



Guest Payment Remittance



Contents

- 1 Purpose 4
- 2 Audience..... 4
- 3 Terms Used in this Document 4
- 4 Scope 5
- 5 Prerequisites..... 5
 - 5.1 Required Skills 5
 - 5.2 Required Tools..... 5
 - 5.3 Other 5
- 6 Access Procedure 5
 - 6.1 Mail Openings 5
 - 6.2 Job 1 - Pass 1 Processing 6
 - 6.3 Job 3 – Pass 1 Processing 7
 - 6.3.1 Exceptions Pass 1 8
 - 6.4 Job 1 – Pass 2 Processing 9
 - 6.5 Job 3 – Pass 2 Processing 10
 - 6.6 Exceptions Pass 2 (Job 1 and Job 3) 10
 - 6.7 End of Day Balancing..... 10
 - 6.8 Confirming the Mainframe Transfer and Bank Deposits..... 11
 - 6.9 Posting to Guest Accounts (Job 1 and Job 3) 11
 - 6.10 Job 2 Processing (Business 2 Business (B2B) 12
 - 6.11 Job 2 Processing (Miscellaneous Deposit)..... 12
 - 6.12 Job 2 Processing (Pay by Phone) 13
 - 6.13 Deposits (Paper and ARC) 13
 - 6.13.1 Paper Deposits:..... 14
 - 6.13.2 ARC Deposits:..... 14
 - 6.13.3 Image Storage..... 14
 - 6.13.4 Check Storage and Destruction 15
 - 6.13.5 Reconciliation..... 15
 - 6.13.6 Returns- ACH:..... 16
 - 6.13.7 Balancing – Returns - ACH..... 16
 - 6.13.8 Balancing - Returns- Paper:..... 17
 - 6.13.9 Quality Assurance Reviews 17
 - 6.14 Segregation of Duties (16)..... 18
- 7 System Understanding 19
 - 7.1 Authentication 19
 - 7.1.1 BancTec Imaging Workstations..... 19
 - 7.2 Guest Check Clearing 20
 - 7.3 User Set-Up 20
 - 7.4 User Transfers and Terminations 20
 - 7.5 Periodic Reviews..... 20
- 8 Change Management Process..... 21
 - 8.1 BancTec Transports..... 21
 - 8.2 Change Controls 21
- 9 Deliverables/Evidence 22



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

10	Related Documents	23
11	Change History	23



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

1 Purpose

The purpose of this procedure is to document the RPC Remittance process and identify responsibilities and control points for Acme Financial Services (AFS).

2 Audience

Remittance Processing Center team members

3 Terms Used in this Document

Term	Definition
RPC	Remittance Processing Center
Transport	A two-pass image machine. Pass one images and captures MICR and OCR information. Pass Two encodes, endorses and endpoints non-ARC checks for deposit.
BancTec System	A UNIX System. The system runs on two HP file servers. Only one1 server is used on a given day (the second server is there for redundancy). These file servers are located in a locked and segregated area of the secured RPC business unit. File servers are supported by BancTec.
TSYS	Total System/TS2, which stores and processes Acme credit card, Acme Visa credit card, and Acme Business cardholder data.
Opex 30	A mail-sorting machine that is used to identify standard and non-standard mail.
Opex 50	A machine designed to aid the hand openers to segregate mail that was deemed unsuitable by the Opex 30 for processing through the Opex 150.
Opex 150	A high-speed mail opener.
MICR toner	Specially magnetized ink that is recognized by bank item processing equipment.
ICR	Intelligent Character Recognition
Image workstations	The workstations are housed on the UNIX servers, which are located in the secured RPC area at AFS. The workstation allows users to view check images and correct any errors or enter any missing data.
IBAL	Interactive Balancing. Last step in Data Entry balancing, balancer is able to view image of a stub and check to make final check amount decision.
B2B	Business to Business. Payments made by organizations purchasing Acme Gift Card in bulk amounts.
Job 1	The transport process of Acme Card and Acme Visa (pass one and two).
Job 2	The transport process of MOLP and B2B (pass one and two, encoded only, payment is already posted to the guest's account.
Job 3	The transport process of Acme Business Card (pass one and pass two).
GCK	Guest Check Clearing- Application provided by US Dataworks that converts MICR data into an ACH electronic deposit. The application is also used to process returns.
CTAC	Check to ACH, file created for checks decided to be sent to the bank in an electronic format.
ARC	Accounts Receivable Conversion, a NACHA SEC code used when converting an eligible check received via the U.S. mail.
Acuity	Two files imported to verify routing and bank information and determine whether a routing number/bank can be sent ACH.
Pay Courier Archive (PCA)	BancTec Archive system used to store images of the front and back of the check and stub.
No Docs	Checks received without a remittance coupon.
RPC Key Controls	Identified by bold numbers (1...19).



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

4 Scope

The Remittance Process Center (RPC) at Acme Financial Services (AFS) is where guest payments are processed for all credit cards owned by Acme (Acme Visa, Acme Card, and the Acme Business Card). The Acme Business Card payments are processed and posted to Acme Bank and the other payments are processed and posted to Acme National Bank. Typically, the payments are made by personal check, money order, business check, and pay by phone.

The RPC is a secured department located at AFS in Minneapolis, Minnesota. The RPC does not process guest payments completed online (Internet) or at a Acme store.

