



Fraud Protection - The Vigilance of Charter Schools

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- **Check Fraud**
- **ACH Fraud**
- **Business Email Compromise**
- **Account Validation**
- **Purchase Cards**

Check Fraud Scenarios

▪ Positive Pay/Payee Positive Pay

- Client provides Bank with a daily transmission of check issue data. Bank matches checks presented for payment against check issues received and reports any exception items each day

▪ Payee Positive Pay

- Broadens and extends fraud control measures by also matching the issue file payee name against the payee name that actually appears on the check when presented for payment
- **Teller Positive Pay** – Checks presented for encashment at the retail branches/teller lines are validated against the ARP issue file to determine if the check is part of the customer's issue file, dollar amount is correct, stale dated or stopped. If the account is on Payee Positive Pay and provides the payee name, that too will be presented to the Teller for determining encashment
- Payee Positive Pay with Teller Positive Pay is the premium reconciliation, fraud protection service recommended to all check writing clients

▪ Point-Of-Sale Positive Pay (POS)

- Bank works with Certegy to deliver a POS Positive Pay solution to provide for national check cashing
- Bank will forward the issuance data to Certegy in order to leverage Certegy's 11,000+ check encashment terminals strategically positioned across the country via large retail outlets such as **Wal-Mart**, **Safeway**, **Kroger**, etc.
- Payees can be directed to one of these Certegy locations for check encashment. Upon presenting the check, the clerk keys the check number, amount and payee into their normal Point-of-Sale terminal for real-time validation of the item against the issue file.

▪ Check Block


- Complete and total blocking of all checks written against the account (e.g. reserve accounts, etc.)

ACH Fraud Scenarios


Thirty-three percent of financial professionals report that their organization's payments via ACH debits were subject to fraud attempts/attacks in 2019



Reconcile accounts daily to identify and return unauthorized ACH debits, cited by 77 percent of respondents for 2019—an increase from 65 percent in 2018



Block all ACH debits except on a single account set up with ACH debit filter/ACH Positive Pay (69 percent)—an increase from 63 percent in 2018



Block ACH debits on all accounts (44 percent)—an increase from 37 percent in 2018

Daily account reconciliation continues to be the primary control with ACH debit filter/ACH positive pay catching up in usage

- **ACH Positive Pay or ACH Debit Filters**

- Establish internal rules and make decisions
 - Exact Amount Rule
 - Maximum Dollar Rule
 - Expiration Rule (contract work or deadline)
 - Periodic Rule (daily, weekly, monthly, quarterly, yearly)

- **ACH Debit Block**

- All ACH debit items are returned (similar to check block but for all debited ACHs)

- **UPIC (Universal Payment Identification Code)**

- Promotes electronic payment receipt with masked account numbers
 - Cannot be successfully used to deposit or cash checks
 - Cannot be successfully used to debit from your account
 - Cannot be successfully used for a Reverse Wire
 - **Can only be used to receive ACH Credits**

Business Email Compromise

Most Organizations Experienced Fewer than 25 Instances of BEC Fraud in 2020

A large majority of organizations experiences 25 or fewer instances of BEC fraud activity occur annually. Types of BEC attacks they are falling victim to include:

- | Emails from third parties requesting bank changes, payments instruction, etc.
- Emails from fraudsters posing as senior executives requesting transfer of funds
- Emails from fraudsters impersonating as vendors.

Few companies are reporting seeing more than 25 instances of BEC fraud annually.

Most Prevalent Types of Business Email Compromise (BEC) Fraud (Percent of Organizations)

	LESS THAN 25 INSTANCES ANNUALLY	26-100 INSTANCES ANNUALLY	101-200 INSTANCES ANNUALLY	200+ INSTANCES ANNUALLY
Emails from other third parties requesting changes of bank accounts, payments instructions, etc.	88%	9%	2%	1%
Emails from fraudsters pretending to be senior executives using spoofed email domains directing finance personnel to transfer funds to fraudsters' accounts	87%	9%	2%	2%
Emails from fraudsters impersonating as vendors (using vendors' actual but hacked emails addresses) directing transfers based on real invoices to the fraudsters accounts	87%	11%	1%	1%

