Jo Hanna

Fraud Prevention

Introduction

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Objective: The Associate can implement procedures to detect and prevent fraud in the banking sector.

What is Fraud?

Bank fraud can take place in many forms from reversing fees for family or friends to working with criminals in a money laundering scheme. Fraud is a criminal offense and knowing how to spot and handle a situation is important for Our Associates.

According to the FTC: In 2022, there were 2.4 million cases of fraud reported. There was a total of 8.8 billion dollars lost. Most of the cases were imposter fraud.

Click on the "+" to learn more about the fraud triangle.

Fraud is often a combination of factors verse one's personal compass and inherent traits. Opportunity, pressure and rationalization can lead to an Associate committing fraud. This conceptual tool is aimed to highlight the environments that are conductive for fraudulent acts.

FRAUD
TRIANGLE THEORY

OPPORTUNITY

CONTROL

CULTURE

FRAUD

VALUE

PRESSURE

RATIONALIZATION

Rationalization

An Associates justification for committing fraud.

Could relate to economic factors.

FRAUD TRIANGLE THEORY

CONTROL

OPPORTUNITY

CULTURE

FRAUD

VALUE

PRESSURE

RATIONALIZATION

Pressure

Sometimes seen as motivation.

Pressure from friends or family.

Pressure in the workplace such as meeting financial goals.

FRAUD TRIANGLE THEORY

Opportunity

Higher risk when fraud goes undetected.

Higher risk with economic crisis and laid off employees.

CONTINUE

What's next?

In the following sections you will learn the different types of Fraud and Best Practices before applying your knowledge to case studies.

Types of Fraud

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Internal Fraud

Embezzlement   —

The act of taking from a property to which the Associate was entrusted.

General Ledger Fraud   —

This is when an Associate has access to a ledger and uses it to transfer undetected money to personal or other accounts.

Account Takeover   —

This is when a criminal gains access to an account and takes control from behind a computer screen.

External Fraud

Identity Theft ___

This happens when someone takes control of a customer's financial or personal information. This can include a customer's name or social security number.

Credit Card ___

This is a form of identity theft but can include credit card skimmers or phishing emails to gain a customer's credit card information.

Checking Fraud ___

This is done when a Customer writes, alters, forges and cashes a fraudulent check.

Cyber Crime

Cyber Crimes —

This can include phishing emails. It is super common these days and can happen internally and externally.

CONTINUE

Internal Fraud

Embezzlement

General Ledger

Account Takeover

External Fraud

Credit Card

Checking

Identity Theft

CONTINUE

Match up the terms with their definitions.

☰ Checking Fraud

Cashing a fake check

☰ Identity Theft	Using someone's ID at the bank
☰ Embezzlement	Taking money from the cash register
☰ Credit Card	Using a skimming machine
☰ General Ledger	Taking money from a customer's account
☰ Account Takeover	Hacking into the computer to use a customer account
☰ Cyber Fraud	Sending a phishing email

SUBMIT

Fraud Fact: 1.8 billion dollars were lost in fraudulent bank transfers in 2023.

CONTINUE

Best Practices

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This section will detail the best practices to limit fraud within the financial institution.

External

EDUCATE	DIVIDE	INSURE	VERIFY

Education is the best way to prevent Fraud. All Associates should be trained even if they don't oversee a task directly. Learning should be updated frequently, and Associates should be evaluated often.

EDUCATE	DIVIDE	INSURE	VERIFY

A division of duties can prevent funds from going missing. This can include two Associates in the safe at a time or two Associates required to sign off on a transfer.

EDUCATE	DIVIDE	INSURE	VERIFY

Ensuring that procedures are followed by auditing Associates.

EDUCATE	DIVIDE	INSURE	VERIFY

Utilize the computer system to verify payments of customers.

Internal

MFA	AUDITS	EDUCATE

Encouraging the use of Multi-Factor Authentication helps eliminate customer fraud.