5 Prerequisites

5.1 Required Skills

N/A

5.2 Required Tools

N/A

5.3 Other

N/A

6 Access Procedure

The following tasks are performed as necessary to insure all guest payments are processed for all credit cards owned by Acme

6.1 Mail Openings

- 1) The mail is sorted at the United States Postal Service (USPS) by the zip codes used by RPC.
 - Zip codes are based on whether the mail is for Acme Visa, Acme Card, or Acme Business Card.
- 2) The mail is picked up from the USPS by a contracted courier and delivered to AFS seven days a week.
 - The deliveries consist of three (3:00 a.m., 6:00 a.m., and 8:00 a.m.) separate mail drops.
- 3) Each day the courier is met by a AFS security guard at the entrance of the AFS building.
- 4) The security guard determines whether to physically or visually escort the courier to the RPC department.
 - Physically, the security guard walks with the courier and unlocks the RPC door.
 - Visually, the security guard uses the security cameras and unlocks the RPC door from their desk.
- 5) The mail remains in the secured RPC department until RPC team members arrive.
 - All mail received by 12:00 p.m. is processed and posted to the guest's account the same day it is received.



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

- 6) An authorized AFS mailroom team member signs for the overnight mail.
 - The overnight mail is then picked up by an RPC team member.
 - The mail is taken to RPC where it is sorted and processed.
 - The mail delivered by the courier from the post office accounts for approximately 75% of the payments processed each day in RPC. The remaining 25% of payments are phone pay (24%) and payments delivered to the main mailroom of AFS (1%) by overnight shippers (example, FedEx).
- 7) Once the mail is received from the post office, it is processed by the Opex 30, a mail sorter that identifies all standard, multi, and non-standard payments.
 - A standard payment is a check and a remittance stub in the envelope provided by Acme.
 - A multi payment is a combination of more than one check or remittance stub.
 - A non-standard payment is when the envelope contains staples, paper clips, or additional pieces of paper.
- 8) All standard and multi payments are opened by the Opex 150.
 - The Opex 150 opens and discards the envelopes and consolidates the remittance stub and the check into batches of 500.
 - RPC has an additional machine, the Opex 5.0, which serves as a back up to the Opex 150. The batches of checks are identified by the lead tickets indicating if the batch is a multi or standard batch.
 - Approximately 90% of the mail is opened on the Opex 150.
- 9) After the envelope is opened on the Opex 150, the remittance stubs and checks are moved to the BancTec Transport for further processing.
- 10) The batches are hand delivered to the BancTec transports, trays are used to separate the singles from no doc's and multiples.
- 11) The non-standard mail received from the USPS and the mail received from an overnight shipper is processed by the Opex 50, a manual mail opener.
- 12) Once this mail is open, a RPC team member determines what to do with the contents of the envelope.
- 13) The team member prepares the payment for processing or forwards the contents of the envelope to a different department (guest letters are sent to the Guest Operations Services department) to be processed.
- 14) The payment is prepared for processing (remittance stub and check) in batches of 500 and moved to the BancTec Transport for further processing.

6.2 Job 1 - Pass 1 Processing

- 1) Batches of opened mail from the 150 and 50 machines are brought over in trays to the BancTec transport with the lead ticket and batch header attached identifying whether it is a single, no doc or multiple batch.



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- The single batches are processed on the transports as Pass One ARC Capture Pass. The no docs and multiples are run on Pass One Capture Pass (Non Arc).
 - The transport operator selecting the pass one determines which pass to select based on the type of batch.
- 2) All prepared batches are placed in the jogger to align neatly on the right side.
 - 3) The operator selects the appropriate job and option, places the batches in the feeder on the transport and pushes the feed button to start the process.
 - 4) The BancTec Transport reads the Optical Character Recognition (OCR) on the remittance stub and Magnetic Ink Character Recognition (MICR) lines on the check, images the front and back of the documents, and prints the batch and sequence number, date, transport and transport operator number on the back of the documents.
 - 5) The Transport reads the routing and account number and based off tables on the servers decides if the check is ARC- able or if the check needs to be sent to the bank in a paper form.
 - There are three tables used for this deciding, OPT OUT (the guest has called in and does not want the check to be in an ARC format) One for ONE (exclusions in handling checks) and MICR information (Epicware).
 - 6) After processing, the transport sorts ARC and Non-ARC checks and stubs.
 - ARC checks and stubs along with the lead ticket are sorted into one pocket.
 - Non ARC stubs are sorted into another pocket.
 - Non-ARC checks are separated into its own pocket along with the batch header.
 - The Non-ARC checks and batch header go through a second pass on the transport while the ARC checks and stubs and Non-ARC stubs are retained until the days work has been balanced. Once this is completed, they are placed in the checkroom for storage and eventual destruction.
 - 7) The OCR scan line has a built in check digit to verify the account number, the minimum and full pay amounts. Attached to the servers is an Intelligent Character Recognition (ICR) subsystem that attempts to read the courtesy amount (number of characters) and the legal amount (written amount) on the check.
 - 8) (3)The ICR information is compared to the OCR scan line in order to match certain characteristics as well as identifying the amount and account number. Check items are automatically assigned to the accounts through the matching of a minimum of two characteristics, including:
 - Payment amount is legible and equals the minimum due
 - Payment amount is legible and equals the full account balance
 - Payment amount is legible and equals the amount listed on the stub
 - 9) If the payment is “matched”, the payment is processed automatically through Pass 2.
 - 10) If none of the three characteristics match, the payment information is reviewed by the Operations Team for resolution.
 - ARCD checks that do not meet the match rules are also be worked by Operations.
 - The images from pass 1 are sent to the archive.

