

STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of)
)
COMDATA NETWORK, INC. OF CALIFORNIA)
)
Respondent)
)
_____)

FINAL ORDER
(Financial Code section 580)

Pursuant to Financial Code section 580, the Commissioner of Business Oversight (“Commissioner”) orders:

Comdata Network, Inc. of California (“Respondent”) shall stop all unsafe practices and take the following actions:

1. Within ninety (90) days from the effective date of this Order, Respondent shall correct all violations of law, as more fully set forth in the Report of Examination dated August 17, 2015. In addition, Respondent shall take all necessary steps to ensure future compliance with all applicable laws and regulations.
2. Within thirty (30) days of the effective date of this Order, Respondent shall submit a written explanation showing how Accounting Standards Codification 860 and Accounting Standards Codification 210-20 are being applied. Respondent shall include examples of entries including debits and credits for account-receivable sales that occurred during March 2016.
3. Within sixty (60) days from the date of this Order, Respondent shall revise its written cash-transfer procedures to include detailed descriptions about the implemented controls and sign-off process. The revised procedures shall ensure that Respondent exercises dual controls over cash transfers and specify which department handles them, including who has authority to initiate and approve them. In addition, Respondent shall train its employees, including its accounting team, in the revised cash-transfer procedures. Furthermore, Respondent’s board of directors shall review and approve the revised policies and procedures.
4. Effective immediately, Respondent shall all times comply with the eligible securities requirements of Financial Code section 2081, subdivision (a).

5. Within sixty (60) days from the date of this Order, Respondent shall implement effective control procedures to ensure daily monitoring of its liabilities for outstanding payment instruments and stored value. In addition, Respondent shall ensure that its eligible securities sufficiently cover its liabilities at all times.
6. Respondent shall follow the *Call Report Instructions* posted at <http://www.dbo.ca.gov/forms/tma/callreport.asp> when preparing future Call Reports. Un-escheated dormant payment instruments (e.g. dormant Comchek funds) shall be maintained on Respondent's book and reported as outstanding transmission liability in the Call Report and average daily transmission liability report.
7. Effective immediately, Respondent shall timely post its general ledger at least monthly. The general ledger shall include all asset, liability, capital, income, and expense accounts as required by Financial Code section 2124, subdivision (a)(2).
8. Effective immediately, Respondent shall prepare and submit a Monthly Report on or before the twenty-first (21) day of each month. The Monthly Report shall include a:
 - a. Balance sheet.
 - b. Income statement.
 - c. Average daily outstanding transmission activity report.
 - d. Summary listing of intercompany transactions between Respondent and its parent that includes any sales of receivables or other assets.
 - e. List of each receivable or asset sold and the consideration Respondent received for it.
 - f. Statement indicating whether the balance-sheet items are due from parent or due to parent for any item offset or netted between Respondent and a third party.
 - g. Written explanation why there are any resulting losses from the sale of Respondent's assets to its parent that are not reported Respondent's on profit-and-loss statement, if there are any.
9. Effective immediately, Respondent shall retain liability for all outstanding payment instruments and stored value that Respondent has issued or sold until Respondent has paid the related obligation or refunded the money to the customer.
10. Within sixty (60) days from the effective date of this Order, Respondent shall update its policies and procedures in writing to ensure proper treatment and report of unclaimed transmission money. Respondent shall maintain all unclaimed transmission money and Comchek funds as a liability until Respondent escheats them or refunds them to the customer.

11. Effective immediately, Respondent shall report intercompany receivables and intercompany payables on a gross basis in accordance with the *Call Report Instructions* posted at <http://www.dbo.ca.gov/forms/tma/callreport.asp>.
12. Within ninety (90) days from the effective date of this Order, Respondent shall correct and explain in writing all discrepancies noted in the August 17, 2015 Report of Examination for Paid and Outstanding figures listed in its payment instruments average daily transmission liability reports and detailed transaction files. Going forward, Respondent shall prepare its average daily transmission liability reports in accordance with the *ADTL Instructions and Sample* posted at <http://www.dbo.ca.gov/forms/tma/callreport.asp>.
13. Within ninety (90) days from the effective date of this Order, Respondent shall adopt and implement controls to ensure that it does not sell any payment instruments in California that have not been approved by the Commissioner.
14. Within sixty (60) days from the effective date of this Order, Respondent shall revise and implement its written policies and procedures for all transactions with Respondent's parent. The revised policies and procedures shall apply to payment of management fees, sale of receivables, cash transfers, and the sale of receivables for Comcash balances from Respondent's parent. In addition, the revised policies and procedures shall expressly state that all transactions between Respondent and Respondent's parent shall be substantiated by periodic invoices, itemization, and explanation. Furthermore, the revised policies and procedures shall expressly state that any transactions with Respondent's parent shall be conducted at arm's length. Furthermore, Respondent's board of directors shall monitor its employees to ensure that they consistently follow the revised policies and procedures.
15. Respondent shall document corrective actions taken by Respondent as well as their status and completion date for future independent Bank Secrecy Act or Anti-Money Laundering compliance reviews. Respondent shall also preserve the integrity of any reports on its activities issued by third parties and refrain from modifying them.
16. Within thirty (30) days from the end of each quarter beginning with effective date of this Order, Respondent shall submit a written progress report to the Commissioner. The progress report shall set forth:
 - a. the actions taken to comply with each provision of this Order;
 - b. the results of those actions; and
 - c. a description of actions not yet taken to achieve full compliance with each provision of this Order.

This Order is effective immediately and supersedes the Memorandum of Understanding dated February 24, 2014. Violation of any provision of this Order may be deemed to be conducting business in an unsafe manner, and may subject Respondent to further

enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order in whole or in part.

Dated: December 27, 2016.

_____/s/_____
JAN LYNN OWEN
Commissioner of Business Oversight