MFA	AUDITS	EDUCATE

Performing regular audits helps monitor accounts and verifies that all transactions are valid.

MFA	AUDITS	EDUCATE

Educating customer's is import so that they are aware of current scams and can avoid them.

Online

SECURITY	PREVENTION	SERPERATION	MONITOR

Keeping a secure workstation with updated systems and software can reduce fraudulent activity.

SECURITY	PREVENTION	SERPERATION	MONITOR

Prevent malware infection by being strict about what links are opened and downloaded.

SECURITY	PREVENTION	SERPERATION	MONITOR

Separate controls for applications such as when approving wires and ACH can limit fraudulent activity.

SECURITY	PREVENTION	SERPERATION	MONITOR

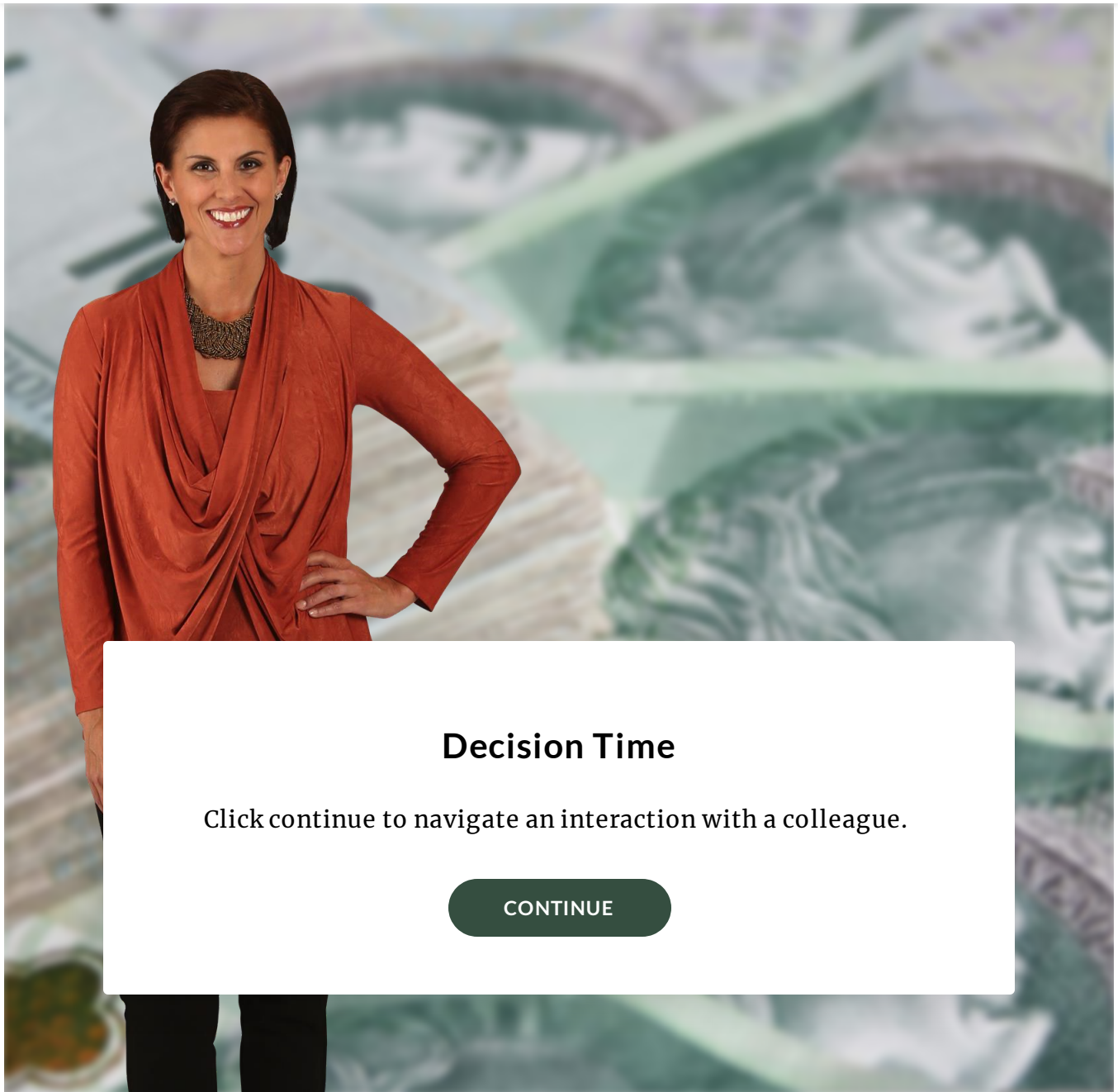Monitor balances daily.