6.3 Job 3 – Pass 1 Processing

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Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

Job 3 is used to post Acme Business Card payments to TSYS.

- 1) The batches of Acme Business Card mail comes from the 150 and 50 machines the same as Job 1 batches with the exception of special headers to identify it as Acme Business Card.
- 2) Acme Business Card batches are kept in separate trays.
 - The same processing on the transport, ICR units, and data entry occurs with Acme Business Card however none of the checks are sent via ACH.
 - Per NACHA rules those checks are forwarded to the bank in paper.

6.3.1 Exceptions Pass 1

- 1) RPC utilizes the BancTec Imaging Workstations to work the images of the checks or stubs displayed on the screen that can not be read by the transport or ICR.
- 2) **(4)** The documents flow through different functions in data entry: MICR Repair, OCR Repair, Amount Entry, Amount Verify, Balancing, and No Docs (Checks Only).
 - In **MICR Repair**, the operator is identifying whether it is a remittance stub or a check and keying in the MICR line information that is missing or incorrect on the check.
 - During **OCR**, the operator is doing the same except keying the information needed from the scan line on the remittance stub.
 - In **No Docs**, the operator is keying in the region, plan type, account number and dollar amount of the check. These transactions then flow into the rest of the checks in Amount Entry.
 - After examination, they manually key in the dollar amount from the courtesy box on the check (if known) and resubmit for processing by the Transport.
 - In **Amount Entry**, the checks is matched to the minimum pay, full pay, odd pay read by ICR and matched by the Data Entry team member. If the transaction still hasn't met the minimum characteristics, the check is sent to Amount Verify.
 - In **Amount Verify** the operator is keying from the legal line on the check.
 - If the check is matched to minimum pay, full pay, or odd pay read by ICR the payment is resubmitted for processing by the Transport.
 - If the check does not match to the minimum pay, full pay, odd pay read by ICR or what was keyed in amount entry, amount verify then the check goes to IBAL.
- 3) The ARC checks follow the same path with an exception, in that if an ACRed check is in MICR repair, the check is not processed in an ARCD batch. The check is systematically rejected and shows on the Pull List as a system reject. The Batch Auditor 'pulls' the item. (See Exceptions Pass 2)
- 4) In this final step, IBAL team members work with images of the check and remittance stub to determine the amount the guest is paying. The team views the legal line and the courtesy amount.
 - If the amounts are different, the team member reviews the stub to determine what the customer intended to pay.

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Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- If still not sure, the team member may reject the transaction and the guest is contacted to determine the correct amount.
- 5) To maintain separation between ARC and Non-ARC checks, the checks are only available to the balancers via a RPC Leader. The physical check is used to examine the writing on the check.
- If the amount cannot be determined, the transaction is rejected.
 - When IBAL is completed, the Non-ARC checks are sent to the transports to be processed on Pass 2.
 - The items rejected that require resolution are identified on the Pass 2 Exception Report. (See Exceptions Pass 2)
- 6) The Payment Research Team researches checks with missing or incomplete account numbers that come from the Operations team.
- If a credit card account number can be found in the TSYS system, the account number is written on the check, batched and sent for processing in the normal workflow.
 - The Payment Researcher attempts to call the guest or send the check back to the guest requesting more information if an account number isn't found.
 - If a guest account number still cannot be found and there is no return address, this team credits the check to the Payment in Question (PIQ) account.
 - For the Acme Card, the PIQ account is 000-982-180, Acme Visa 4352-3700-0000-1050.
 - The Payment Disputes & Operations team looks at this account if a guest reports a missing payment.
 - They request an image of the payment to verify it's the correct payment before making the transfer to the guest's account. The PIQ account is a reconciling item on the Monthly Account Receivable reconciliation (see reconciliation section for further documentation) which is prepared by the Accounting Control team.

6.4 Job 1 – Pass 2 Processing

- 1) The operator jogs the check batches that are Pass 2 ready displayed on their screen.
 - The batch tickets for all batches need to be run on Pass Two to ready the batch for paper deposit and/or an electronic deposit.
- 2) On the non-arc paper checks, the BancTec system verifies that the routing number on the check is appropriate, encodes the check for the amount of the payment, endorses the check to the bank of deposit, and sorts the checks into the transport pockets.
- 3) If the information is verified, the batch is run and the details are printed for each batch of checks.
 - Details are an itemization of each check in the batch, total documents and dollars in the batch.
 - All of this information is captured on the cash letter summary report (see deposits section).



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- At the time of releasing the run, the guest extract is being compiled. The guest extract represents all payments that are to be posted to the guests' accounts.
 - For Non-ARC payments that cannot be verified, the information is compiled in the Pass 2 exception report.
- 4) The ARCD items are ready for deposit as soon as the tickets are read by the transport on Pass Two.
- 5) The electronic deposit is created in a CTAC extract for each run on the transport.
 - The run consists of ARC and non ARC items, paper and electronic items.
 - ARC payments that cannot be verified show on the Pass two exception report or the ARC pull list.
- 6) After the CTAC is created, a summary report prints to verify the extract totals and a transmission is made to send the CTAC to Guest Check Clearing (GCK).
- 7) GCK formats the file to send electronically to the bank of deposit.

6.5 Job 3 – Pass 2 Processing

The same pass 2 processing occurs on Acme Business Card with the exception that all are sent paper to the bank.

