



## **SOC 3 TRUST SERVICES REPORT FOR ACH FEDERAL, LLC**

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**Based on Trust Services Principles and Criteria for Security  
and Availability**

For the Period July 1, 2012 through December 31, 2012

## INDEPENDENT SERVICE AUDITORS' TRUST SERVICES REPORT

To the Management of ACH Federal, LLC  
Chattanooga, Tennessee

We have examined managements' assertions that during the period of July 1, 2012, through December 31, 2012, ACH Federal, LLC (ACH Federal) maintained effective controls over its Payments HQ application, Fundtech Ltd. (Fundtech) maintained effective controls over the relevant aspects of its computer processing systems (relevant FT Systems), and Account Pros, Inc. (Account Pros) maintained effective controls over the relevant aspects of its accounting, facilities management, and human resource systems (relevant API Systems), collectively referred to as the "System", based on the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) Trust Services Security and Availability Criteria to provide reasonable assurance that:

- the System was protected against unauthorized access (both physical and logical); and
- the System was available for operation and use, as committed or agreed.

ACH Federal's, Fundtech's, and Account Pros' management are each responsible for their respective assertion. Our responsibility is to express an opinion based on our examination. Managements' description of the aspects of the System covered by their assertions is attached. We did not examine this description, and, accordingly, we do not express an opinion on it.

Our examination was conducted in accordance with attestation standards established by the AICPA and CICA, and accordingly included 1) obtaining an understanding of ACH Federal's relevant controls over its Payments HQ application, Fundtech's relevant controls over the relevant FT Systems, and Account Pros' relevant controls over the relevant API Systems based upon the Trust Services Security and Availability Criteria; 2) testing and evaluating the operating effectiveness of the controls; and 3) performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the nature and inherent limitations in controls, error or fraud may occur and not be detected. Furthermore, the projection of any conclusions based on our findings to future periods is subject to the risk that the validity of such conclusions may be altered because of changes made to the System, or controls, the failure to make needed changes to the System, or controls, failure to comply with internal and external policies or requirements, or a deterioration in the degree of effectiveness of controls.

In our opinion, managements' assertions referred to above are fairly stated, in all material respects, based on the AICPA and CICA Trust Services Security and Availability Criteria.

The SOC 3 SysTrust for Service Organizations Seal on ACH Federal's web site constitutes a symbolic representation of the contents of this report, and it is not intended, nor should it be construed, to update this report or provide any additional assurance.

*Haylett, Lewis & Bieter, PLLC*

Chattanooga, Tennessee  
February 28, 2013

## MANAGEMENTS' ASSERTIONS

### ACH Federal, LLC's Assertion

February 28, 2013

During the period July 1, 2012, through December 31, 2012, ACH Federal, LLC (ACH Federal) maintained effective controls over the Payments HQ application (System) based on the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) Trust Services Security and Availability Criteria to provide reasonable assurance that:

- the System was protected against unauthorized access (both physical and logical); and
- the System was available for operation and use, as committed or agreed.

The attached system description identifies the aspects of the Payments HQ application covered by our assertion.

Signature



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Kurt Schusterman  
ACH Federal, LLC  
President

## Fundtech Ltd.'s Assertion

February 28, 2013

During the period July 1, 2012, through December 31, 2012, Fundtech Ltd. (Fundtech) maintained effective controls over the relevant aspects of its computer processing systems supporting the Payments HQ application (System) based on the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) Trust Services Security and Availability Criteria to provide reasonable assurance that:

- relevant aspects of the System were protected against unauthorized access (both physical and logical); and
- relevant aspects of the System were available for operation and use, as committed or agreed.

The attached system description identifies the aspects of the relevant Fundtech computer processing systems supporting the Payments HQ application covered by our assertion.

Signature



Sven Mead  
Fundtech Ltd.  
Director of Data Centers

## Account Pros, Inc.'s Assertion

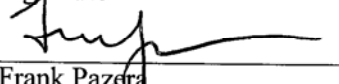
February 28, 2013

During the period of July 1, 2012, through December 31, 2012, Account Pros, Inc. (Account Pros) maintained effective controls over the relevant aspects of its accounting, facilities management, and human resource systems supporting the Payments HQ application (System) based on the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) Trust Services Security and Availability Criteria to provide reasonable assurance that:

- relevant aspects of the system were protected against unauthorized access (both physical and logical); and
- relevant aspects of the system were available for operation and use, as committed or agreed.

The attached system description identifies the aspects of the relevant Account Pros accounting, facilities management, and human resource systems supporting the Payments HQ application covered by our assertion.

