



Protecting Public Funds

Safe Banking Practices

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June 3, 2025



AGENDA

- Payment Risks
 - Payment Types
 - Payment Fraud
 - Detection
 - Prevention
- Services and Internal Controls
 - Using Bank Services for Prevention and Detection
 - Payments through Bank Software
 - Procedures for Internal Controls




Payment Types

PAPER

- Checks

ELECTRONIC

- ACH
- Wires
- Credit Cards
- Zelle (bank to bank payment platform)
- Venmo (digital wallet)
- Instant Payments (RTP, FedNow)



Four St. Louis Area Residents Admit Committing Bank Fraud with Checks Stolen from the Mail

April, 2025.

Barnett, Burklow and McKinney altered ...checks they found in the mail to create counterfeit checks. They recruited others to allow their bank accounts to be used to deposit the fraudulent checks. The conspirators then withdrew the money before the banks realized the checks were fraudulent. Barnett, Burklow and McKinney admitted trying to commit at least \$800,000 worth of fraud this way.

Payment Fraud Risks

Check Payments

The diagram shows a check form with the following fields and callouts:

- Your Name:** 1234 Oak, Anytown, USA
- Your Bank:** (Callout: ABA Check Routing Number 123456789)
- 1001** (Callout: Check Number 1001)
- 19-2/1250** (Callout: ACH Routing/Transit Number 123456789)
- PAY TO THE ORDER OF:** (Callout: Account Number 000123456789)
- \$** (Callout: ACH Routing/Transit Number 123456789)
- DOLLARS**
- ACH R/T 123456789** (Callout: ACH Routing/Transit Number 123456789)
- FOR**
- 123456789** (Callout: ABA Check Routing Number 123456789)
- 000123456789** (Callout: Account Number 000123456789)
- 1001** (Callout: Check Number 1001)
- 123456789** (Callout: ACH Routing/Transit Number 123456789)

Forged check

- Create a check with account and routing #
- No special tools needed

Altered check

- Start with an issued check
- Stolen or copied
- Alter Payee name or amount of check

Duplicate presentment

Payment Fraud Risks

Fraudulent Check Payments – how are they done?

The diagram shows a check form with the following fields and callouts:

- Your Name:** 1234 Oak, Anytown, USA
- Your Bank:** (Blue box)
- 1001** (Top right)
- 19-2/1250** (Top right)
- PAY TO THE ORDER OF:** (Line)
- \$** (Box)
- DOLLARS** (Text)
- ACH R/T 123456789** (Line)
- FOR** (Line)
- ABA Check Routing Number:** 123456789 (Callout box)
- Account Number:** 000123456789 (Callout box)
- Check Number:** 1001 (Callout box)
- ACH Routing/Transit Number:** 123456789 (Callout box)

A red arrow points to the ABA Check Routing Number callout box.

These are all that is needed to create a negotiable check.

- Forged check
 - Create a check with account and routing #
 - No special tools needed; paper and programs readily available
- Altered check
 - Start with an issued check
 - Stolen or copied
 - Alter Payee name or amount of check
- Duplicate presentment

Payment Fraud Risks

Fraudulent Check Payments – how are they done?

The diagram shows a check form with several fields and annotations. A red arrow points to the 'PAY TO THE ORDER OF' field, indicating a risk of alteration. Another red arrow points to the '1001' field, indicating a risk of forgery. A blue line connects the 'ACH R/T 123456789' field to a box labeled 'ACH Routing/ Transit Number 123456789'. A blue line connects the '1001' field to a box labeled 'Check Number 1001'. A blue line connects the '000123456789' field to a box labeled 'Account Number 000123456789'. A blue line connects the '123456789' field to a box labeled 'ABA Check Routing Number 123456789'.

Your Name
1234 Oak
Anytown, USA

Your Bank

1001
192/1250

PAY TO THE
ORDER OF

\$

DOLLARS

ACH R/T 123456789

FOR

123456789 000123456789 1001

ABA Check Routing Number
123456789

Account Number
000123456789

Check Number
1001

ACH Routing/ Transit Number
123456789

- Forged check
 - Create a check with account and routing #
 - No special tools needed
- Altered check
 - Start with an issued check
 - Stolen or copied
 - Alter Payee name or amount of check
- Duplicate presentment

Payment Fraud Risks

Fraudulent Check Payments – how are they done?



