



Xtend

6000 28th Street SE,
Grand Rapids, MI 49546

2020 ACH AUDIT MANAGEMENT REPORT

Participants in the ACH network are required to comply with the provisions of the *ACH Operating Rules*. ACH rules provide the requirements for an audit of compliance, and an examination of procedures, policies and controls relating to the origination of ACH entries. Controls include both administrative and operational controls.

Xtend, Inc. “Third-Party Service Provider”, is a multi-owned cooperative CUSO for over 300 credit unions; offering call center services and, but not limited to, back-office processing. Third-Party operates as an extension of the credit union as a subset of CU*Answers. Third-Party Service Provider completes back-office processing based on the specific needs of its financial institution clients which can be on-going, adhoc or for continuity.

The ACH Audit of Compliance for Xtend, Inc. was performed December 3 – 4, 2020. The audit period included August 15 – September 15, 2020. Procedures were examined in regard to each applicable requirement with the following results or exceptions.

ACH Audit Requirements

Audits of Rules Compliance

An annual audit must be conducted under these Rule Compliance Audit Requirements no later than December 31 of each year. 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 period of six years from the date of the audit, and (2) provided to the National Association upon request.

Status of audit requirement: ***Compliant with Exception***

Comments: Xtend conducted an ACH audit in 2019. ACH audits have been retained from 2018 – 2019.

Exception: Third-Party Service Provider did not conduct ACH audits prior to 2018.

Note: At the time of this audit, Management asserted a process has been implemented to ensure ACH audits are conducted annually by December 31 and retained for at least six years.

Electronic Records

A Record required by these rules to be in writing may be created or retained in an electronic form that (a) accurately reflects the information contained within the record, and (b) are capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.

A Record that is required by these Rules to be signed or similarly authenticated may be signed with an Electronic Signature in conformity with the terms of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. §7001, et seq.), and in a manner that evidences the identity of the Person who signed and that Person's assent to the terms of the Record.

Status of audit requirement: **Compliant**

Comments: Xtend as a Third-Party Service Provider does not hold the obligation of retention of files or records on behalf of its client financial institutions nor does Third-Party partake in Origination activity or retain authorizations. Third-Party's practice is to retain records of work as an audit trail for three months and is able to review | access the financial institutions data for approximately a year through its imaging platform, CU*SPY. Records of work were available for review for selected financial institutions.

Security of Protected Information

Each Non-consumer Originator, Participating DFI, and Third-Party Service Provider must establish, implement, and update, as appropriate, policies, procedures, and systems with respect to the initiation, processing, and storage of Entries that are designed to (a) protect the confidentiality and integrity of Protected Information until its destruction; (b) protect against anticipated threats or hazards to the security or integrity of Protected Information until its destruction; and (c) protect against unauthorized use of Protected Information that could result in substantial harm to a natural person. Such policies, procedures, and systems must include controls that comply with applicable regulatory guidelines on access to all systems used by such Non-Consumer Originator, Participating DFI, and Third-Party Service Provider to initiate, process, and store Entries.

The ACH security requirements consist of three elements (1) the protection of sensitive data and access controls; (2) self-assessment; and (3) verification of the identity of Third-Party Senders and Originators.

Status of audit requirement: **Compliant with Concern**

Comments: Xtend completed an assessment of risks in 2019 that included data security. Xtend is an extension of CU*Answers; CU*Answers conducted a SSAE18 in 2019 and is in process of conducting a 2020 assessment.

Concern: At the time of this audit, specific security assessments were not provided for Xtend. It could be speculated that Xtend and its utilized platforms are included in CU*Answers assessments but not confirmed.

Recommendation: It is recommended that management ensure Xtend is included in CU*Answers 2020 assessment, including noting all shared platforms be included, CU*Base.

Encryption

Banking information related to an Entry that is Transmitted via an Unsecured Electronic Network must, at all times from the point of data entry and through the Transmission of such banking information, be either encrypted or Transmitted via a secure session, in either case using a technology that provides a commercially reasonable level of security that complies with applicable regulatory requirements.