6.6 Exceptions Pass 2 (Job 1 and Job 3)

- 1) The Operations team reviews the "exceptions" items using a report generated by the accounting system on BancTec's platform (UNIX server).
 - The Pass 2 exception report indicates missing, free, and rejected items in each batch.
 - Missing items represent accounts that could not be encoded; however, all of the information is available. Therefore, these items can be posted to the guest account once the information is updated on the BancTec system.
 - Free and rejected items represent items that are missing critical information and therefore cannot be processed or posted to the guest's account. ARC items use the same pass exception reporting and in addition there is a Pull List report that is generated that recaps all ARC rejects that do not post to the guest account.
- 2) These items are sent to the Quality & Reporting team to identify why the payment didn't post.
- 3) They are repaired and looked up in TSYS if the account number is missing and sent back through the system for processing.
- 4) The guest's account is updated with any finance charges or late fees that have accrued.
 - If any of the information cannot be found, the check is sent back to the guest requesting the missing information.

6.7 End of Day Balancing

- 1) RPC performs daily balancing of payments processed between BancTec, Phone Pay, TSYS, and Guest Check Clearing reports. Accounting Control ensures that the Wells Fargo CEO reports correspond with totals provided by RPC. (2)



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 2) Before the data on the BancTec system is transferred to the Mervyn's mainframe to post the payment information to the guest's account, all reports and systems must be in balance.
 - For BancTec, the three reports (Extract, Payment Summary, and Batch Recap) obtained from the BancTec system must be in balance with each other.
 - The **Extract Report** recaps by batch from the BancTec system.
 - The **Payment Summary Report** recaps the guest payment by portfolio (Acme Visa, Acme Card, and Acme Business Card) and recaps the number of transactions.
 - The **Batch Recap Report** recaps the information on the remittance stub being posted to the guest's account.
 - A CTAC deposit summary report is created for the run and then a batch detail report is printed to verify the totals equal.
- 3) In the GCK application, the CTAC Deposit Summary Report from BancTec must match to the Capture Batch Summary Report in the operation menu.
 - The Workflow Specialists and Leadership team are responsible for verifying the items and the dollar totals are correct in the transmission of the origination file to the bank.
 - If the totals do not equal, the difference in amount and units is explained in the over and shorts section of the RPC Matrix.
- 4) The phone pay checks are balanced by making sure the batch recap totals for job 2 are equal to the totals on the prelude import summary report minus the business to business and miscellaneous deposit total for the day.

6.8 Confirming the Mainframe Transfer and Bank Deposits

- 1) An RPC Balancing Matrix is completed daily by team members on the Banking, Quality, and Control team to ensure that the mainframe transferred accurately and completely and to ensure the checks deposited to Wells Fargo agree with the Extract file sent to the Mervyn's mainframe.
- 2) The daily matrix includes the information transferred to the Mervyn's mainframe and is compared to information from the AR report.
- 3) The AR report is generated from TSYs.
 - An RPC team member creates the matrix using the following reports: Undeposited report, cash letter summary reports, internal document report, MOLP balancing, ACH origination summary from GCK, ACH and Paper Resubmission summary reports from GCK, and AR report (AREDM0ALL025).
- 4) The matrix is reviewed and approved by an RPC leader.
 - Control Accounting utilizes the Wells Fargo CEO system reports provided by the Treasury department to verify the amount posted.

6.9 Posting to Guest Accounts (Job 1 and Job 3)

- 1) If the reports are in balance (have the same units and dollars amounts) the data is transferred from the BancTec system to the Mervyn's mainframe to each guest's account.

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Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

- 2) The RPC leader responsible for completing the transfer receives an auto-generated confirmation email that confirms the units and dollar amount of the transferred file.
- 3) Mervyn's mainframe separates the Acme Visa Credit Card, Acme Credit Card, and Acme Business Card accounts and automatically sends the file to TSYS, where the payments are applied to the guest's account.
- 4) On a daily basis, TSYS payments are posted to Lawson G/L (Lawson). The entry recorded on Lawson is:
 - DR Cash Bank Account (Primary 5270 and Business Card 5271)
 - CR Accounts Receivable (Proprietary 43100, Acme Visa 9900)
- 5) If the system is unable to match the credit account number, the payments are logged as an Unmatched Account (UMA).
 - A posting automatically goes to the UMA when the Extract file is sent to the Mervyn's mainframe.
 - This account is a reconciling item on the monthly account receivable reconciliation performed by the Accounting Control team.
 - The Payment Disputes & Operations (PD&O) department is responsible for researching all items included on the UMA account.

6.10 Job 2 Processing (Business 2 Business (B2B))

The RPC is responsible for processing the B2B payments of organizations that purchase the Acme Gift Card in bulk amounts. The B2B function is owned by the Guest Relations department.

- 1) Each day the checks are placed in the drop box in RPC along with an Excel spreadsheet that includes the dollar amount of each check.
- 2) An RPC team member picks up the checks in the drop box and prepares them for processing.
- 3) The total dollar amount of the checks is compared to the Excel spreadsheet total.
- 4) The team member takes the batch of checks to the BancTec Transport area.
- 5) The checks are encoded and the BancTec system generates the following reports: Batch Recap; Cash Letter Summary, and the Reconciliation Check Encoding report.
 - The reports generated by the BancTec system are used to complete the deposit ticket. To ensure that the total checks processed by the transport agree with the total on the Excel spreadsheet, the reports generated by the BancTec system are compared to the Excel spreadsheet.
 - The Cash Reconciliation team verifies the funds deposited and resolves any reconciling issues.