Signature



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Frank Pazer  
Account Pros, Inc.  
President

## Description of ACH Federal's Payments HQ System

### Background

ACH Federal, LLC (Company) is an electronic payment processing company with a direct connection to the Federal Reserve through its relationships with U.S. financial banking institutions. The Payments HQ application provides various types of ACH services, such as payroll direct deposit and Internet payment processing to financial institutions and corporate clients.

ACH Federal contracts with Fundtech for technology services. Fundtech provides hosting services for ACH Federal and helps support the Payments HQ application.

ACH Federal also contracts with Account Pros, Inc. to provide certain human resources, facilities management and accounting functions.

### System Components

#### People

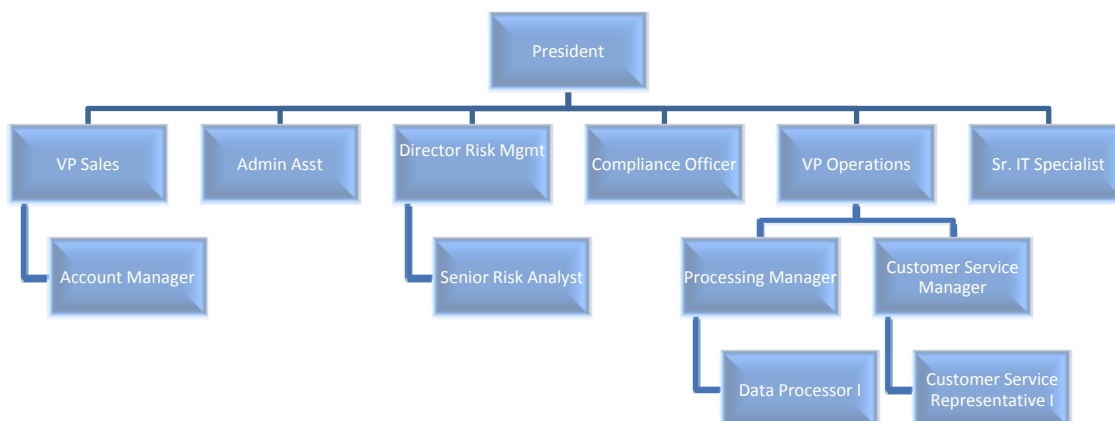
Generally, an organization's control environment represents the collective result of various factors on establishing, enhancing or mitigating the effectiveness of specific controls. Such factors include the following:

- Management's philosophy and operating style;
- Organizational structure;
- Board of Directors and Compliance/Audit Committee participation;
- Assignment of authority and responsibility;
- Commitment to competence;
- Human resources policies and practices; and
- Various external influences that affect an entity's operations and practices, such as reviews by regulatory agencies.

The control environment reflects the overall attitude, awareness and actions of the Board of Directors, management and others concerning the importance of controls and their emphasis within the Company.

#### *ACH Federal Organizational Structure*

The chart below represents the organizational structure of ACH Federal.



ACH Federal's operations are under the direction of the President and the Board of Directors of ACH Federal. The Board of Directors has approved the Compliance Officer to oversee the internal audit function, which includes a quarterly Compliance Committee meeting. The Company employs a staff of approximately 16 people and is supported by the following functional areas:

- **Operations/Processing:** Manages all payment processing, report production and distribution. Performs daily system balancing in accordance with procedural controls. Responsible for appropriately monitoring and handling manual exceptions.
- **Risk Management:** The primary responsibility of the Risk Management department is to protect the Company from incurring credit losses from fraudulent transactions being processed by any of the Company's originators. Risk Management determines and mitigates originator credit risk by first, underwriting the applicant and setting terms to mitigate any possible credit exposure; secondly, by daily and monthly monitoring of processing and returns, reviewing any requests for changes in existing terms and processing requests for authorizations to ensure proper authorizations are being collected; and finally by completing annual risk assessments on each originator to verify the current terms and reserve still match the exposure created by the originator.
- **Customer Support:** Supports end users in all aspects of their use of the Payments HQ application including research and resolution of identified problems. Customer Support administers application security (including passwords), changes to application parameters, and the distribution of user documentation.
- **Sales:** The sales team fosters business relationships with small to medium size banks, businesses of varying sizes as well as non-profit organizations that require a payment processing solution. ACH Federal's goal is to continue to widen the landscape of the brand and add accounts in a wide array of industry sectors, while maintaining and developing the current business base.
- **Compliance:** Monitors all policy and procedural implementation, changes, adherence to policy, and administers internal audits. Compliance organizes quarterly compliance meetings to report any findings and reports to the Board of Directors on any issues within the organization. Compliance administers training (BSA, GLBA, NACHA, etc.) to new employees and informs all other employees of policy and procedure changes as needed throughout the year. Compliance ensures all regulatory and NACHA compliance is followed.

