

KNOCKOUT FRAUD

Hailey Windham, Financial Crimes Investigation Officer
SAFE Federal Credit Union



**HOW ONE CONTENDER
REFUSED TO
GIVE UP!**



INTRODUCTION

Hailey Windham, CFCS

Background:

Banking; Deposit Operations and Fraud

- Balancing General Ledgers, Demand Deposits, ATMS, Teller Cash
- Processed Check 21 Returns
- Check Verifications
- Filed Debit Card Disputes with Visa

Current Responsibilities:

- Investigates Financial Crimes
- Assess inherent level of Fraud Risk
- Provide Enterprise-wide leadership
- Research and Identify all possible recovery avenues



Disclaimer* I am not the expert on how to get your family to listen to you.

Thursday, July 7

Your package could not be delivered since not correct residential number, please update the information in time. <https://eysd zx1.com>

3:00 PM

FRAUD: THE LOW BLOW

01 Cost of
'Doing Business'

02 Unrecoverable
Financial Loss

03 Unpreventable
Force

04 Impact on
Membership

Create the vision for your program by determining the win and articulating how you're going to get them there.



FRAUD REPORT

Fraud Annual Loss Comparison

not based on actual numbers

<u>Fraud/Forgery Analysis</u>	<u>Jul-22</u>	<u>YTD \$</u>	<u>YTD %</u>	<u>Jul-21 YTD</u>	<u>Variance</u>	
					<u>\$</u>	<u>%</u>
Checks	\$1,000	\$7,000	9.09%	\$7,200	(\$200)	-3%
Debit Card Fraud	\$4,000	\$28,000	36.36%	\$26,000	\$2,000	8%
Credit Card Fraud	\$2,000	\$14,000	18.18%	\$15,000	(\$1,000)	-7%
Online Banking	\$3,000	\$21,000	27.27%	\$18,000	\$3,000	17%
Account Fraud	\$5,000	\$35,000	45.45%	\$60,000	(\$25,000)	-42%
Identity Theft	\$10,000	(\$28,000)	-36.36%	\$20,000	(\$48,000)	-240%
Misc. Fraud Losses	\$0	\$0	0.00%	\$0	\$0	0%
Totals	\$25,000	\$77,000	100.00%	\$146,200	(\$69,200)	-47%

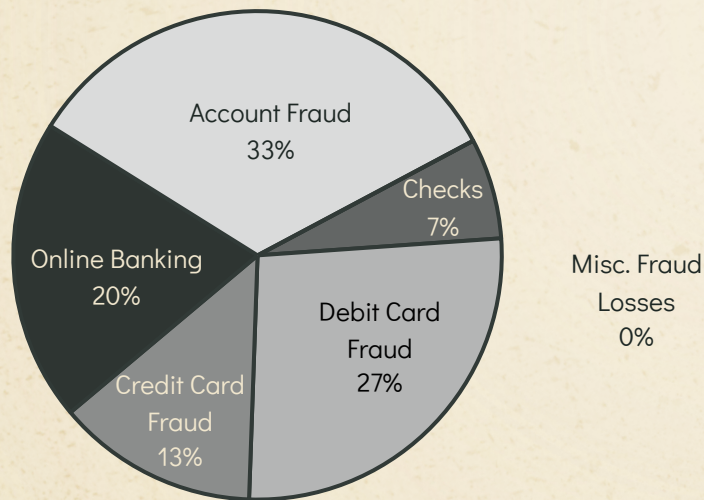
*2021 Fraud/Forgery losses totaled \$700,000

*2020 Fraud/Forgery losses totaled \$500,000

The Fraud Program continues to develop and grow each month, implementing process efficiencies throughout the Credit Union.

Enhancements to the program include a Fraud Risk Matrix ("FRM"). The FRM will encompass all current and potential products and services the Credit Union offers to its members. The FRM will assist in trending, targeting, and mitigating fraud timely.

Primary focus will be given to areas that pose the greatest risk at this time, which include **debit cards** and **online banking**.