6.11 Job 2 Processing (Miscellaneous Deposit)

RPC is responsible for processing the weekly Miscellaneous deposit of checks received from our internal partners (Acme Financial Services and Tempe) for services that relate to a business function. The checks are owned by each department. RPC is responsible for having an image of each check and providing transportation for the checks to be delivered to the bank.

- 1) Every Tuesday the checks are processed.

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Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 2) An RPC team member completes an excel spreadsheet illustrating which department should receive the credit and the total dollar amount of each check
- 3) Another team member takes the batch of checks to the BancTec Transport area.
- 4) The checks are encoded and the BancTec system generates the following reports: Batch Recap, Cash Letter Summary, and the Reconciliation Check Encoding report.
 - The reports generated by the **BancTec** system are used to complete the deposit ticket.
 - To ensure that the total checks processed by the transport agree with the total on the Excel spreadsheet, the generated reports are compared to the Excel spreadsheet.
 - The accounting entry is booked by Accounting Control.

6.12 Job 2 Processing (Pay by Phone)

RPC is responsible for processing pay by phone payments. The Pay by Phone function is owned by the Guest Operations department. The guest is provided with the option to pay their credit card (Acme Visa, Acme Card, and Acme Business Card) over the phone.

- 1) The guest provides their bank account routing number, checking account number, and check number to either a guest services or collections representative or to an automated telephone system.
- 2) The guest gives Acme verbal authorization to debit their bank account for the amount they specify during the call.
- 3) All the information provided by the guest on the call is consolidated into a file on a network server and it is sent to TSYS as an ftp file, which is automatically transferred to the Prelude software residing on a Acme personal computer in the RPC area.
- 4) Each day, the software receives 3 data transmissions, one for each portfolio (Acme Visa, Acme Card, and Acme Business).
- 5) An RPC team member prints the transmissions by portfolio on check stock and uses a check bursting machine to separate the checks from the check stubs.
- 6) The checks are placed in batches of 200 and are carried to the BancTec Transport for further processing.
 - Pay by Phone checks are not sent electronically to the bank using the ARC SEC code.
 - All Pay by Phone checks are sent via paper.
- 7) The Pay by Phone computer in the RPC area can only print existing pay by phone checks it does not have functionality to create new checks.
- 8) The payment is credited to the guest's credit card account on the date the payment is scheduled.
- 9) The guest's bank account is debited when the check printed in RPC is presented to the guest's checking account.
- 10) To ensure that the RPC received all the files, the units and dollars of the transmission are matched to the totals obtained from the transport reports and the Prelude software reports.

6.13 Deposits (Paper and ARC)



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

6.13.1 Paper Deposits:

- 1) As the checks are removed from the transport area, they are placed into trays in batches of 200.
- 2) After the checks are processed, a Cash Letter Summary report and Detail reports are printed by the BancTec system for each batch of checks.
 - The **Cash Letter Summary** report provides the number of check bundles and total dollar amount of each endpoint.
 - This information is used to complete the deposit tickets of each deposit.
 - The **Detail** reports provide an itemized list of each check amount in the batch.
 - Each batch of checks has their own Detail report.
 - The Detail reports are folded and rubber banded to the corresponding batch of checks.
- 3) The Operations Team is responsible for completing the deposit tickets, attaching the details to each batch, and packaging the batches into stored locked tubs.
- 4) A contracted courier picks-up the locked tubs and delivered to Wells Fargo bank.
 - Three deposits are made daily, Monday through Friday.
 - Saturday's work and Sunday's work are deposited in one deposit on Sunday night.

6.13.2 ARC Deposits:

- 1) After the batches are completed in Pass Two, ARC checks are compiled into an electronic file.
 - This file is called a CTAC extract and is created at the time a run is cut on the transport. There can be both a paper deposit and an electronic deposit in each run.
 - Then the CTAC extract can be FTPed to the Guest Check Clearing (GCK) software to be formatted and sent to the bank of deposit.
 - The Leader or Workflow Specialist (AFS) goes to the dashboard in GCK and sends the items out of the pending routing queue into the pending transmission queue.
- 2) Once transferred, the leader or AFS goes to the Operations menu and prints the Pending ACH Origination Export Summary Report,
- 3) The totals are verified to the CTAC Deposit Summary report and go to the dashboard and submit the pending origination file.
- 4) The origination ACH Origination Export Summary Report is printed and verified to the ACH confirmation sent from the bank.
 - The report is in the Mervyn's host AREDM0ALLD078.

6.13.3 Image Storage

Currently the final image of the front and back of both the check and stub are stored in two places.

- 1) An archive is used to capture all the image and reporting information captured from the BancTec system.



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

- This archive, Pay Courier Archive (PCA), maintains 24 months of images on the web-based system and allows the Guest Check Clearing application to pull images for returned items.
- Images are also burned on a DVD to retain for the required 4 years.
- DVDs are stored in the RPC checkroom.

6.13.4 Check Storage and Destruction

- 1) The ARC and Non-ARC stubs and ARC checks at the end of each processing day are moved into the checkroom.
 - Entrance to the checkroom is on a different security access than the RPC front entrance. Only select RPC team members have access.
 - Two badges need to be swiped within 10 seconds to open the door.
 - An alarm is activated if only one badge is swiped or if the door is forced open.
 - Cameras are installed in the room.
 - Two people are required to be in the room at all times.
- 2) A log is completed to indicate which team members and for what reason the room was entered.
- 3) The checks are moved in on carts and left in the room until time for destruction.
- 4) After at least 7 days have passed, two team members dump the trays with the checks and stubs into locked shred bins.
 - Each bin has a bar code that is assigned to a bar code on the wall.
- 5) The secure shredding company picks up the locked bins and scans the bar code to indicate the bin has been picked up.
- 6) A new empty bin is scanned in the new checkroom location.
- 7) The shred vendor transports the checks and stubs in their locked bin via a locked trunk onto their secure facility where it is shredded three times and recycled.

