

National Automated Clearing House Association Rules

eChecks



September 2018

**The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117**

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Institutional Audit Committee**

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Office of Internal Audits**

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Auditor II:	Jason Boone
Auditor I:	Ryan Kothlow
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* denotes project members

This report has been distributed to Institutional 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 - eChecks
Project Number: 18.307**



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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September 18, 2018

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Financial Information Systems. Our scope included controls associated with eChecks in Financial Information Systems.

Based on the procedures performed, Internal Audits concludes that Financial Information Systems' eCheck payment option is in compliance with the National Automated Clearing House Association (NACHA) 2018 Operating Rules for Internet Initiated/Mobile Entries. The draft audit report (attached) provides detailed observations for each area under review. No recommendations were made.

We appreciate the cooperation and assistance of Financial Information Systems throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Treichel".

Jeff Treichel, CPA
Chief Audit Executive, *ad interim*

cc: Institutional Audit Committee Members
Ms. Mary Knight, Associate Vice President for Finance
Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
Ms. Tara Doolittle, Chief of Staff, Financial and Administrative Services
Ms. Amy Reyna, Assistant to Sr. Vice President and CFO
Mr. William O'Hara, Chair, Institutional Audit Committee
Mr. Leo Barnes, Vice President for Legal Affairs (interim)
Mr. Carlos Martinez, Chief of Staff, Office of the President



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EXECUTIVE SUMMARY

Conclusion

Based on the procedures performed, The Office of Internal Audits (Internal Audits) concludes that Financial Information Systems' eCheck payment option is in compliance with the *National Automated Clearing House Association (NACHA) 2018 Operating Rules for Internet Initiated/Mobile Entries*. No recommendations were made.

Audit Scope and Objective

The scope of this audit included current controls in place for Financial Information Systems' eCheck payment option. The specific audit objective was to determine compliance with *NACHA 2018 Operating Rules for Internet Initiated/Mobile Entries*.

Background Summary

Financial Information Systems provides individuals, typically students, the option of making payments to The University of Texas at Austin (UT Austin) through its website using an 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. NACHA is a not-for-profit trade association that oversees the ACH system.¹

For ACH transactions, the individual initiating the eCheck payment is 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.

For fiscal year ending August 31, 2017, the Financial Information Systems' webpages ("What I Owe", "My Tuition Bill", and "Institution Loans") processed 98,296 eCheck transactions totaling approximately \$221.5 million. Compared to the previous year, the number of eCheck transactions decreased 2.25% while the total dollar amount processed increased by \$6.75 million or a little over 3%.

This audit was conducted as part of the Fiscal Year 2018 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

Financial Information Systems 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 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 for 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 fiscal year ending August 31, 2017, the Financial Information Systems' webpages ("What I Owe", "My Tuition Bill", and "Institution Loans") processed 98,296 eCheck transactions totaling approximately \$221.5 million. Compared to the previous year, the number of eCheck transactions decreased 2.25% while the total dollar amount processed increased by \$6.75 million or a little over 3%.⁵

At the time of this audit, UT Austin did not have a mobile device software application covered under NACHA rules and regulations.

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.

⁵ Source: Financial Information Systems.



SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included current controls in place for Financial Information Systems' eCheck payment option. The specific audit objective was to determine compliance with *NACHA 2018 Operating Rules for Internet Initiated/Mobile Entries*.

To achieve these objectives, The Office of Internal Audits (Internal Audits):

- Reviewed *NACHA 2018 Operating Rules for Internet Initiated/Mobile Entries*;
- Reviewed current UT Austin policies, procedures, and guidelines;
- Reviewed the current list of users with access to *DEFINE⁶ related eCheck information;
- Interviewed staff from Information Technology Services (ITS) and Financial Information Systems;
- Reviewed supporting documentation; and
- Performed limited testing on information systems.

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 controls,
- Access controls, and
- Network security.

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, The Office of Internal Audits concludes that Financial Information Systems' eCheck payment option is in compliance with the *National Automated Clearing House Association (NACHA) 2018 Operating Rules for Internet Initiated/Mobile Entries*. No recommendations were made.

⁶*DEFINE is "The University of Texas Departmental Financial Information Network, accessed through the university mainframe computer."
https://austin-utexas.custhelp.com/app/answers/detail/a_id/686/kw/*define/session/L3RpbWUvMTQ2NTMxMjM0OS9zaWQvZ0twb0JzU20%3D