audit be retained?

A. The NACHA Operating Rules—Appendix Eight—Rules Compliance Audit Requirements Part 8.1 General Audit Requirements: 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 NACHA upon request.

Q. Are there other ACH compliance requirements my financial institution should complete on a regular schedule for our ACH program?

A. Effective June 18, 2010, the NACHA Operating Rules Risk Management amendment requires a Participating DFI to conduct an assessment of risks of its ACH services and must implement an ACH risk management program of the basis of such assessment. FFIEC issued their “Supplement to Authentication in an Internet Banking Environment” in June 2011 which states:

“Financial institutions should review and update their existing risk assessments as new information becomes available, prior to implementing new electronic financial services, or at least every twelve months.”

This area of compliance is tested during your annual Rules Compliance Audit in Appendix Eight, Subsection 8.2.f. UMACHA’s Compliance Services staff can perform your ACH risk assessment on-site (call for current pricing), or the *ACH Risk Assessment Guide on CD*, with guidance and tools, is available for purchase to assist you in performing the ACH risk assessment.

For more information about ACH audits and risk assessments, please contact any of our Compliance Services staff:

Jen Wasmund, AAP, NCP

jenw@umacha.org

(763) 201-9607

Mitch Kenady, AAP

mitchk@umacha.org

(763)201-9611

Dahlia Penland, AAP

dahliap@umacha.org

(763)201-9613

Toll Free: (800) 348-3692