6.13.5 Reconciliation

The cash reconciliation team performs the monthly cash reconciliation.

- 1) RPC sends the cash reconciliation team a balancing matrix that shows the total daily deposits.
- 2) The cash reconciliation team uses this information, along with the general ledger, to complete the bank reconciliation. PD&O, Accounting Control, and the cash reconciliation team review the bank reconciliation and all miscellaneous deposits and withdrawals are reviewed and investigated by PD&O.
- 3) The Accounting Control group completes the monthly account receivable reconciliation for the Payment in Questions (PIQ) account. The PD&O department completes the reconciliation on the UMA account. All reconciling items are reviewed and resolved in a timely manner.
- 4) Authorized individuals from the Accounting Control, Cash Reconciliation, and Treasury review the reconciliations. **(8)**

Internal – for Acme Corp Use Only



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 5) Accounting Control performs daily balancing of Pay by Phone (MOLP) payments processed by comparing MOLP reports and TSYS reports. **(19)**

6.13.6 Returns- ACH:

- 1) As part of the ARC process, returns are sent back from the bank Monday-Friday in an electronic file. Guest Check Clearing (GCK) receives the return file and, based on return codes sent in the file, decisions the returns.
 - The return decisions are driven by a table set up for each return reason code.
 - This table is owned and updated by RPC, however, the decision for changes and any updates are made by the Group Manager Financial Operations and Accounting. .
- 2) Based on the R code passed to GCK by Wells Fargo and the decision table the returns can be set to go to a final return or go to a special handling queue for a team member to manually review the item returned.
 - The table also has the option of accessing fees for each return code.
 - If an R code is setup to go to the special handling queue, the item can be returned up to three times, according to NACHA rules.
 - There are three options for working a check in special handlings:
 - Exclude the check from future ACH and print a substitute check.
 - Correct the check's information and submit the check in an electronic resubmission file back to the bank.
 - To retire the check and create final return.
- 3) After all return items are worked, the resubmission file is sent to the bank of deposit Monday through Friday.
- 4) The excluded checks are printed and deposited to the bank of deposit in a paper form.
 - There are four export files that are created to capture the accounting information: 1) Return file 2) Redeposit file 3) Update Account file 4) Check 21 file. Also, two files are created to update decision tables on the BancTec system 1) Micr Exclusion 2) Statement Exclusions.
- 5) For the returns file, GCK creates a file that is sent to TSYS to debit the guests account and potentially assess a fee based on the rules set up in GCK.
- 6) GCK also creates a GL feed that is sent to Lawson to record the final returns.
 - For the redeposit file and the Check 21 file, no feed is sent to TSYS, however a feed is sent to Lawson to record the resubmission.
 - No feeds occur for the Update Account File.

6.13.7 Balancing – Returns - ACH

- 1) Reports for the Return File, Redeposit File and the Check 21 File are created and loaded into Mervyn's Host for reconciliation.



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 2) The AREDM0ALLD85 (Final Returns) report is balanced against the AREDM0ALLD79 (Resubmission), AREDM0ALLD86 (Paper Deposits) AREDM0ALLD84 (Non-Collectible) and AREDM0ALLD82 (Encode Errors/ACR report).
- 3) The AREDM0ALLD85, AREDM0ALLD79 and AREDM0ALLD86 are then balanced to Lawson and Wells Fargo CEO reporting.
- 4) Accounting Control also pulls a report out of GCK to ensure the returns/resubmissions/redeposits sent to TSYS and Lawson equals the returns that were recorded in TSYS and Lawson.
- 5) The tracking and reconciling the return account is done by Accounting Control Monday through Friday.
- 6) The balancing ties out both paper and ACH returned payments.
 - The reports balanced include Final Returns Detail by site (USDW) , ARC Returns Report (AREDMDALL085), ACH Redeposit (AREDM0ALL079), Check 21 Redeposit Summary (AREDMDALLD86), Summary of ARC Non-Collectible Returns (AREDM0ALLD84) and ACR004 Exception Report (AREDM0ALL82). **(6)**

6.13.8 Balancing - Returns- Paper:

- 1) As part of the paper returns process, an advice is sent from Wells Fargo to AFS Monday through Friday.
 - The advices are delivered by courier in a secured bag to the PD&O department.
 - The advice contains the returned checks grouped with their cash letters from the Federal Reserve Bank and Wells Fargo.
- 2) Checks are balanced to the advices and manually keyed into TSYS.
- 3) Returns are keyed with a transaction code of 0139 to assess a returned check fee and code 0374 is used to key a returned check with no fee.
- 4) The following day the PD&O department balances the amount entered into TSYS against the advice.
- 5) At month end, all Wells Fargo bank account debits are balanced against all charge backs that have been keyed into TSYS.
- 6) On a monthly basis, the Senior Financial Accountant in Accounting Control reviews both the ACH and Paper returns balancing spreadsheets and the associated account reconciliations and manual journal entries to ensure reasonableness.
 - Any unusual items or fluctuations are investigated by management **(6)**.