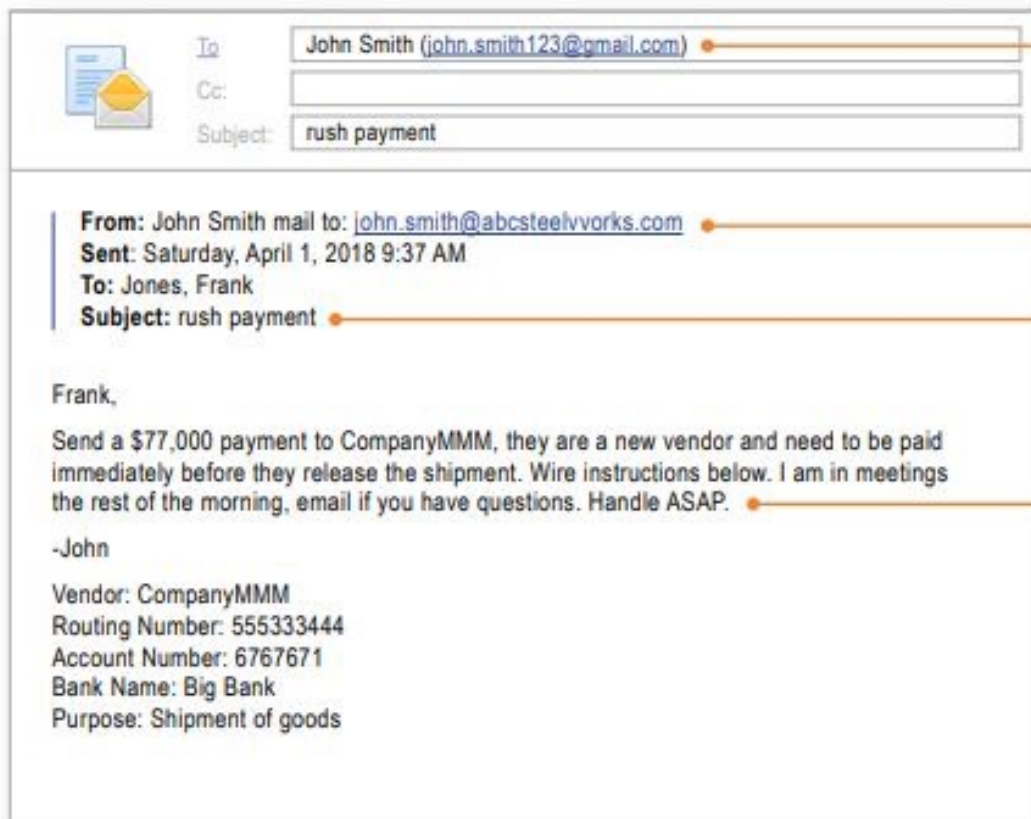
IMPORTANT! If there is EVER any question or doubt as to the validity of an emailed request to transfer or move funds (internal or external), pick up a phone and call the person making the request.

- **End User or Payment Originator Education**
 - Institute cybersecurity training for all employees
 - Communicate new cyber trends and alerts
 - Conduct fake email campaigns to “test” employees
- **Implementing Verification or Validation System**
- **IT assistance with color coded emails or “EXTERNAL” tag**

**** This email has been received from outside the organization – Think before clicking on links, opening attachments, or responding. ****

- **Call backs with historical or known phone numbers**
- **Requiring authorized signoff from Senior Leaders for transactions over certain dollar thresholds**