### *Fundtech Organizational Structure*

Fundtech is an Application Service provider (ASP) within the U.S. Products Division of Fundtech, Ltd. Fundtech supports the cash management and payment operations of client financial institutions and their customers through a computing and network infrastructure. Fundtech houses the infrastructure and support operations at its data center located in Georgia. It is this division that supports ACH Federal's Payments HQ product.

Fundtech's ASP operations are under the direction of the Vice President of U.S. Operations who reports to Fundtech's COO. Fundtech's ASP operation is organized into functional areas. Its technology support function is organized to segregate systems support and data processing functions.



The organizational structure currently supporting Fundtech includes the following functional areas:

- **Professional Services:** Responsible for implementation services for new customers. This functional area includes project management, training, and assistance with the implementation. Professional Services is the primary contact with each new customer during implementation.
- **ASP Operations:** Responsible for the day-to-day operations of the data center. Data center functions fall into three major groups:
  - *Operations* - Responsible for the operations and monitoring of all hosted applications, transmission of customer files/reports and normal functions associated with the applications.
  - *Technology* - Responsible for installing, maintaining, and supporting the operating environment and for evaluating/recommending acquisitions of appropriate hardware, systems software, and networks. The group is also responsible for researching and recommending new technologies and/or products.
  - *Contingency and Recovery* - Responsible for providing disaster recovery services for the ASP Operations and Contingency and Recovery for customers.
- **Product Management:** Responsible for defining standard products and services that will be provided as part of Fundtech's ASP services.
- **Software Development:** Responsible for developing and maintaining Fundtech's applications. This group is divided into teams that develop and maintain Fundtech's applications.
- **Quality Assurance:** Responsible for testing software that is ready for release to the Fundtech ASP production environment and to customers.
- **Client Services & Relationship Management:** Responsible for providing relationship management, desktop support and product support to the customers' cash management and payments organizations.

Formal job descriptions are maintained for all positions. Fundtech employees have no assigned duties, responsibilities, or authority for its customers and are prohibited from initiating any transactions for them. They can, however, maintain administration parameters based on authorized requests from customers.

### ***Account Pros Organizational Structure***

Account Pros is an outsource service provider that is staffed with experienced professionals that manage accounting services, human resources, facilities and payroll for its customers.

Account Pros has a formal organizational structure with functional areas and a reporting hierarchy. The senior management includes the Director, President, Chief Financial Officer (CFO), Vice President, and Secretary. A formal organizational structure is in place that includes divisions of human resources, accounting, and facilities management. Divisional services are as follows:

- **Human Resource Services:** The Human Resource (HR) division performs the duties for ACH Federal's recruitment, interviewing, hiring and termination functions. These tasks include checking references, coordinating drug screens and background checks, completing new hire and termination paperwork for personnel files, and providing a picture ID to be used for security access to the main building. HR also ensures all employees sign the Company Protection Agreement which includes provisions for confidentiality, ethics, and non-compete expectations. HR also assists in conducting employee performance reviews, developing job descriptions, development and posting of all required personnel communications, and preparation of personnel policies. In addition, HR performs all payroll processing functions for ACH Federal employees.
- **Accounting Services:** The Accounting division (Accounting) performs several duties related both to ACH Federal's financial and operating processes. ACH Federal has outsourced its financial accounts receivable function to Account Pros. Accounting maintains the customer database in the accounting software and prepares monthly customer invoices. Accounting also performs daily and monthly reconciliations of the clearing, money market and operating bank accounts for operations. In conjunction with the ACH Federal Risk Management department, the Accounting group manages the reserves and held settlements that are held in the fiduciary funds for sponsored clients. Also, on a daily basis, the bank balancing process is completed by the Account Pros accounting staff to compare the Federal Reserve Fed Advice statements to the ACH Federal Payments HQ System's Bank Balancing report to verify accuracy of reporting.
- **Facilities Management Services:** The facilities management division at Account Pros is responsible for general maintenance and security of ACH Federal's corporate office in Chattanooga, Tennessee. This includes managing the building's badge system, alarm and security systems, and coordinating security personnel.

## Infrastructure and Software

ACH Federal's Payment HQ application is part of a web-based software system. The system offers processing capabilities for single, batch and recurring electronic payments as well as integration capabilities for automating each transaction. Users may make entries into the system, run reports, and research transactions 24 hours a day, 7 days a week.

The ASP Operations environment at Fundtech involves a network of hardware, systems software, application systems, and telecommunications systems. Currently, there are two data centers. The primary hosting site for the Payments HQ application is located in Georgia. A secondary, disaster recovery site, is located in Nevada. The Georgia facility hosts two identical environments, Production and User Acceptance Testing (UAT). The Nevada facility hosts a single environment that closely mirrors the Production environment in Georgia.