Check Fraud

Counterfeit, Closed Account, Unable to Locate Account, Refer to Maker, Irregular Signature, Duplicate, Endorse Irr., Forgery, Frozen/Block, Retired RT#, Stale Date, NSF, Stop Payment; resulting in fraud loss to CU.

Items Returned	Total Dollar Amount Returned	Losses Mitigated (Normal Business / Holds)	Pending Repayment Uncollected	Charge-Off Uncollectable 30 days negative - Dec/Jan
150	\$600,000	\$560,000	\$55,000	\$10,000

Check Fraud Monthly Data Review						
Top 6 Check Return Reasons Monthly Loss						
Reason for Return	January	February	March	April	May	Totals
Altered Fictitious	\$2,000	\$500	\$1,000	\$ 2,000	\$ 500	\$6,000
Closed Account	\$0	\$500	\$250	\$ 1,200	\$ 3,500	\$5,450
Insufficient Funds	\$5,500	\$2,000	\$400	\$ -	\$ 3,000	\$10,900
Refer to Maker	\$500	\$200	\$0	\$ 2,200	\$ 1,800	\$4,700
Forgery	\$50	\$0	\$0	\$ -	\$ 4,000	\$4,050
Unable to Locate	\$2,000	\$3,000	\$800	\$ -	\$ 916	\$6,716
	\$10,050	\$6,200	\$2,450	\$5,400	\$ 13,716	\$37,816

PROJECT-1234 – Test file scheduled for August - Fed Inclearing Returns File X937.

ENHANCE-234 – July 22 - The upgrade has been completed. As of today, all issues from June upgrade have finally been resolved.

ENHANCE-05 – Check21 files to Vendor – Vendor conducted review of check files. There is an issue with a parameter that must be adjusted. Additionally, the On-Us check file is not currently being received by Vendor. The On-Us file consists of the checks drawn on the credit union, accepted for deposit at the credit union. This is on-going.

Pretend Vendor – Vendor Due Diligence in process. In a proactive attempt to begin receiving some of the same benefits we will receive with (new debit processor), (18-month process) FCIO discussed alert services with a representative at **Pretend**. The **Pretend** representative performed an analysis that estimates the benefit if FI utilized the **Pretend** service.
Estimated Net Annual Benefit for FI = **\$100,000**.

Fraud Rule Update: Rule Effectiveness Assessment findings below.

Signature Fallbacks: During the rule effectiveness assessment, it was evident that the false positive ratio was much higher than the standard tolerance level for member impact. After a review of the transactions “Confirmed Not Fraud” in comparison to the “Confirmed Fraud” transactions, the FCIO is recommended block PIN-less fallback transactions \$50 and above at MCCs 1300, 1200, 1100, and 1200.

This rule update was pushed into production on July 15, 2022.

ATM Fallbacks: In collaboration with Dispute Resolution Coordinator (“DRC”), the FCIO recommends the Credit Union implement a flash fraud rule to decline all fallback transactions (Entry Mode 80 or 90) attempting to be used at all ATMs (MCC 1101) excluding FI ATMs (OnUS). The FI is liable for Chip Fallback transactions. This means there is no chance for recovery as the Credit Union cannot chargeback these transactions to the merchant.

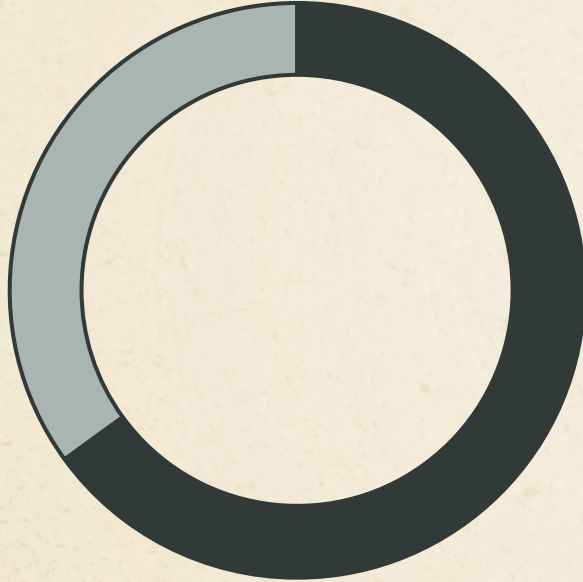
The credit union did not push this rule into production. FCIO will continue to monitor this on-going trend.

