

# 2020's Top ACH Rules Compliance Audit Findings

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Based on the infamous year of 2020, the EPCOR Advisory team has unpacked our top findings and recommendations noted in our 2020 ACH Rules Compliance Audits so you can have them on your radar and, hopefully, your 2021 ACH Rules Compliance Audit will go smoothly. Here are our top three findings from 2020:

1. ACH Risk Management Program (*ACH Rules Subsection 1.2.4 Risk Assessments*);
2. 2020 Revisions to the *ACH Rules*; and
3. Stop Payments (*Subsection 3.7.1.4 Effective Period of Stop Payment Orders*).

## ACH Risk Management Program

The *ACH Rules* require that all Participating Depository Financial Institutions (DFIs) implement a risk management program based on an assessment of the risk of its ACH activities. We discovered many weaknesses in policies and procedures, including a lack of appropriate and/or written ones. A strong risk management program should include elements such as policies, procedures, audits, risk assessments, internal controls, appropriate Know Your Customer (KYC), Originator/Third-Party Sender education, management oversight, vendor management and business continuity, just to name a few. The established risk management program should be consistent with requirements and guidance from regulators such as the Federal Communications Commission (FCC), FinCEN, Federal Financial Institutions Examination Council (FFIEC), Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, Conference Of State Bank Supervisors (CSBS), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Office of

Foreign Asset Control (OFAC) and Consumer Financial Protection Bureau (CFPB).

## Revisions to the *ACH Rules*

There were a handful of revisions/updates to the *Rules* implemented in late 2019 and throughout 2020, some of which have been delayed as a part of Nacha's relief in response to the coronavirus pandemic. One update we noted compliance concerns with was related to *Section 3.3 – Timing Requirements for RDFI to make Credit and Debit Entries Available* (implemented September 20, 2019), specifically funds availability related to Same Day Credit Entries. The updated funds availability Rule requires Credit Entries that are not Same Day be available for withdrawal no later than 9:00 AM (RDFI's local time) and Same Day Credit Entries be available for withdrawal no later than 1:30 PM and 5:00 PM (both RDFI's local time) depending on the processing window the Same Day Entry was collected.

Another compliance concern was related to *Section 3.12 – Written Statement of Unauthorized Debit*, specifically the repurposing of Return Reason codes R10 – Customer Advises Originator Not Known to Receiver/Ori ginator Not Authorized by Receiver to Debit Receiver's Account and R11 – Customer Advises Entry Not In Accordance with the Terms of the Authorization (implemented April 1, 2020). Our auditors found that many seem to confuse when it is appropriate to use R11 vs. R10. The repurposed R10 and R11 Return Reason codes both require a completed Written Statement of Unauthorized Debit (WSUD). R10 should continue to be utilized when the client advises the Originator is not known to the Receiver and/or the Originator is not authorized by the Receiver to Debit the Receiver's account. R11 should be utilized when the client advises the Entry

is not in accordance with the terms of the authorization, such as a change in date, variance in dollar amount or incomplete transaction. As always, an RDFI must promptly recredit the account holder for a debit Entry to a consumer account that was not properly authorized under the *Rules*.

## Stop Payments

The last and most common discussion/findings EPCOR auditors noted in 2020 were related to *Subsection 3.7.1.4 Effective Period of Stop Payment Orders* as it relates to consumer accounts. Our auditors found that members were not leaving the orders in effect for sufficient periods of time, as directed by the *Rules*. The *Rules* require a stop payment order to a consumer account remain in effect until the earlier of:

1. the withdrawal of the stop payment order by the Receiver; or
2. the return of the debit entry, or where a stop payment order applies to more than one debit entry related to a specific authorization involving a specific Originator, the return of all such entries.

To ensure your financial institution is prepared for a successful 2021 ACH Rules Compliance Audit, it is an excellent idea to fully review your existing risk management program including policies, procedures and any findings recommendations noted in 2020 audits and risk assessments. Nacha has developed a list of up-to-date guidance provided by regulatory bodies that can be reviewed on [Nacha.org](https://nacha.org). To ensure compliance in 2021, EPCOR has several resources available such as *Payments Systems Update*, *EPCOR Payments Conferences*, Advisory Services and the Electronic Resource License. For additional information, please contact [audit@epcor.org](mailto:audit@epcor.org) to schedule your 2021 ACH audit service. 🌟