6.13.9 Quality Assurance Reviews

Within the RPC area there is a Quality & Reporting Team.

- 1) On a daily basis, this team is responsible for monitoring transactions processed through the RPC area.
- 2) **(9)** Every payment made through the RPC is tracked by BancTec identification numbers.



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- The BancTec identification numbers indicate the steps and team member(s) involved with the process of each payment.
 - Since each team member is assigned a unique BancTec identification number, the number is used to monitor the quality of work completed by each team member.
- 3) This team reviews the batches of checks that are rejected by the Opex envelope opening machines.
 - 4) The machine operator unites the stub to the check, and the Quality & Reporting team reviews the batches to identify misapplied payments.
 - 5) The Quality & Reporting team also reviews the checks that have been encoded by the transport machine in Pass 2.
 - 6) They Quality Spot Checker reviews the batches of checks and verifies that the encoding is correct on the check, that the encoded MICR is not broken, and that the ICR encoding matches the payment amount correctly.
 - Any errors found are logged and corrected.
 - 7) The team also checks with the Leader on Duty for a list of ARC batches in the system that are completely processed.
 - 8) The images are reviewed using the Pay Courier Archive system to verify the transaction amount captured matches the dollar amount of the check.
 - Any errors found are logged and corrected.

The errors that the Quality & Reporting team corrects are called “internal” errors, as these are errors corrected before posting to the guest account. Internal errors are the errors that are the result of ICR issues (system read issues) or encoding errors that are caused by data entry team members (manual intervention).

The guest impact errors are those that the guest calls in to report. For guest impact errors most of the adjustments are done by the PD&O department. If the error requires banking involvement to correct the guest’s checking account, the PD&O department also handles the error. They provide feedback on errors to the RPC Quality & Reporting team. The Quality & Reporting team is responsible for researching, tracking and monitoring the errors. They also complete quality feedback forms. The feedback forms explain the mistake and correction that was made to the payment. To ensure that a high level of quality is maintained in processing the TDL, Banking and Quality meets with other RPC leaders weekly to discuss and determine “root causes” of the mistakes made. The TDL also works with the Manager, RPC Systems to ensure that any issues relating to equipment issues and ICR problems are resolved timely with BancTec.

6.14 Segregation of Duties (16)

- 1) Remittance checks and stubs are received within the secured RPC area so only authorized individuals have access to the custody of the checks/assets.
 - While the checks and stubs are not separated or imaged immediately in the process which increases the risk of fraud, there are mitigating controls such as the use of cameras within the RPC area.
- 2) The authorization of transactions to the G/L is done systematically through TSYS.
- 3) TSYS is updated by the posting table sent to the Mervyn’s mainframe and created by the BancTec system, which reads and images the checks and remittance tickets.



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 4) The BancTec system also generates a check deposit table and cash letters to be sent to the bank of deposit. Any out of balance conditions identified during this process are corrected by an RPC leader.
 - Any adjustments made on the system are identified by the post batch edit report.
- 5) The balancing matrix created by RPC is forwarded daily to the Accounting Control team and the actual G/L entry is generated by that team.
- 6) Accounting Control compares the balancing matrix deposits to the Wells Fargo report provided by Treasury.
- 7) Any bank adjustments are identified by Accounting Control.
- 8) An entry is booked weekly by Accounting Control to debit/credit 5270 and debit/credit 7500/7525. PD&O researches any items in the RPC Holding Accounts (7500/7525). PD&O performs any financial adjustments necessary in TSYS.
- 9) After adjustments are made, PD&O matches to the adjustments have cleared the bank.
 - These adjustments may include encoding errors, Canadian exchange or misapplied payments.
 - RPC team members do not generate financial entries in TSYS because their security level is limited to "read only".

The recordkeeping function is done mostly by the Accounting department, which is responsible for the majority of G/L account reconciliations. The Cash Reconciliation team at TNC is responsible for the bank depository reconciliation (5270 and 5271) The PD&O is responsible for reconciling two AFS G/L holding accounts (accounts 7500, 7525 and 15710). These accounts are for bank-type corrections in which an error was made in processing a cardholder's check (i.e. a check was encoded and cashed for the wrong amount). Any adjustments made to a cardholder's account (as discussed above) would show as reconciling items on these account reconciliations and would have to be researched and resolved by the reconciler. Accounting Control prepares the control account reconciliations, but those accounts are at the cardholder level, not the G/L level. Any write-offs from those accounts that would impact the G/L are done by the Accounting Control group.

7 System Understanding

7.1 Authentication

7.1.1 BancTec Imaging Workstations

The BancTec imaging workstations are located in the secured RPC area at AFS.

- 1) To log into the workstation, the user enters a three-digit user ID and a three-digit password.
 - Passwords are reset by RPC Systems Project Coordinator on a quarterly basis which coincides with the quarterly server maintenance process.
- 2) The Project Coordinator emails each individual his or her password.
- 3) Users are prompted by the system to changes passwords again when logging into the system for the first time after the server maintenance process is complete.
- 4) User IDs are locked after 3 invalid login attempts.



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- 5) The access grantor resets the password and sends a follow up email requesting that the team member change the new password given.

7.2 Guest Check Clearing

The Guest Check Clearing application uses SiteMinder which requires Acme's LAN ID and password for access.