Alert Management		
It is the responsibility of every employee, without fear of reprisal, to communicate in writing via Unusual Activity Referral (“UAR”), any recognized unusual activity or any allegations of fraud.		
Internal UAR Referrals	Alerts Acknowledged	Alerts Investigated / Pending Closure
30	5	25
UARs submitted in the month of July:		
Suspicious Wires, Checks, Card Fraud, Scams – 26%	Identity Theft, OAT – 36%	Other (Account Abuse, Elder Abuse, Suspicious Behavior) – 38%

Fraud Program Overview

Policy and Procedure	FCIO in collaboration with Deposit Operations Compliance Analyst reviewed and updated procedures for Subpoena and Search Warrant Requests.
Fraud Alerts issued on SharePoint	Eight (8) fraud alerts have been issued <ul style="list-style-type: none">• Bank Robbery (1)• Shared Branching CO-OP Fraud (2)• Fraudulent Official/Cashier's Check (5)
New Trainings / Podcast Releases – “The Ted”	“Fraudology – Member Service Center Fraud Threats and Trends” - July 15, 2022
Department Trainings	<ul style="list-style-type: none">• Management Training Shadow – Name of Person – July 07, 2022• CUSA Strategy Group – July 20, 2022• Branch Manager's Meeting – Fraud Review – July 27, 2022• Brand Leadership Meeting – July 29, 2022
Other Updates, Tasks and Projects	<ul style="list-style-type: none">• CUNA Working Fraud Group – July 01, 2022• Fraud Ambassador Program – Name of Person – July 13, 2022• The Knoble – Scams Roundtable – July 20, 2022• Eservices ERM Risk and Compliance Review – July 21, 2022
Networking / Fraud Community	<ul style="list-style-type: none">• Shannon Slaughter – MeriTrust/Sentilink – July 19, 2022• ACFE Mentor Program – Katie Robinson – July 22, 2022• Kelly Paxton and Amanda “Jo” Erven – Fraud Chat – July 22, 2022 <p>“Great Women in Fraud” podcast. Episode to be released end of August.</p>

RDC STATISTICS



■ One Click ■ Held, Need Review, High Risk

Holistic Approach

Conduct Review

- Internal Processes
- System Settings

Present Findings and Recommendations

- Current Process Exposures
- Enhancement Proposal
- Why

Follow up

- Continued Support for staff
- Parameter Accuracy

Create the vision for your program by determining the win and articulating how you're going to get them there.

BE READY TO TAKE A DIVE:



“There is risk every day that we open our doors (or when mobile/online systems are available). There is a balance that we are all shooting for wherein we make it easy for our member to do business with us. Sometimes that doesn’t mesh well with fraud mitigation strategies, the key is to work towards finding the balance that fits us [your credit union].”

– Michael Baker, CEO SAFE FCU

HEAVY HITTERS

Being able to recognize usual behaviors in our member interactions is so important in the fight against fraud.



SCOOBY SNACKS!