FRAUDULENT "SPOOFED" EMAIL



When you "Reply All," the email address appears differently

The "w" in the company name is spelled with two v's

It's an urgent request

The requestor is available only via email

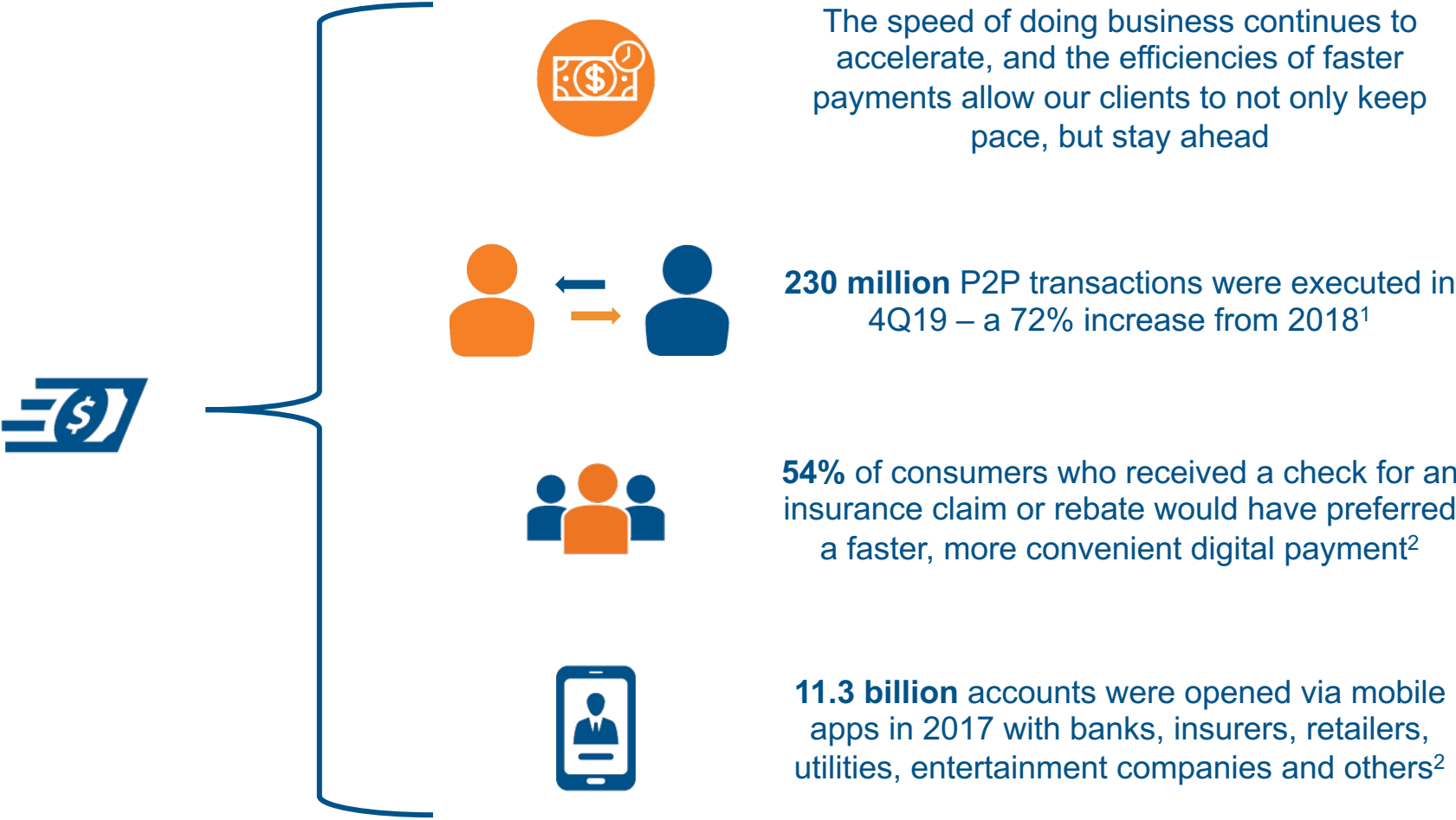
Account Verification Services

Help Expedite Payments without Accelerating Fraud



Faster Payments and Associated Risk

Money is moving faster and in more innovative ways

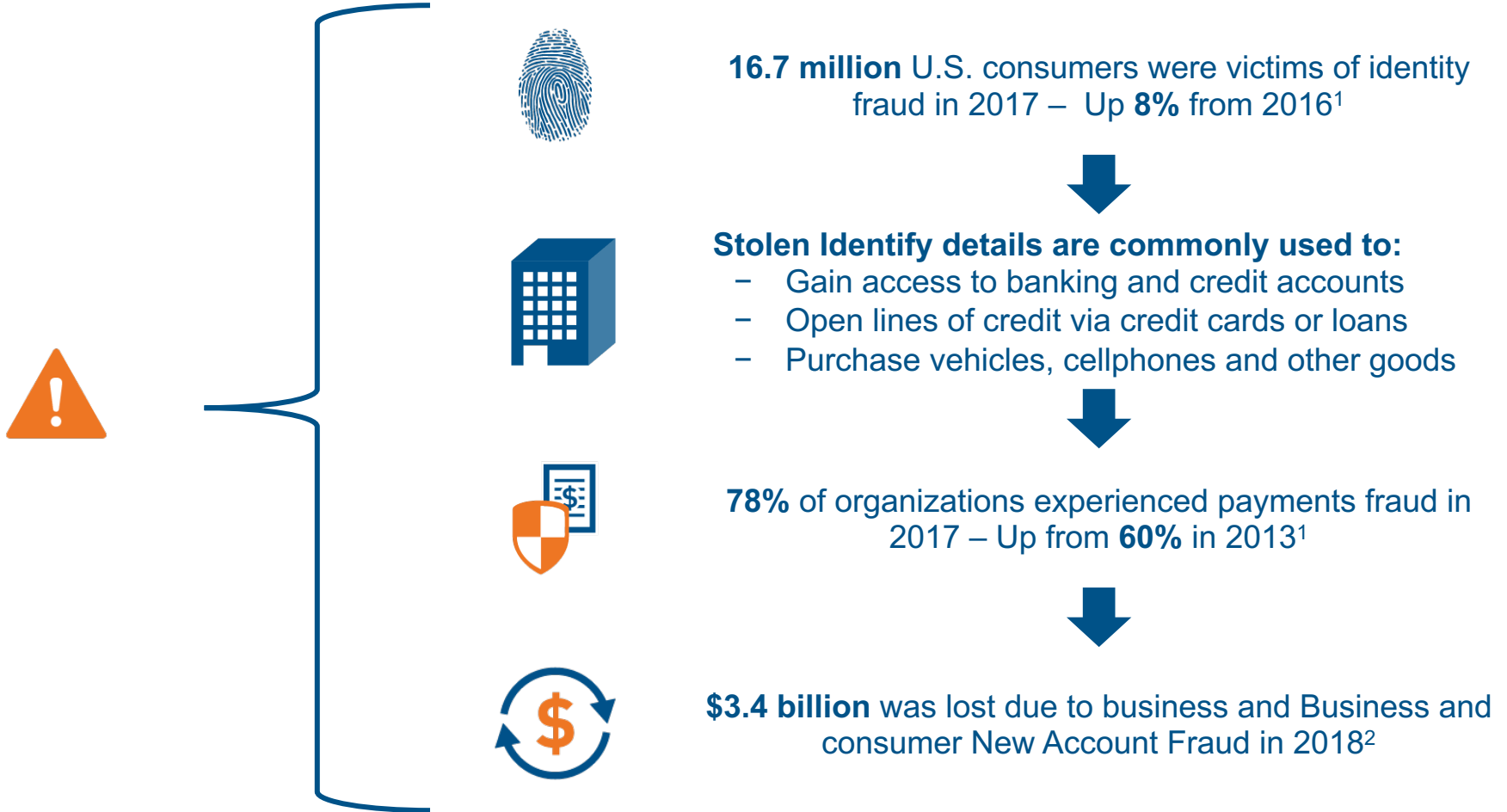


¹ Gift Giving Helps Zelle® Wrap Up 2019 with Double Digit Growth (2020)

² GIACT Infographic: The Growing Costs of Identity Fraud (2018)

Faster Payments and Associated Risk

With Greater Speed Comes Greater Risk



¹ GIACT Infographic: Growing Exposure to Identity Fraud Increases Financial Risk for Businesses (2019)

² GIACT Report: \$3.4B Lost To New Account Fraud In 2018 (2018)



Malware – Malicious software downloaded to a PC or mobile device; used to capture keystrokes, exploit system vulnerabilities, steal information, etc.