The Payments HQ application is a Software-as-a-Service (SaaS) model web-based application. Data transmitted to and from the application is secured using a secure sockets layer (SSL) certificate. Virtual local area networks (VLAN) and access control lists segment the Payments HQ environment from non-trusted networks. Virtual private network (VPN) connections are managed through firewalls and utilized to secure remote access to the Payments HQ environment.

The production site in Georgia is replicated to the disaster recovery facility in Nevada in case of disaster.

Account Pros predominantly relies on ACH Federal's Payments HQ application and reputable accounting software packages to conduct its support services for ACH Federal.

## Procedures

The corporate office facility of ACH Federal is located in a multi-tenant office building maintained by Account Pros in Chattanooga, Tennessee. The hosting services are maintained at the Fundtech data center located in Norcross, Georgia, with a backup facility in Las Vegas, Nevada. They deploy the following physical and environmental security controls.

### Physical Security

At the corporate office facilities for ACH Federal, maintained by Account Pros:

- Documented physical security policies and procedures are in place to guide employee activities for controlling physical access to the office facilities.
- Entrances to the multi-tenant office facilities are locked during non-business hours.
- The entrances to the corporate office facilities are locked via electronic lock and badge sensors.
- The entrances to the corporate office facilities remain locked 24 hours per day.
- Visitors are required to sign a visitor log upon entering the corporate office facilities, must wear a visitor badge at all times, and be escorted by an ACH Federal employee.
- Access to the corporate office facilities is revoked as a component of the employee termination process.
- An armed security guard is on duty 24 hours a day, seven days a week.
- The corporate facilities are monitored by a Closed Circuit Television System configured to record continuously.
- The building housing the corporate facilities is equipped with an electronic alarm system.

At the Fundtech data center:

- Documented physical security policies and procedures are in place to guide employee activities for controlling physical access to the office facilities.
- The entrances to the data center are locked via electronic lock and badge sensors.
- Visitors are required to present ID and sign a visitor log upon entering the data center and be escorted by a company employee.
- Access to the corporate office facilities is revoked as a component of the employee termination process.
- The data center is monitored by a Closed Circuit Television System configured to record activities by detection of motion.

### Environmental Security

The Fundtech data center is equipped with smoke detectors and a fire suppression system that is inspected every six months. The data center also has a raised floor with a water detection system for flood protection. The processing environment is protected from power disruptions by both uninterruptible power supplies and backup generators, which are tested semi-annually.

## Backups and Restorations

Computer operations and backup policies and procedures are documented to guide personnel. Automated backup systems are utilized to perform scheduled backups, including procedures for testing the integrity of the backup data. Database backups are locally encrypted using a popular commercial software product. Operations personnel monitor the success or failure of backup jobs on a daily basis and restoration testing is performed at least annually to verify that system components can be recovered from backup media. A third party off-site storage provider is contracted to rotate backup media to a secure off-site storage facility.

## System Availability

ACH Federal's environment is monitored 24 hours a day, seven days a week by Fundtech using an enterprise monitoring application. The enterprise monitoring application monitors both the network performance and system processing for ACH Federal. The enterprise monitoring application is configured to notify Fundtech personnel via e-mail alerts based on the severity of metrics and predefined thresholds.

Antivirus software is installed on servers and workstations. ACH Federal workstations are scanned daily and their software is updated automatically. Fundtech workstations have their antivirus definitions updated daily, and have scheduled scans performed daily. Fundtech servers are updated on an as needed basis, determined by the criticality of the update.

Additionally, both ACH Federal and Fundtech maintain documented Incident Response Policies to provide guidance to their respective personnel.

## Information Security

Policies and procedures are in place to control authentication, access, and monitoring of ACH Federal's domain, the Payments HQ application, database servers, and the System's production environment. Access is granted through the use of user accounts and passwords. Administrative privilege is restricted to authorized personnel through security roles and group permissions.

## **Data**

ACH Federal's Payments HQ application data includes transactional data, customer data and application activity logs. Payments HQ data is subject to a data classification policy. This policy is intended to help employees determine what information can be disclosed to non-employees, as well as the relative sensitivity of information that should not be disclosed outside of ACH Federal without proper authorization. Application data and related media are secured during the handling, transmission, backup, storage, and destruction procedures.

## **Boundaries of the System**

Fundtech provides hosting for many unique customers. The system described herein pertaining to Fundtech only relates to Fundtech's hosting of ACH Federal's Payments HQ application. The boundaries of a system are the specific aspects of a service organization's infrastructure, software, people, procedures, and data necessary to provide its services. The boundaries of Fundtech's system include applications and infrastructure that directly support the services provided to ACH Federal. Any applications, databases, and infrastructure that indirectly support the services provided to ACH Federal are not included within the boundaries of Fundtech's system.

The system pertaining to Account Pros is limited to the facility maintenance, accounting and human resource services provided to ACH Federal.