- Forged check
 - Create a check with account and routing #
 - No special tools needed
- Altered check
 - Start with an issued check
 - Stolen or copied
 - Alter Payee name or amount of check
- Duplicate presentment

Payment Fraud Risks

Check Payments – tools to detect and prevent

The diagram illustrates the components of a check and a related form for managing default decisions. The check at the top shows a routing number (123456789), account number (000123456789), and check number (1001). Below the check is a form titled 'Change Default Decision' with a table of account numbers and their default decisions. A red arrow points from the word 'NO!' to the 'Pay' decision for account 123456789012. Two blue arrows point from the word 'YES!' to the 'Return' decisions for accounts 67890123456 and 012345678901.

ABA Check Routing Number
123456789

Account Number
000123456789

Check Number
1001

PAY TO THE ORDER OF

Change Default Decision
Make any changes to your default decision(s) below and click Save.

Account #	Default Decision
123456789012	Pay
67890123456	Return
012345678901	Return

Save Cancel

Positive Pay is an arrangement with your bank to verify that checks presented for payment from your account are ones you issued.

Account and routing number
Check number
Amount

Payee Positive Pay additionally includes the payee name so it can be included in the verification of a presented check.

Payee Name

IMPORTANT: Default decision should be "RETURN"

Payment Fraud Risks

Check Payments – tools to detect and prevent



Check Filters can detect and return checks written for more than the allowed amount for an account.

Check Blocks can prevent the payment of any check on an account.



**POINT
OF NO
RETURN**

University Loses \$1.9 Million After Falling Victim to Business Email Compromise

April 24, 2024



Justice Served: Scammer Sentenced in Major Construction Payment Fraud

Another member of fraudulent funds transfer ring gets seven years in jail

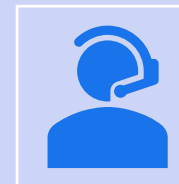
Business Email
Compromise
(BEC) scams are a
growing problem,
amounting to
over \$3 billion
annually.

Payments

ACH Payments: What and How?



Originator creates an electronic file that identifies the receiver and amount of a payment



All that is needed is an account and routing number

Credit → adds money to receiver's account

Debit → withdraws money from receiver's account

Payment Fraud Risks

Fraudulent ACH Payments: How are they done?



Credit → adds money to receiver's account

Debit → withdraws money from receiver's account

All you need are the Account and Routing numbers!!



