

Regions Bank TPS Annual ACH Audit

0:02

Welcome to the Regions Bank third party sender training.

0:06

My name is Carrie Selin.

0:08

In this session, I will go over the requirements for a third party sender to complete its annual ACH compliance audit, what the audit must cover, and what auditors typically look for.

0:25

Each ODFI and every 3rd party service provider and 3rd party sender, including any nested third party center sender that has agreed with an ODFI or another third party sender to process entries and perform a function of ACH processing or requirement of the Rules that is otherwise applicable to an ODFI and each RDFI and any third party service provider that has agreed with an RDFI to process entries and perform a function of ACH processing or requirement of the Rules otherwise applicable to the RDFI.

1:01

An audit of compliance with the not your operating Rules must be performed under the direction of an audit Committee, Audit Manager, Senior level Officer, or an independent external examiner or auditor of the participating depository, financial institution, third party service provider or third party sender.

1:22

Proof of completion of the annual audit must be retained for six years and provided to NACHA upon request.

1:33

A third party center must audit the following items that a third party sender is responsible for if they apply to their processing.

1:42

Verification of originator's identity.

1:45

How they verify the identity of an originator before they enter into an ACH origination agreement with the originator.

1:54

ACH third party sender originator agreement.

1:58

Do they contain at least the minimum requirements under subsection 2.2, point 2.1?

2:06

Establishing and implementing and periodically reviewing an exposure limit for the originator and what that process looks like.

2:15

Monitoring the originator's origination and return activity across multiple settlement dates.

2:21

Enforcing restrictions on the types of entries that may be originated.

2:27

Enforcing the exposure limit and authorizations for each standard entry class code and compliance with the E Sign Act for signatures.

2:40

Provision of the UCC 4A notice to originators of credit entries, typically in the ACH Region Origination Agreement, or it could be a separate notice.

2:51

Provision of proof of authorizations to Regions Bank.

2:56

How the third party center stays informed of Nacho rule changes.

3:00

How the third party center informs its originators of Nacho rule changes.

3:06

Pre notifications and enforcing the waiting period.

3:10

Micro entries and colluding.

3:12

Commercially reasonable fraud detection for forward and return volumes.

3:18

Reversals only allowed for erroneous entries as defined in the Nacho rules.

3:23

How reclamations are processed if it applies notification of changes.

3:29

Are the originators making the changes?

3:31

For recurring ACH entries and file formats?

3:35

Are they far formatted appropriately?

3:40

Return entries including return rate monitoring for unauthorized administrative and overall return rates.

3:48

Re initiation of returned entries.

3:52

Correction of entries returned as R11.

3:56

Dishonored returns, Late returns, refusal of acknowledgements, the ACT and ATX entries.

4:07

Return fee entries.

4:10

Obligations of third party senders under subsection 2.16.1.

4:17

Provisions of any changes to the third party sender registration data to Regions Bank.

4:24

Has the third party sender received any possible rules violations that year?

4:30

Any fraud related to originators, the third party sender or process sender Processes on behalf of being prepared for your ACH annual audit will help.

4:43

It goes smoothly and equip you to answer any questions that may arise.

4:48

So you want to start by making a list of the ACH functions your organization performs under the Not Your Operating Rules and you can use the items we just went through as a starting point for your list.

5:02

Before the audit.

5:03

Identify all the policies and procedures related to your ACH functions and have them ready for the auditor.

5:09

This includes a sampling of copies of authorizations from originators, your ACH origination agreements, your risk assessment and risk management program created from the risk assessment.

5:21

Include your OFAC and BSAAML policies and procedures.

5:26

Pull copies of your ACH return rate by originator and standard into class code reports.

5:32

Make sure any findings from previous audits have been remediated.

5:36

If you received any ACH rules violations during the year, pull those and the documentation on how you remediated the issue and determine who will perform your annual ACH audit.

5:49

Will it be an internal audit, a payments association or an external auditor?

5:58

Although it's not required under the Nacho rules, it is recommended that a third party center utilize one of the payments association that conducts audits as they are very familiar with the Nacho operating roles and the requirements.

6:12

Regions Bank can provide a list of the payment associations for the third party sender to contact directly.

6:18

This concludes the third party sender annual ACH audit training.

6:23

I hope you have a better understanding of the audit requirements related to your processing as a third party sender.