CONTINUE

Case Studies

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Scenarios

The following activities will allow you to evaluate the types of fraud, best practices and work on decision making.

Decision Time

Click continue to navigate an interaction with a colleague.

CONTINUE

Scene 1 Slide 1

Continue → Next Slide

Scene 1 Slide 2

0 → Next Slide

1 → Next Slide

Great but one other thing: I'm short on cash for this months' rent so the payment is a bit above what the customer wanted. I'll replace the funds by the end of the week. No one has to know, right?

1 Ashley should help because the money will be replaced by the end of the month.

2 Ashley should decline and tell a manager immediately.

Scene 1 Slide 3

0 → Next Slide

1 → Next Slide

Great choice!

Always be aware of the fraud triangle and know that it can happen to anyone. Always stay alert and compliant.

START OVER

Scene 1 Slide 4

Continue → End of Scenario

Is this a case of external or internal fraudulent activity?

Type your answer here

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Steve works at the bank. He is in charge of the accounts payable. Each month he includes his own bills in the statement. This has been happening for a year now. What type of fraud is this?

○ Cyber

○ Identity

○ Embezzlement

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Karen works in the executive teller line at the bank. This is a separate section and has checks in the drawers. Sometimes Karen writes herself a check. One day, the bank's account goes overdrawn despite having millions in it. Karen no longer works at the bank but has been slowly cashing the checks over the years. What type of fraud is this?

○ Checking

○ Account takeover

○ Credit card

SUBMIT

Alexander is on the bank computer one day when the computer crashes as he is on a secure site. The criminal was able to wipe the account Alexander was working on. What type of fraud is this?

○ Checking

○ Account takeover

○ Embezzlement

SUBMIT

Linda is a teller at the bank. One day she helps Beth, who is 90 years old. After Beth leaves, Linda realizes her account is still open and knows that Beth does not use online banking. She transfers a little bit of money into her own account. What type of fraud is this?

○   Grand Ledger

○   Embezzlement

○   Credit card

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Carlos receives an email from an unknown sender about a purchase he made with directions to open a link for verification. Carlos did not purchase anything but opens the link anyways. The criminal now has access to his personal information. What type of fraud is this?

○   Identity

○   Checking

○   Cyber

SUBMIT

Heather goes to get gas from a gas station and pays at the pump. She does not see the skimmer device but later that day realizes that her account has been drained. What type of fraud is this?

○   Credit card

○   Grand Ledger

○   Checking

Zoltan uses his grandfather's social security card and ID at the bank stating that he is the power of attorney and has permission. He transfers the funds to his account under the supervision of the teller. What type of fraud is this?

○ Embezzlement

○ Identity theft

○ Cyber

SUBMIT

What best practice could have prevented this situation?

- [ ] Verification
- [ ] Education
- [ ] Audits
- [ ] Secure work stations

SUBMIT

What best practice could have prevented this situation?

- [ ] Ensure procedures are followed

- [ ] Verification

- [ ] Multi-Factor Authentication

☐   Separate controls for applications

SUBMIT

Congratulations

You have completed this course. Please exit and continue to final thoughts to take the feedback survey. Thank you for your participation.