Unauthorized
transaction
from/to account



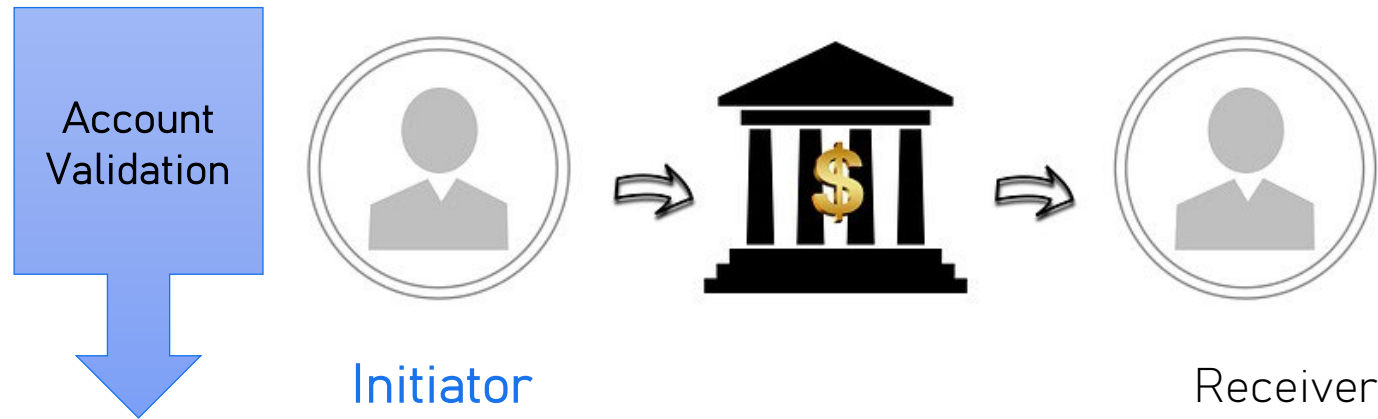
Unauthorized
amount from/to
account



Fraudulent use
of account and
routing
information

Payment Fraud Risks

ACH Payments – tools to detect and protect



Credit → adds money to receiver's account

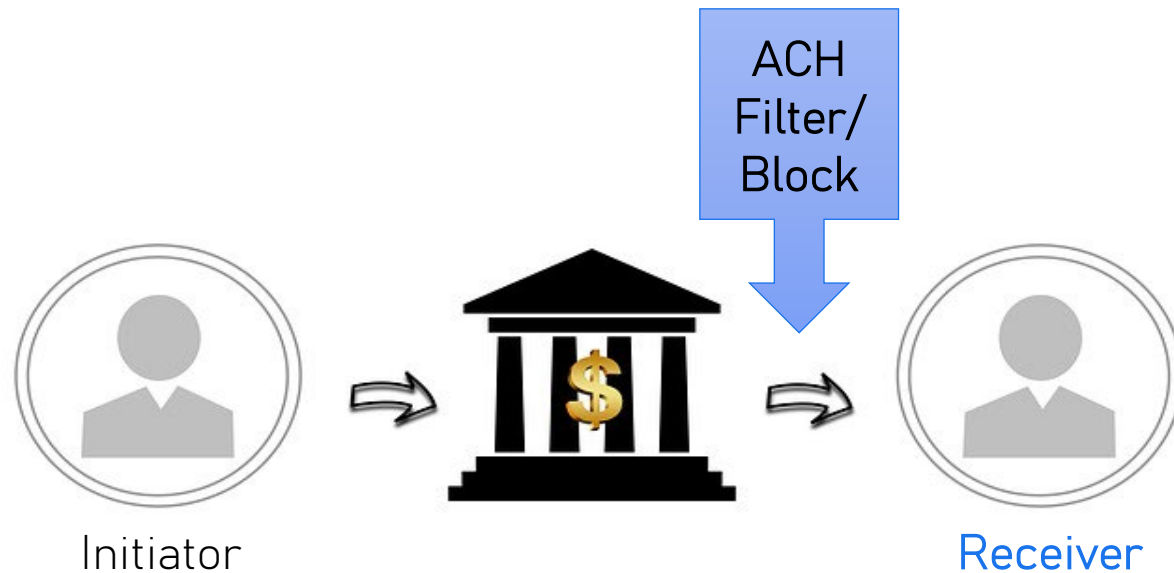
Debit → withdraws money from receiver's account

Initiator

- Unauthorized debit/credit from/to account
- Unauthorized amount from/to account
- Fraudulent use of account and routing information

Payment Fraud Risks

ACH Payments – tools to detect and prevent



Credit → adds money to receiver's account

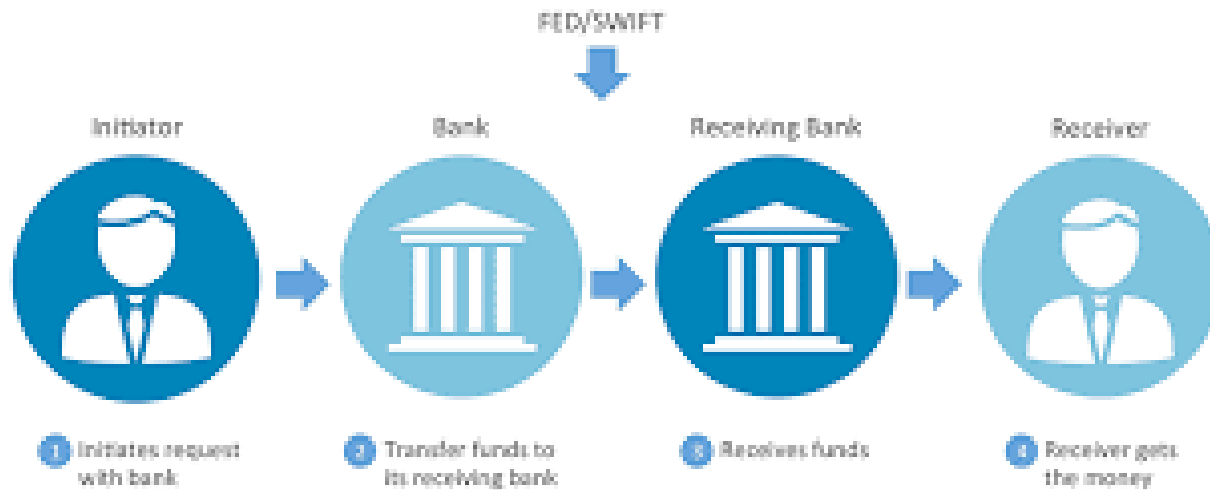
Debit → withdraws money from receiver's account

Receiver

- Unauthorized debit/credit from/to account
- Unauthorized amount from/to account
- Fraudulent use of account and routing information

Payments

Wires: What and How?



- Initiator works with their bank to send funds via wire
- Additional information may be needed for wires, especially international ones.

Payment Fraud Risks

Fraudulent Wires: How are they done?