7.3 User Set-Up

- Users requesting access to the BancTec, Pay Courier Archive, TSYS, or Guest Check Clearing systems must have their immediate supervisor complete the designated request form. If their immediate supervisor is an access grantor, then the Department Manager must submit the request.
- The request form is accessible to users with access to the Acme Corporation intranet and resides within the Request Center tool. Completed request forms are routed to a designated access approver/grantor within the business team.
- Approvers are granted specific privileges within Request Center to approve or reject access requests.
- The approver(s) and grantor(s) are designated by the Sarbanes-Process Owner.
- Application access rules have been created by the SPO and approved by the SPO's Director.
- These access rules describe the different levels of access in the application and the roles of users that have access.
- Approvers/grantors use the access rules to guide their decision when evaluating access requests.
- Access that has an appropriate business need, but does not conform to access rules needs to be approved via an exception process.

7.4 User Transfers and Terminations

As terminations, transfers or other users no longer requiring access to the application are identified and their manager completes a Request Center request to remove access.

7.5 Periodic Reviews

- The Sr. TDL, Banking Quality and Control monitors and controls both the badge access to the RPC area and RPC checkroom.
- Prior to approving a request for badge access to the RPC area, a check is completed to ensure the team member, contractor or vendor does not have more than read-only access to TSYS.
 - If they do, badge access to RPC is not approved.
- AFS Security furnishes a list of individuals with badge access to the RPC area and checkroom.
- The TDL, Banking and Quality works with the AFS Security team to ensure any individuals without a business need for access are removed.
- Monthly, the supervisor reviews this listing to ensure appropriate access is in place and notifies RPC Leadership if any issues are noted.

Internal – for Acme Corp Use Only



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- Quarterly the Sr. TDL, Banking, Quality, and Control prepares a quarterly access review. **(Controls 1 and 5)**
- The TDL verifies quarterly that team members with card access to RPC do not have the ability to make financial adjustments to TSYS.
- The Sr. TDL, Banking, Quality, and Control verifies entrance to the checkroom by matching the log maintained in the room against the scan log from the pad.
- There is an audit on the location and destruction of the bins using the vendor's website and our logs.
- Quarterly, the TDL, Banking and Quality and the RPC Manager review the access listing to BancTec systems including the transports and PCA to ensure appropriate access is in place and prepares a quarterly access review.
 - Issues are noted and corrected (i.e. individuals with inappropriate access).
- Every week, the TDL, Banking and Quality requests a listing from Information Security of all team members who have access to Guest Check Clearing.
 - This listing is verified against business access rules by both this TDL and the RPC Manager.

8 Change Management Process

8.1 BancTec Transports

A change management process is utilized to prevent unauthorized or inappropriate updates to the BancTec application. The change management process used by the Remittance Processing Center for changes to BancTec does not follow the TTS established policy. Changes are made relatively often to the BancTec system. They are most frequently required because of a change that Credit Marketing is making to remittance envelopes or stubs, where a change must also be made to the systems reading the documents. The Manager, RPC Systems is contacted for all changes.

- 1) The Manager, RPC Systems performs due diligence on the request change, including documentation and analysis.
- 2) Upon completion, the manager contacts BancTec to initiate the change and provides information on what types of changes are necessary, and BancTec sends back a Program Change Request (PCR).
 - The PCR documents the general information regarding the change and an estimate of the cost to make it.
 - Changes are often discussed at RPC staff meetings to ensure all impacts have been identified.
 - If necessary, RPC may also discuss the change with other impacted groups.
- 3) The Manager, RPC Systems then signs off on the PCR and sends it back to indicate that the change is approved.
- 4) Following the PCR approval, the manager creates a technical specifications document to provide BancTec with the detailed requirements needed for the change.

8.2 Change Controls

- BancTec programmers perform modifications to BancTec code based on the specifications document they receive from Acme.

Internal – for Acme Corp Use Only



Procedure Name: Guest Payment Remittance

Implementation date

Owner:

Next review date:

Author:

Supersedes: n/a

- In addition, BancTec maintains the main copy of the updated code at their facility (although RPC also has a copy).
- This is the code that is changed and then overwrites any code on the servers.
- When BancTec has completed coding and unit testing the changes, they either email or call the Manager, RPC Systems.
- Depending on the nature of the change, the BancTec personnel either go up to RPC to install the change or load the change through a VPN connection to the Acme network through a Acme firewall into the BancTec server that resides in RPC.
- Access security is established to prevent BancTec from gaining unauthorized access to the Acme Network.
- In using the VPN remote access to load the change, BancTec's connectivity is limited to the BancTec application by two sets of firewalls.
 - The firewalls maintain logs to track BancTec's access activities through the firewalls.
- Additionally, RPC has the control procedure in place to prevent or detect unauthorized changes to the BancTec production code.
- In order to perform ongoing maintenance and technical support, BancTec accesses the production code via the VPN connection.
- RPC manually tracks all the entries into the application. Per current protocol, BancTec enters the application only when directed by RPC. When BancTec enters the application, a firewall log is created that captures the date and time of entry.

9 Deliverables/Evidence



Procedure Name: Guest Payment Remittance

Owner:

Author:

Implementation date

Next review date:

Supersedes: n/a

10 Related Documents

Type	Document	Location
Information Security Standard(s)	Physical and Environmental Standard	link to Information Security Standards Index
Sample Dialer Room access list	Vendor contract	
Policy regarding securing client data	Vendor contract	

11 Change History

This document is located in <[add document location](#)>

The following table lists important changes that have been made to this document.

Version	Date	Prepared by	Approved by	Approval Date	Comments
1		<i>Dawn Murphy</i>			