GUARDIANS OF THE FINANCE GALAXY
THE 2019 CSMFO ANNUAL CONFERENCE

Battle Armor to Combat Fraud

A Practitioners Perspective
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Awesome Conference Mix Vol. 62

Practical Prevention Tools

- Layered approach
- Use Technology
- Use "old school" tools
- Write strong internal policies
- Organizational Culture
  - Honesty
  - Transparency
  - Blameless Problem Solving
  - Tone of Leadership
- Common Sense
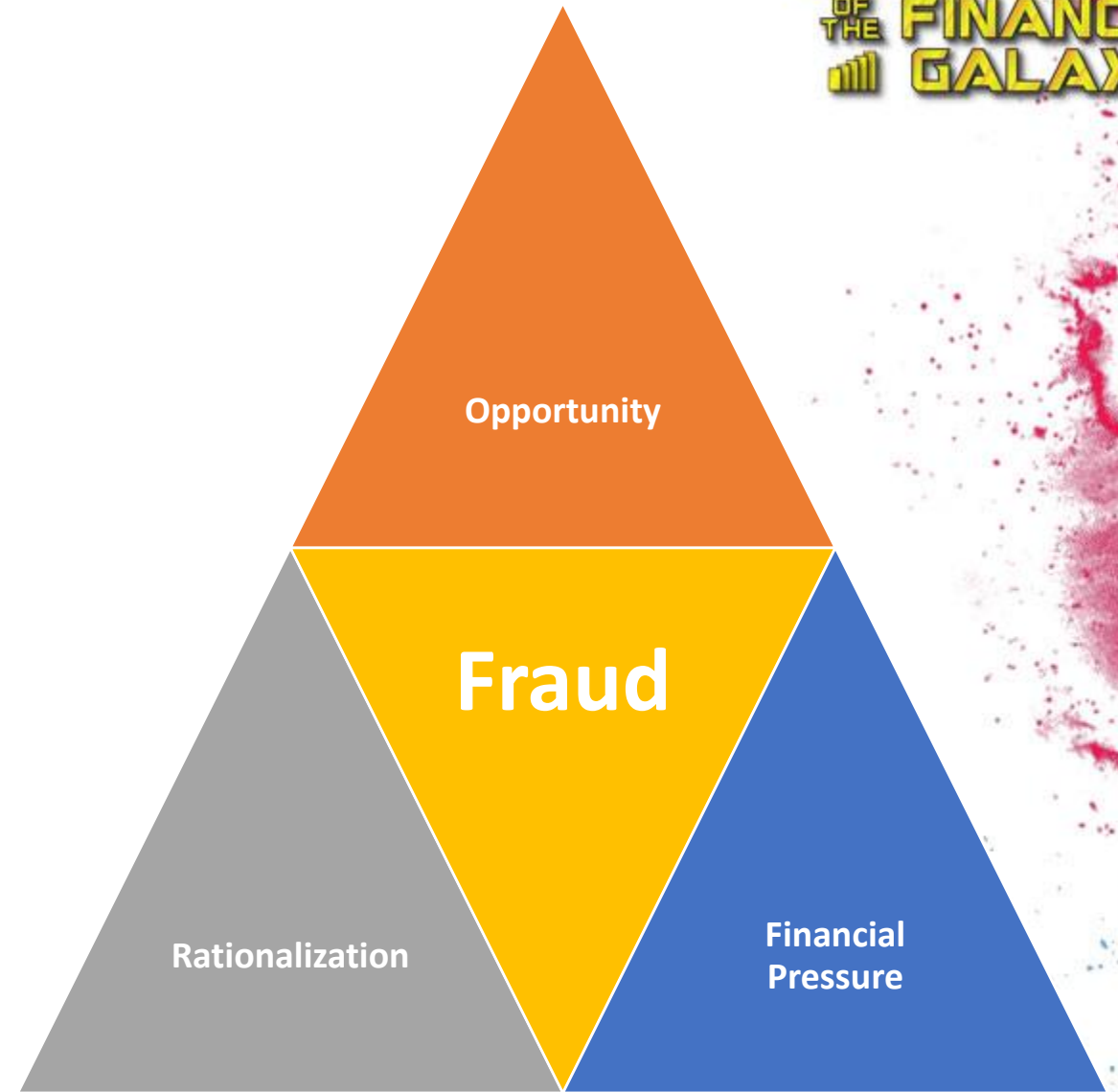
Technology-Based Tools

- Banking-Related
  - Positive pay (Amount & Payee Validation)
  - Dual custody on new wire templates
  - Limited authorization to release ACH files
  - ACH Fraud Filter
  - Dual custody of access changes within banking software
- Security cameras with audio
  - Customer Service Counter / Operations Yard / Warehouse
- Online Utility Exchange – Soft Credit Check for New Customers
  - ID verification
  - SSN for minors

Technology-Based Tools, *continued...*

- Reporting Software - *Convercent*
  - Anonymous & confidential way for employees to report a concern

- Financial Software – utilization of digital capabilities

- GPS Tracking of work vehicles

Non-Technical Tools

- Professional Skepticism – "Trust but Verify"
  - Train all levels of supervision
  - e.g. extravagant lifestyle or things don't add up
- Segregation of Duties
  - Accounts Payable
    - Three-step review process to issue checks
      - Accounts Payable Clerk / Accountant / Check Signer Review
    - Vendor changes – independent review and input
  - Payroll – changes to master file completed by HR, not payroll
  - Bank Statement Reconciliation
- Evaluation of new positions and changes to fraud exposure

Policies

- Set expectations for staff within the policies
- Consider using electronic distribution system for e-signatures on new/amended policies
- Policies to strengthen internal controls
  - Purchasing Policy
  - P-Card Use Policy
  - Capital Asset Policy
  - Credits & Adjustments Policy

[Sample CVWD Policies](#)

Examples of Fraud

- "Accidental" use of P-Cards
  - Employee attached a copy of personal check for reimbursement
  - Check was never given to accounting
  - Now we require A/R to issue receipt as proof of payment
- Tuition Reimbursement
  - Fraudulent college tuition invoices & grade reports
  - Randomly verify with school
- Off-the-Books transactions
  - Avoid a 1 person point-of-contact situation

Conclusion

- Protect your agency and your colleagues
- Fraud can come from inside the organization & outside
- Continually evaluate your exposure

- Partner with the experts
  - Auditors
  - Bankers
  - I.T. Staff – test access
  - Staff training
    - CSMFO Chapter Meetings & Webinars