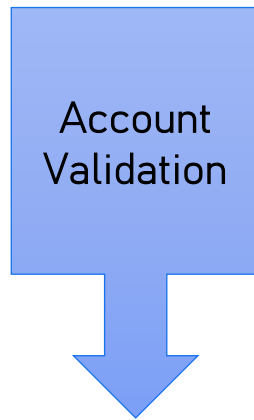
- Social engineering
 - business email compromise
 - Impersonation scams
- Unauthorized access to online wire initiation





Payment Fraud Risks

Wire Payments – tools to protect



- Account validation
- **Internal procedures and controls**

Payments

Credit Card Payments: What and How?

- Plastic Cards (card in hand)
- Virtual Cards (payables staff)



Payments

Credit Card Payment Fraud – tools to protect

- Establish clear policies
- Protect credit card information
- Maintain visibility & control
- Monitor usage
- Review statements to detect fraud early
- Use virtual cards





Payments

Peer to Peer Network Payments: What and How?

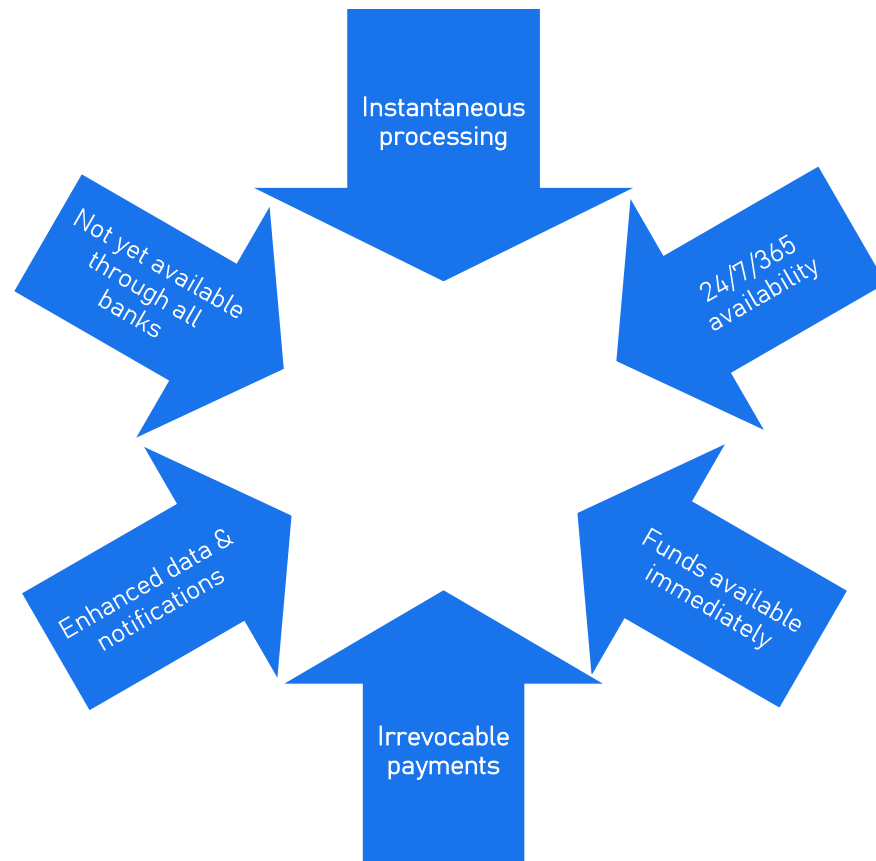
*Primarily
Consumer to Consumer*

- Zelle
 - Best for quick, direct transfers between individuals or businesses.
 - Integrated into banking apps
 - Use “alias” (phone or email) instead of banking information
- Venmo
 - Best if you prefer a digital wallet for storing money, social features or make payments to various businesses
 - Separate app that users must download

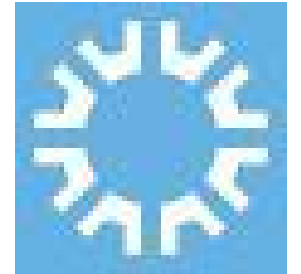
Payments

Business to Consumer
Business to Business

Instant Payments: What and How?



- RTP (real time payments)
 - Clearing House network
 - Private network
 - Can be used via Zelle for instant payments
- FedNow Service
 - Federal Reserve



Payments

Instant Payment Fraud: How to Detect and Prevent



Perhaps the most significant challenge of Instant Payments is the increased risk of fraud and cybercrime. Instant Payments process transactions instantly, leaving little time for banks and payment service providers to detect and prevent fraudulent activities.

When it all goes terribly wrong

Feb 19, 2025

Federal court documents show that Sylvia Obaya served as the account manager for the Kansas Masonic Foundation, a 501 (c)(3) nonprofit organization based out of Topeka. Obaya was found to have written nearly 350 checks to herself, unlawfully taking more than \$550,000 between 2015 and 2022.

