



Xtend, Inc.  
6000 28<sup>th</sup> Street SE  
Grand Rapids, MI 49546

## ACH AUDIT MANAGEMENT REPORT SUMMARY

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., operating as a Third-Party Service Provider and Credit Union Service Organization (CUSO), offers contracted back-office processing services for over 300 credit union clients. Third-Party operates as an extension of its credit union clients based on the specific needs of the credit union. Services may be daily or as a stand-in for business continuity/contingency purposes.

The ACH Audit of Compliance for Xtend, Inc. was performed November 21-22, 2022. The audit sample period included September 1-15, 2022. Procedures were examined regarding each applicable requirement with the following results or exceptions.

Audits of Rules Compliance	Compliant with Exception
Risk Assessment	Compliant
Electronic Records and Electronic Signatures	Compliant
Security of Protected Information	Compliant
Secure Transmission of ACH Information	Compliant
Agreements	Compliant
Return Entries	Compliant
Notifications of Change	Compliant
Reversing Files and Reversing Entries	Not Applicable
Origination Obligations	Not Applicable

This audit was conducted for Xtend, Inc. in compliance with the *ACH Operating Rules, Article Two and all other applicable Appendixes*.

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Payments Consulting & Compliance  
The Clearing House Payments Authority

Reviewed By: Tim Singletary, AAP

November 22, 2022

## ACH Audit Requirements

### **Audits of Rules Compliance**

*A Participating DFI must annually conduct, or have conducted, an audit of its compliance with these Rules. A Third-Party Service Provider or Third-Party Sender that has agreed with a Participating DFI to process Entries must annually conduct, or have conducted, an audit of its compliance with these Rules. 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 retained for a period of six years from the date of the audit. Upon receipt of the National Association's request, a Participating DFI must provide to the National Association, within ten (10) Banking Days, proof that the Participating DFI and/or any requested Third-Party Service Provider(s) or Third-Party Sender(s) have completed audits of compliance in accordance with these Rules.*

**Status: Compliant with Exception**

**Comments:** Xtend, Inc. conducted an ACH audit for 2021; evidence of completion of 2018-2020 audits provided.

**Exception:** Xtend, Inc. did not conduct ACH audits prior to 2018.

**Note:** As identified in previous audits, a process has been implemented to ensure ACH audits are conducted annually and retained as identified within Nacha Operating Rules.

### **Risk Assessment**

*A Participating DFI must (a) conduct, or have conducted, an assessment of the risks of its ACH activities; (b) implement or have implemented, a risk management program on the basis of such an assessment; and (c) comply with the requirements of its regulator(s) with respect to such assessment and risk management program.*

**Status: Compliant**

**Comments:** Xtend, Inc. conducts an annual ACH Risk Assessment; evidence of the most recent assessment provided. The assessment includes the lifecycle of ACH activity and the associated risk for the services offered by the Third-Party.

Xtend, Inc. provided evidence of the most recent ACH audit and risk assessment for its parent company, CU\*Answers.

### **Electronic Records and Electronic Signatures**

*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: Compliant**

**Comments:** Xtend, Inc., as a Third-Party Service Provider, does not hold the obligation for creating and retaining electronic records. Xtend does not provide or participate in origination services and has no obligation pertaining to authorization requirements.

Xtend, Inc. retains records of the work completed for client credit unions for three months. Credit union client data can be accessed and reviewed for approximately one year through the Xtend, Inc. imaging platform.

## **Security of Protected Information**

*Each Non-consumer Originator, Participating DFI, Third-Party Service Provider, and Third-Party Sender 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.*

*Each Non-Consumer Originator that is not a Participating DFI, each Third-Party Service Provider, and each Third-Party Sender, whose ACH origination or transmission volume exceeds 6 million entries annually (calendar year 2019) must, by June 30 of the following year (2021), protect DFI account numbers used in the initiation of Entries by rendering them unreadable when stored electronically.*

**Effective June 30, 2022:** *Each Non-Consumer Originator that is not a Participating DFI, each Third-Party Service Provider, and each Third-Party Sender, whose ACH origination or transmission volume exceeds 2 million entries annually (calendar year 2020) must, by June 30 of the following year (2022), protect DFI account numbers used in the initiation of Entries by rendering them unreadable when stored electronically.*

**Status: Compliant**

**Comments:** Xtend, Inc. conducted an ACH Risk Assessment in September 2021 that includes the security of protected information in transit, at rest and during destruction. Security of data is established by policy and standards of the Third Party's parent company, CU\*Answers; evidence of security assessment for CU\*Answers provided.

## **Secure Transmission of ACH Information via Unsecured Electronic Networks**

*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: Compliant**

**Comments:** Xtend, Inc. accesses client credit union data through proprietary programs provided by its parent company, CU\*Answers. Xtend and CU\*Answers have processes and programs in place to ensure the security of all data. Protected information transmitted by email is sent securely using 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. The executed agreement between and ODFI and Third-Party Service Provider may be based on the facts and circumstances of the business arrangement. The agreement should address responsibilities of each party regarding quality of data, input schedules and deadlines, and any other issues pertinent to the actual processing and delivery of the payment data.*

*Such agreements should: a) acknowledge Entries may not be initiated that violate the laws of the United States; b) include any restrictions on types of Entries that may be originated; c) include the right to terminate or suspend the agreement for breach of the Rules; and d) the right to audit.*

**Status: Compliant**

**Comments:** Xtend, Inc. has executed agreements with client credit unions outlining contracted services, liabilities, and representations of each party.

### **Return Entries**

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

**Status: Compliant**

**Comments:** Xtend, Inc. processes returns as indicated in executed agreements. Instruction for extended returns are received from client credit unions through a secure delivery method. Client credit unions are responsible for obtaining and retaining supporting documentation for returns.

Returns reviewed in the audit sample period were returned timely. Xtend, Inc. has a documented process for managing returns and notifications of change.

### **Notification of Change**

*A Third-Party Service Provider must accept a Notification of Change (“NOC” and “COR Entry”) or a corrected NOC and provide the Originator or Third-Party Sender with notification as identified in these Rules. An Originator or Third-Party Sender 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: Compliant**

**Comments:** Xtend, Inc. processes Notification of Change (NOC) as indicated in executed agreements. NOCs reviewed in the audit sample period were submitted timely. Xtend, Inc. has a documented process for managing returns and notifications of change.

### **Reversing Entries and Reversing Files**

*A Third-Party Service 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: Not Applicable**

**Comments:** Xtend, Inc. does not offer nor support origination services.

### **Originator Obligations**

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

**Status: Not Applicable**

**Comments:** Xtend, Inc. does not offer nor support origination services.

### **Additional Notes:**

Xtend, Inc. staff receive on the job training and ongoing ACH education through their Regional Payments Association. Seasoned staff are knowledgeable of Nacha Operating Rules.

## ACH Audit Certification

**Company Name:** Xtend, Inc.  
**Date of Audit:** November 21-22, 2022  
**Audit Sample Period:** September 1-15, 2022  
**Auditor Name:** Christina Poole, AAP, APRP, CUCE

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

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