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EXECUTIVE SUMMARY

The Office of Accounting provides individuals (typically students, faculty, and staff) the option of transferring funds via website using an electronic check (eCheck) for payments to The University of Texas at Austin (UT Austin). Payments may include tuition, room and board, taxes, fees, and Bevo Bucks. Monetary transfers to UT Austin by eCheck rather than by debit or credit card are processed through the Automated Clearing House (ACH) Network.

The National Automated Clearing House Association (NACHA) is a not-for-profit trade association that oversees the ACH Network.¹ NACHA Operating Rules require each Originator of Internet-Initiated/Mobile Entries² to conduct annual audits to ensure that the financial information the Originator obtains from Receivers is protected by commercially reasonable security practices. For eCheck transactions in this network, the role of the individual making the payment is that of the Receiver and the role of UT Austin is that of the Originator.

The scope of this audit included the current controls associated with the Office of Accounting's eCheck payment option. The audit objective was to determine compliance with NACHA 2012 Operating Rules for Internet-Initiated/Mobile Entries.

Based on interviews with relevant staff, a review of policies and procedures, a review of applicable IT system documentation, and limited testing, Internal Audits concludes that the Office of Accounting's eCheck payment option is in compliance with NACHA 2012 Operating Rules for Internet-Initiated/Mobile Entries.

This audit was conducted as part of the Fiscal Year 2012 Audit Plan.

¹ NACHA Website - <https://www.nacha.org/>

² Internet-Initiated/Mobile Entries are defined by NACHA as debit entries to a consumer's account based on an authorization from the Receiver to the Originator via the Internet or Wireless Network, excluding oral authorization via these channels.



BACKGROUND

The Office of Accounting provides individuals (typically students, faculty, and staff) the option of transferring funds via website using an electronic check (eCheck) for payments to The University of Texas at Austin (UT Austin). Payments may include tuition, room and board, taxes, fees, and Bevo Bucks. Monetary transfers to UT Austin by eCheck rather than by debit or credit card are processed through the Automated Clearing House (ACH) Network.

The National Automated Clearing House Association (NACHA) is a not-for-profit trade association that oversees the ACH Network.³ The NACHA Operating Rules provide the legal foundation for the exchange of ACH payments and ensure that the ACH Network remains efficient, reliable, and secure for the benefit of all participants.⁴ For eCheck transactions in this network, the role of the individual making the payment is that of the Receiver and the role of UT Austin is that of the Originator.

Chapter 48 - Section V of the NACHA Operating Rules require Originators of Internet-Initiated/Mobile Entries⁵ to conduct an annual data security audit ensuring the financial information that the Originator obtains from Receivers is protected by commercially reasonable security practices that include:

- Adequate levels of physical security to protect against theft, tampering or damage,
- Personnel and access controls to protect against unauthorized access and use, and
- Network security to ensure capture, transmission, storage, distribution, and destruction.

For the fiscal year ending August 31, 2012, there were 83,206 eCheck transactions collected through the Office of Accounting's webpages ("What I Owe", "My Tuition Bill", and "Institution Loans"). These transactions totaled approximately \$145.7 million. At the time of the audit, UT Austin did not have a mobile device software application covered under NACHA rules and regulations.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included the current controls associated with the Office of Accounting's eCheck payment option. The audit objective was to determine compliance with NACHA 2012 Operating Rules for Internet-Initiated/Mobile Entries.

To achieve this objective, the Office of Internal Audits (Internal Audits) staff:

- Reviewed NACHA 2012 Operating Rules for Internet-Initiated/Mobile Entries;

³ NACHA Website - <https://www.nacha.org/intronacha>

⁴ NACHA Website - <http://www.nacha.org/c/ACHNS.cfm>

⁵ Internet-Initiated/Mobile Entries are defined by NACHA as debit entries to a consumer's account based on an authorization from the Receiver to the Originator via the Internet or Wireless Network, excluding oral authorization via these channels.



- Reviewed current UT Austin policies, procedures, and guidelines;
- Reviewed the current list of users with access to *DEFINE related eCheck information;
- Reviewed supporting documentation;
- Interviewed staff from Information Technology Services and the Office of Accounting; and
- Performed limited testing of eCheck transactions.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

AUDIT RESULTS

NACHA requires that at a minimum, the audit cover the following sections of the NACHA Operating Rules:

- Physical security
- Personnel and Access controls
- Network security

Although not required to be audited by NACHA, the following sections of the NACHA Operating Rules were included in the audit:

- Originating Depository Financial Institution Agreement
- Authorizations
- Authentication
- Fraudulent Transaction Detection Systems
- Verification of Routing Numbers
- Standard Entry Class (SEC) for web site (WEB) transactions

Internal Audits determined that eCheck access is adequately controlled and other control processes are in place. There were no exceptions.

CONCLUSION

Based on interviews with relevant staff, a review of policies and procedures, a review of applicable IT system documentation, and limited testing, Internal Audits concludes that the Office of Accounting's eCheck payment option is in compliance with NACHA 2012 Operating Rules for Internet-Initiated/Mobile Entries.