Status of audit requirement: **Compliant**

Comments: Xtend has processes in place that ensure the security and integrity of all data. Third-Party Service Provider has access to financial institution information via CU*Base and CU*SPY, through CU*Answers. In the event protected information or personally identifiable information needs to be sent via email, staff use a secure email platform, ZIXmail.

Agreements

When agreements have been executed between the Originator and the ODFI, it is also recommended that agreements be entered into between the Originator and the Third-Party Service Provider, and between the Third-Party Service Provider and the ODFI.

Status of audit requirement: **Compliant**

Comments: Xtend has an agreement in place with all financial institutions that includes service levels and defines terms of processing.

Return Entries

A Third-Party Provider must accept Return Entries and Extended Return Entries received from an RDFI. Dishonored Return Entries must be transmitted within five Banking Days after the Settlement Date of the Return Entry and contested dishonored Return Entries must be accepted, as required by these Rules.

A Third-Party Provider may Reinitiate an Entry, other than an RCK Entry, that was previously returned as established in these Rules. A Third-Party Provider may originate a Return Fee Entry to the extent permitted by applicable Legal Requirements and as established in these Rules.

Status of audit requirement: **Compliant**

Comments: All return entries reviewed from the audit period that were processed on behalf of the financial institution were transmitted timely. There were no late, contested or dishonored returns from the audit period.

Third-Party Service Provider does not offer nor support origination services or reinitiation of entries.

Recommended Action: It is recommended that Third-Party have a process in place to ensure processing requests specific to the financial institution, that deviate from its own standards and processing is compliant with the ACH rules.

Notification of Change

An ODFI must accept a Notification of Change (“NOC” and “COR Entry”) or a corrected NOC and provide Originator with notification as identified in these Rules. An Originator must make the changes specified in the NOC or corrected NOC within six Banking Days of receipt of the NOC information or prior to initiating another Entry to a Receiver’s account, whichever is later.

Status of audit requirement: **Compliant**

Comments: All NOCs reviewed from the audit period that were sent on behalf of the financial institution were transmitted timely and contained appropriate correcting information.

Third-Party Service Provider does not offer nor support origination services or correcting of incoming NOCs.

Request for Authorization

An authorization must be obtained from a Receiver to originate one or more Entries to the Receivers account; and at the request of the ODFI, the Third-Party or Originator must provide a copy of such authorizations in accordance with the requirements of these rules.

Status of audit requirement: **Not Applicable**

Comments: Third-Party Service Provider does not offer nor support origination services; this includes retention of authorizations.

Reversing Entries and Reversing Files

A Third-Party Provider may initiate a Reversing File to reverse all Entries of an Erroneous File or a Reversing Entry to correct an Erroneous Entry previously initiated to a Receivers account in accordance with the requirements of the Rules.

Status of audit requirement: **Not Applicable**

Comments: Third-Party Service Provider does not offer nor support origination services; this includes initiation of Reversals.

Originator Obligations

A Third-Party Provider must satisfy NACHA Rule requirements and provide additional warranties for each originated ACH transaction as applicable.

Status of audit requirement: **Compliant**

Comments: Xtend acting as a Third-Party Service Provider; a processing arm of the financial institution, does not offer nor support origination services.

Staff at Third-Party attend payments related information and are knowledgeable on rules and compliance obligations for the services offered.

This audit was conducted at the office of Xtend, Inc., 6000 28th Street SE, Grand Rapids, MI 49546 in compliance with the *ACH Operating Rules, Article Two and all other applicable Appendixes*.

Monique-Renee Canty, AAP, APRP | Payments Compliance

The Clearing House Payments Authority
580 Kirts Boulevard
Troy, MI 48084

Submitted for Review: Tim Singletary, AAP

December 30, 2020



2020 ACH Audit Certification

Company Name: Xtend, Inc.
Date of Audit: December 3 – 4, 2020
Audit Period: August 15 – September 15, 2020
Auditor Name: Monique-Renee Canty, AAP, APRP

The ACH annual audit was completed in compliance with *ACH Operating Rules* by The Clearing House Payments Authority, a Nacha Direct Member.

The Clearing House Payments Co., LLC
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