

ACH OPERATIONS

INTERNAL CONTROL QUESTIONNAIRE

	YES	NO	N/A	REMARKS
<u>ENROLLMENT AND TERMINATION</u>				
1. are KSB Customer Service Representatives (CSR's) familiar with ACH enrollment procedures for the various types of Federal payments, including discretionary allotments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. does KSB verify the identity of any person who initiates and executes an enrollment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. do KSB CSR's who enroll customers in direct deposit have procedures for double-checking or verifying entries, such as financial institution routing transit numbers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. do CSR's know that completed SF 1199A forms should be mailed to the Federal agency originating the payments and not to the Government Disbursing Office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. are KSB employees familiar with the requirement that KSB may cancel an enrollment only after giving 30 days written notice to the customer, except for reasons of fraud?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>ACCOUNT POSTING</u>				
6. are ACH payments posted and available to customers by the opening of business on the payment date?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. if KSB has reason to believe the account indicated in the payment instruction is not the account designated by the customer, does KSB attempt to credit the amount of the payment to the account designated by the recipient prior to return of the payment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>PAYMENT TRACE REQUEST</u>				
8. is the method used by KSB adequate to verify the credit of a Federal Government ACH payment when we receive a trace request and a copy of the microfilm verifying receipt?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. does KSB notify the customer of the disposition of the payments cited in the trace request?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a) do we originate a Notification of Change if corrections are needed for future payments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. in regard to a trace request for Electronic Funds Transfer Payments, does KSB complete the Financial Organization Action section of the form and return the Disbursing Office copy to the Government Disbursing Office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
a) Do we notify customers of the disposition of the payments cited in the request?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

HANDLING RETURN ITEMS

11. does any department of KSB, such as a branch office, currently have unposted ACH items in a suspense or hold account?
 a) if so, what steps are being taken to return these items to the Federal Government?

YES	NO	N/A	REMARKS
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

12. when KSB receives a payment after the death of a customer, if the account is closed, or if we are unable for any reason to credit the payment to the specified account, the percentage of payments returned in the following time frames are:
 a. _____ %, by midnight of the third banking day.
 b. _____ %, 4 to 7 days.
 c. _____ %, 6 to 10 days.
 d. _____ %, over 10 days.

13. do KSB employees responsible for processing return items have access to the payment transmittal data in the exact format received from the ACH?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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14. do procedures exist for the immediate disposition of any items held over 3 days?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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15. are subsequent payments returned immediately once KSB learns of the death of a customer?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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16. if KSB returns a payment by preparing a preauthorized return item-credit, how many days pass before rejected preauthorized return items are resubmitted?
 a) do procedures exist for the immediate disposition of items held over 5 days?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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17. do KSB employees responsible for returning payments learn promptly that a return item has been rejected?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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18. does KSB attempt to return items by check when they should be returned through the ACH system?
 a) are steps being taken to eliminate the improper return of funds by check?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

19. have CSR's been given explicit instructions NOT to open an account for any person without an active account if an ACH payment has been received for that person?
 a) have instructions been given not to attempt to transfer payments for a former customer to his/her account at another bank?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

NOTIFICATION OF CHANGE (NOC)

20. are procedures in place to initiate an NOC when a payment cannot be initially posted but is subsequently posted to the correct account number?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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21. does ITI provide KSB with the entire ACH data record, ie. the original payment information contained on the Entry Detail Record?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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22. is the ACH payment information retained for an adequate period of time to support the NOC function?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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	YES	NO	N/A	REMARKS
23.do KSB procedures specify that only authorized change codes are used for Federal Government NOC?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
24.do KSB procedures specify that Federal Government NOC may only be used for payments made on a recurring basis? eg. Social Security payments; federal salary payments; Department of Veterans Affairs; etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
25.do KSB procedures specify that Federal Government NOC cannot be used to change the title/ownership of an account, or to change from one Bank to another, or to change account information for one-time payments such as IRS electronic tax refunds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
26.do KSB procedures specify that Federal Government NOC cannot be used to change the name of a customer? In such a case, the Federal Agency that authorized the payment must be contacted.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<u>RECLAMATION PROCESSING</u>				
27.are KSB procedures in place for prompt handling of Mailgrams from Federal Agencies notifying the bank of the death of a customer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
28.are procedures in place for notifying appropriate Bank employees when KSB learns of the death of a customer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
29.does KSB act under state law or its contract with the customer to secure funds subject to reclamation when we learn of the death of a customer and we are awaiting reclamation? a) do we protect ourselves against withdrawal by forged check or fraudulent ATM or debit card use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
30.does KSB mail a copy of the Notice to Account Owners to the current address of the account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
31.do we notify the account owner of any action we have taken or plan to take against the account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
32.if a death has been reported and payments have stopped, does KSB inform the Federal Government if a Notice of Reclamation has not been received promptly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
33.are KSB employees informed that the Bank cannot limit its liability to the Federal Government for post-death payments that have been released to an executor or other third party clearly acting on behalf of a deceased customer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
34.does KSB pay reclaimed amounts promptly and via ACH rather than hold funds to await a debit to the Bank's Federal Reserve account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
35.is KSB familiar with the procedures to follow if a Notice of Reclamation is received but the payee is not deceased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	YES	NO	N/A	REMARKS
36. is KSB familiar with the procedures to follow if we paid our liability in response to a Notice of Reclamation but learn that the payee is NOT deceased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

VENDOR EXPRESS

37. are all KSB employees who handle ACH transactions, new accounts, and commercial corporate accounts informed about Vendor Express enrollment and processing requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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38. while not required, has KSB taken steps to promptly and routinely provide our Vendor Express customers with the information received in the addenda record?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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39. are Vendor Express payments credited to the vendor's account by the close of business on the settlement date?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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40. payments are returned for Vendor Express items that cannot be posted in the following proportions: a) _____ %, by midnight of the third banking day. b) _____ %, 4 to 7 days. c) _____ %, over 7 days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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41. do any KSB departments, such as branch offices, currently have unposted Vendor Express items in a suspense or hold account? a) if so, what steps are being taken to return these items to the Federal Government? _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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42. if KSB receives prenotifications from the Federal Government, are these processed promptly and accurately?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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EMPLOYEE TRAINING AND REFERENCE MATERIAL

43. are written procedures such as the Green Book, Newsgrams, and Operational Guides, readily available to KSB employees who process new accounts and who handle ACH payments, trace requests, NOC's, returns and reclamations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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44. are new KSB employees routinely trained in Federal Government ACH procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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45. do employee performance appraisals take into account knowledge and performance with regard to Federal Government ACH procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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MARKETING

46. do KSB CSR's actively promote the use of ACH with new or current customers receiving government payments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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47. do CSR's have marketing aids available from the Financial Management Service and NEACH?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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OPERATIONS

48. is KSB taking steps to fully automate its ACH processing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
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	YES	NO	N/A	REMARKS
49. does KSB routinely receive the entire 94 character ACH data record from ITI?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
a) if not, are we taking steps to assure that provision of the entire record is made a part of ITI's contract with us?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
50. is the ACH payment data base available to KSB employees for a sufficient length of time to support follow up actions, such as NOC, returns and reclamations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
51. are Federal Government ACH processes a regular part of KSB's audit plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
a) if so, are audit reports sent to the Exec.V.P.-Operations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b) are follow up actions taken as appropriate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

Date Completed: ____/____/____

Person(s) interviewed: _____

Completed by: _____

