



Xtend, Inc.

6000 28th 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 *Nacha Operating Rules*. The Rules require any Third-Party Service Provider or Third-Party Sender that performs a function of ACH processing conduct an annual audit of compliance with the requirements of the *Nacha Operating Rules* as applicable to the services provided. In addition to an audit of compliance, the Rules provide guidance for an examination of operational controls, policies, and procedures relating to the origination of ACH entries.

Xtend, Inc. acting 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 on August 11, 2023. The audit sample period included May 15 – 26, 2023. Procedures were examined in regard to 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. Any comments and recommendations should be used for improving operational efficiency, and for maintaining compliance with ACH rules and related regulations.

Joe Allen, AAP
Payments Compliance
The Clearing House Payments Authority

Reviewed By: Christina Poole, AAP, APRP, CUCE; August 30, 2023

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 2022; evidence of completion for the 2018 – 2021 audits were provided for review.

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

Note: As identified in previous audits, a process has been implemented to ensure ACH audits are performed annually and retained as required by the Nacha Operating Rule. This audit finding will drop off after this year.

Risk Assessment

A Participating DFI and a Third-Party Sender 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. conducted an ACH Risk Assessment dated September 30, 2022. The assessment includes the lifecycle of ACH activity and the associated risk for the services offered by the Third-Party.

The 2022 Annual ACH audit and risk assessment for CU*Answers (parent company) was provided for review.

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

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 2 million entries annually (each year 2021 and 2022) must, by June 30 of the following year (2023), 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 2022 that included 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 was 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 emails is sent securely using ZixMail. CU*Answers SOC reports were provided for review.

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. This agreement should define the responsibility, accountability, and liability for the handling of ACH files. 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. Requested agreements were provided for review.

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. Instructions for extended returns are received from client credit unions through a secure delivery method. Client credit unions are responsible for obtaining and retaining supporting documents.

During the audit sample period 2 returns were reviewed. Returns were returned timely. Xtend, Inc. has a documented process for managing returns.

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. NOC’s reviewed in the audit sample period were submitted timely. Xtend, Inc. has a documented process for managing notifications.

Reversing Files and Reversing Entries

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.

Origination 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 origination services.

ACH Audit Certification

Company Name: Xtend, Inc.
Date of Audit: August 11, 2023
Audit Sample Period: May 15 – 26, 2023
Auditor Name: Joe Allen, AAP

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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