Phishing – Emails used to gather information or deliver malware (through infected attachments or links to malicious sites)



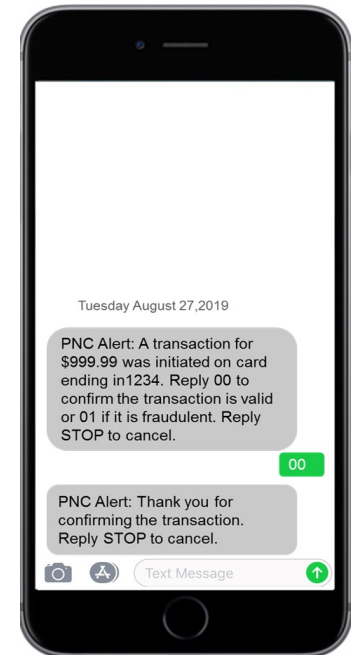
Smishing – Text messages used to gather information or infect the mobile device



Social Engineering – Manipulating people into performing actions or divulging confidential information

Purchase Cards

- **Ensure cardholders have signed a cardholder agreement**
- **Establish company policies (receipts required, transaction notes, etc.)**
 - The card program will only be as secure as the company-created controls
- **Establish good expense management practices**
 - Expense reports
 - Management level approval
- **Adhere to Issuer Fraud Liability**
 - VISA \$100,000 Liability for Employee Misuse
 - Issuer usually assists with fraudulent activity
- **Opt-in to Fraud Alerts if available**
- **ePayables**
 - Single Use Account
 - Similar to a “check run”



Questions?

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