FRAUDULENT ACH TRANSACTIONS

ACH FRAUD METHODS

• External
  — Outside or unrelated party
  — Foreign accounts involved
  — Access to local unit’s bank account information

• Internal
  — Performed by employee or official of unit
    • Intentional fraudulent activity
    • Unintentional – unaware activity is a scam

ACH FRAUD PROCESS

• Compromise customer data (low tech)
• Compromise customer’s computer (high tech)
• Access & take over online bank accounts
• Initiate an ACH transaction
• Verify legitimacy of transaction
• Monitor account for deposit
• Move & Layer funds

DETECTION & PREVENTION

• Bank security
  — Pattern detection
  — Layered security
  — Dual authorization
• Internal Controls
  — Set alerts on bank accounts
  — Monitor bank account activity frequently
  — Reconciling timely
  — Block ACH transactions on certain accounts
  — Use firewall, anti-spyware, and anti-virus software
  — Internet security controls
  — Educate and Communicate with employees

ACH FRAUD RESPONSE

• Contact bank
• Contact law enforcement
• Contact SBOA
• Contact insurance company
• Contact IT Support and Software Vendor

EXAMPLES

• 2011
  — County: $72,000 attempted
    • $47,000 was transferred, but $24,962 was stopped
  — School: $98,000 transferred out from payroll acct
  — School: $10,800 transferred out
  — Vendor: $500 transferred out
  — Department: circumvented claims process

• Recently
  — County: Clerk’s Trust bank acct information obtained
  — City: Hacked email account of public officials
  — City: Bank security caught attempts