

National Automated Clearing House Association Rules

eChecks



January 2014

**The University of Texas at Austin
Office of Internal Audits
UTA 2.302
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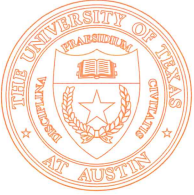
**The University of Texas at Austin
Office of Internal Audits**

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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, the Governor’s Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**National Automated Clearing House Association (NACHA) Rules - eChecks
Project Number: 824.13**



OFFICE OF INTERNAL AUDITS
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January 31, 2014

President William C. Powers, Jr.
University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Powers,

We have completed our audit of National Automated Clearing House Association (NACHA) Rules. Our scope included the current controls associated with the Office of Accounting's eCheck payment option.

Based on interviews with relevant staff, a review of policies and procedures, a review of applicable IT system documentation, and limited testing, we conclude that the Office of Accounting's eCheck payment option is in compliance with NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries.

We appreciated the cooperation and assistance of the Office of Accounting throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Vandervort".

Michael W. Vandervort, CPA
Director

cc: Internal Audit Committee Members



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EXECUTIVE SUMMARY

The Office of Accounting (Accounting) provides individuals, typically students, the option of making payments to The University of Texas at Austin (UT Austin) through its website using an electronic check (eCheck). Payments may include tuition, room and board, taxes, fees, and Bevo Bucks. Monetary transfers to UT Austin via 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 system.¹

For ACH transactions, the individual initiating the eCheck payment is called the Receiver and UT Austin, which creates the ACH entry that is sent to a depository institution, is the Originator. NACHA Operating Rules require each Originator of Internet-Initiated/Mobile Entries² to conduct an annual audit to ensure that the financial information the Originator obtains from each Receiver is protected by commercially reasonable security practices.

The scope of this audit included the current controls associated with Accounting's eCheck payment option. The audit objective was to determine compliance with *NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries*.

Based on the procedures performed, the Office of Internal Audits concludes that Accounting's eCheck payment option is in compliance with *NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries*.

This audit was conducted as part of the Fiscal Year 2013 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 (Accounting) provides individuals, typically students, the option of making payments to The University of Texas at Austin (UT Austin) through its website using an electronic check (eCheck). Payments may include tuition, room and board, taxes, fees, and Bevo Bucks. Monetary transfers to UT Austin via 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 system.³

For single ACH transactions, the individual initiating the eCheck payment is called the Receiver. UT Austin, which creates and sends the ACH entry to a depository financial institution, is the Originator.

According to *Chapter 48 of the NACHA Operating Rules, Internet-Initiated/Mobile Entries*⁴, originators are required to conduct an annual data security audit to ensure that the financial information 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;
- Administrative, technical, and physical access controls to protect against unauthorized access and use; and
- Network security to ensure secure capture, transmission, storage, distribution, and destruction of financial information.

For the fiscal year ending August 31, 2013, Accounting’s webpages (“What I Owe”, “My Tuition Bill”, and “Institution Loans”) processed 88,549 eCheck transactions totaling approximately \$167.2 million. Since FY08, the number of eCheck transactions has increased 9% while the total dollar amount processed has increased by 66% (\$57.1 million).

At the time of this 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 controls in place for Accounting’s eCheck payment option during FY13. The audit objective was to determine compliance with *NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries*.

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

- Reviewed *NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries*;

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

⁴ 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;
- Interviewed staff from Information Technology Services and the Office of Accounting;
- Reviewed supporting documentation; 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, and
- Network security.

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

- Originating Depository Financial Institution Agreement,
- Authorizations,
- Authentication,
- Fraudulent Transaction Detection Systems,
- Verification of Routing Numbers, and
- Standard Entry Class for website transactions.

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

CONCLUSION

Based on the procedures performed, Internal Audits concludes that Accounting's eCheck payment option is in compliance with *NACHA 2013 Operating Rules for Internet-Initiated/Mobile Entries*.