



October 31, 2017

To: CU*Answers Board of Directors
CU*Answers Executive Council

From: Patrick Sickels, Internal Auditor
CU*Answers, A Credit Union Service Organization

Re: 2017 ACH Assessment

CU*Answers practice is to conduct an external assessment of our ACH Operations every other year. In 2017, this assessment was performed by The Clearing House Payments Authority, a nationally recognized leader in ACH systems review. The audit was conducted on September 28th and 29th, 2017, and The Clearing House had no findings. This audit and the CU*Answers self-assessment are attached.

The Internal Audit Team has overall responsibility for the annual ACH review. However, Internal Audit has Jim Vilker and Marsha Sapino of AuditLink do most of the fieldwork, as well as regular review of CU*Answers' ACH processes. Day-to-day responsibility of ACH systems belongs to the Operations Team, the Programming Teams, and Network Services. All of these teams should be commended for their outstanding work in balancing security with the complex work of ACH transactions.

Regards,

A handwritten signature in cursive script that reads "Patrick G. Sickels".

Patrick Sickels
Internal Auditor
CU*Answers, A Credit Union Service Organization
6000 28th Street SE
Grand Rapids, MI 49546



October 3, 2017

Bob Frizzle, CFO
CU* Answers
6000 28th St. SE
Grand Rapids, MI 49546

Dear Bob:

Thank you for the hospitality during my recent visit at CU* Answers. It was a pleasure visiting with your staff. The external audit of CU* Answers' ACH Operations was performed on September 28-29, 2017 to verify compliance with the ACH Operating Rules. The audit period covered August 10-23, 2017.

Each participating DFI shall, in accordance with standard auditing procedures, conduct annually an internal or external audit of compliance with the provisions of the ACH rules. Documentation supporting the completion of an audit must be retained for a period of six years from the date of the audit, and provided to the National ACH Association (NACHA) upon request. Additionally, each financial institution shall conduct an assessment of the risks of its ACH activities.

The ACH Audit Management Report is attached herein and intended solely for the information and use of CU* Answers, The Clearing House Payments Authority and the National Automated Clearing House Association. Any suggestions or follow-up items included in the reports should be used for improving operational efficiency, and for maintaining compliance with ACH rules and related regulations.

This audit report does not represent an opinion on the financial condition of CU* Answers. The audit was based on selective sampling of various disclosures and documents pertaining to ACH and a review of compliance with NACHA rules and guidelines and according to industry standards. Conclusions were based on the results of the information reviewed, discussion with various employees and personal observations.

The reports are to be used as evidence of performance of the ACH Audit for the calendar year ending December 31, 2017.

Thank you for contracting with The Clearing House Payments Authority to conduct your annual audit.

Sincerely,

The Clearing House Payments Authority



2017 ACH Annual Audit

The Clearing House Payments Authority
1114 Avenue of the Americas
17th Floor
New York, NY 10036

ACH Audit Management Report

The annual ACH audit of was performed to verify compliance with *ACH Operating Rules*. The audit period covered

Any suggestions or follow-up items should be used for improving operational efficiency, and for maintaining compliance with ACH rules and related regulations.

Article One: General Rules

Audits of Rules Compliance

Verify the Financial Institution has conducted an audit of compliance with the ACH rules and retained for a period of six years and has obtained certification of completion of an ACH audit from each Third-Party Service Provider.

Finding:

Risk Assessment and Security of Protected Information

Verify the Participating DFI has conducted an assessment of the risks of its ACH activities and has implemented a risk management program on the basis of such an assessment and has established, implemented and updated policies and procedures. Verify the Participating DFI, each Non-Consumer Originator and Third-Party Service Provider has implemented policies, procedures and systems to protect the confidentiality and integrity of Protected Information.

Finding:

Record Retention

Verify that all ACH records, received, returns and originated entries are securely retained for six years from the date of the Entry and access restricted.

Finding:

Secure Transmission of ACH Information via Unsecured Electronic Networks

Verify that required encryption or a secure session is used for banking information transmitted via an Unsecured Electronic Network.

Finding:

Article Two – Rights and Responsibilities of ODFIs, Originators and Third-Party Senders

Provisions for Internal Origination

Verify that transactions originated internally are in compliance with the related ACH rules.

Finding:

Article Three – Rights and Responsibilities of RDFIs and Their Receivers

RDFI Obligation to Provide Information about Entries and Notices to the Receiver for Credit Entries Subject to Article 4A

Verify that required information is made available for each credit and debit Entry to an Account, that the Receiver has been provided proper notice to ensure compliance with UCC 4A and that, when requested, payment related information is provided in a timely manner.

Finding:

Timing Requirements for RDFI to Make Credit and Debit Entries Available

Verify that all valid ACH transactions are accepted and consumer credits are made available no later than open of business on Settlement date.

Finding:

Specific Provisions for Exception Processing

Verify that Prenotifications and Notifications of Change are processed appropriately and timely. Verify that all returns, including stop payments, are returned timely and with appropriate return codes and that Written Statements of Unauthorized Debits are obtained from consumers for erroneous transactions.

Finding:



2017 ACH Audit Certification

Institution Name:

RTN:

Date of Audit:

Audit Period:

Auditor Name:

The ACH annual audit was completed for CU*Answers in compliance with *ACH Operating Rules* by The Clearing House Payments Authority. The audit did not include an audit of Xtend, Inc.

The Clearing House Payments Association
1114 Avenue of the Americas
17th Floor
New York, NY 10036