Internal Reporting Increased by 24%

State of South Carolina

Governor's Proclamation

WHEREAS, this year marks the observance of International Fraud Awareness Week, which is set aside to raise awareness about the impact of fraud upon our society; and

WHEREAS, the Association of Certified Fraud Examiners, an organization dedicated to the mission of reducing the incidence of fraud worldwide, estimates that a typical organization loses five percent of its revenue each year to fraud; and

WHEREAS, state, local, and federal governments are frequent targets of fraud; and

WHEREAS, instances of fraud in state government undermine the good work and reputation of all state employees who complete their assigned duties with integrity and honesty and decreases confidence in public officials; and

WHEREAS, fraud against the State of South Carolina is a burden borne by its citizens and businesses in the form of increased costs; loss of public revenues and resources; and increased expenses associated with the investigation, prosecution, and eventual incarceration of individuals who commit fraud; and

WHEREAS, tips received from employees are consistently the greatest source by which frauds are detected; and

WHEREAS, increasing employee awareness of fraud, including the magnitude of the problem, and educating employees about fraud prevention, detection, and reporting techniques, is critical for reducing the incidence of fraud against and within South Carolina state government.

NOW, THEREFORE, I, Henry McMaster, Governor of the great State of South Carolina, do hereby proclaim November 14 - 20, 2021, as

INTERNATIONAL FRAUD AWARENESS WEEK

throughout the state and encourage all South Carolinians to work together to help eliminate fraud in the Palmetto State.



HENRY MCMASTER
GOVERNOR
STATE OF SOUTH CAROLINA

COME OUT SWINGING!



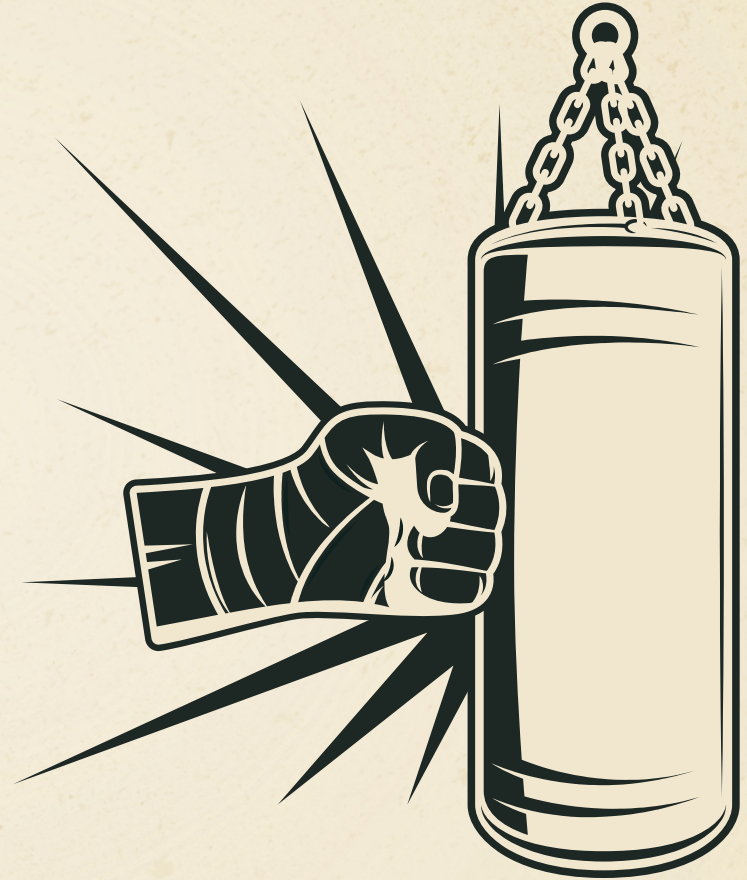
LET'S GET READY TO
RUMBLE!



FRAUD AMBASSADORS

"It's not enough to just put out a message and hope employees "get it." We have to follow up to be certain we connected - to make sure the message received was the same one we intended to give."

- The Manager's Communication Handbook



BE CONSISTENT IN YOUR PASSION

Create the vision for your program by determining the win and articulating how you're going to get them there.



THANK YOU!

STAY IN TOUCH

803.469.8600, x2115

803.919.8477

HWindham@SAFEfed.org

LETS CONNECT



[LinkedIn.com/in/Hailey-Windham-cfcs-0603b01ba/](https://www.linkedin.com/in/Hailey-Windham-cfcs-0603b01ba/)