Kansas City Woman Admits to Stealing Over \$306,000 from Her Employer

In a shocking turn of events, a 51-year-old woman from Kansas City, Missouri, has confessed to committing a substantial fraud within her workplace by reportedly siphoning an astounding 306,034.28 dollars from her employer's bank account. This sizeable amount has left many shaking their heads in disbelief, wondering how someone could get caught up in such a sticky web of deception.

The Details Behind the Embezzlement

Jennifer L. Cabral, the woman at the center of this scandal, faced a federal court recently where she pleaded guilty to two serious charges: **bank fraud** and **money laundering**. How did it all happen? Well, Cabral accessed her company's accounting software with alarming ease, navigating through its digital corridors before rerouting payments straight into her personal bank accounts. This crafty maneuver allowed her to funnel away a significant sum from her employer and enjoy a life without the legal consequences—at least for a time.

**THE FBI**
FEDERAL BUREAU OF INVESTIGATION

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Former Topeka Non-Profit Executive Sentenced to Federal Prison for Scheme to Steal Kansas Medicaid Funds

U.S. Attorney's Office
February 04, 2013

District of Kansas
(316) 269-6481

TOPEKA—A former executive with a Topeka-based non-profit corporation has been sentenced to three years in federal prison for scheming to steal more than \$2 million in Kansas Medicaid funds, U.S. Attorney Barry Grissom said today. He also was ordered to pay \$2,077,251 in restitution.

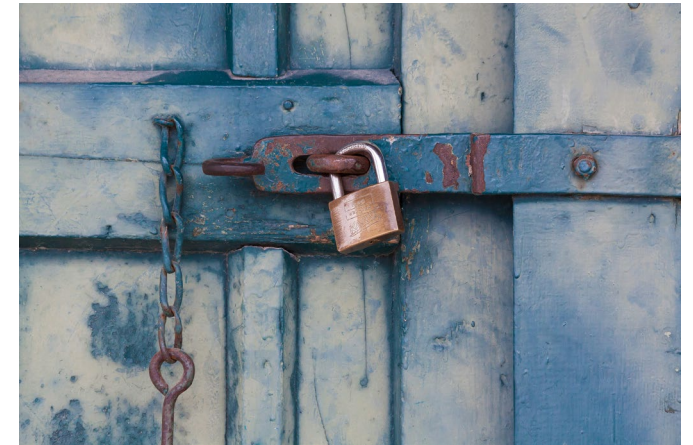
Jason Sellers, 44, Lyndon, Kansas, pleaded guilty to one count of wire fraud. In his plea, he admitted that while he was chief financial officer of Kansas Health Solutions, he diverted Medicaid funds to Advanced Business Consulting, which was a shell company he created. Sellers fraudulently billed Kansas Health Solutions for information technology services ostensibly performed by the sham business. He also billed Kansas Health Solutions for sports equipment and uniforms for sports teams with which he associated, as well as computer equipment for an area school, for him, and for his family.

From about 2007 to 2011, Sellers was involved with several Topeka-area sports teams. In addition to billing Kansas Health Solutions for sports equipment and uniforms for sports teams, Sellers used some of the stolen money to build and furnish a \$375,000, 3,755-sq. ft. home on 11 acres in Lyndon, Kansas.

Medicaid funds are state and federal money that were administered in Kansas by the Kansas Health Policy Authority and the Kansas Department of Health and Environment, Division of Healthcare Finance. In order to manage community-based mental health services for Medicaid recipients, Kansas Medicaid contracted with Kansas Health Solutions in Topeka. Kansas Health Solutions was responsible for overseeing a provider network that provided all community-based health services covered under the contract with Kansas Medicaid.

Services and Internal Controls

- Using Bank Services for Prevention and Detection
 - Online access with encrypted sessions, intentional entitlements, security tokens, dual control, alerts and audit
 - Checks, ACH, Wire fraud protection tools
 - Move more payments to electronic and/or credit card
- Payments through online Bank Software
 - ACH, Wires, Zelle, RTP initiation
 - Use dual control and alerts
- Internal Controls
 - Dual control (both online and procedural)
 - Guidelines for adding or updating A/P vendor and payroll information
 - Timely reconciliations for all bank accounts and credit card statements
 - Store PII (personally identifiable information) securely and control access to it





Do you know...

- What are 2 types of EFT?
- What is one service to help prevent losses from check fraud?
- What is one service to help prevent losses from ACH fraud?
- Name one change you would like to make in your office or suggest to your clients to help prevent fraud?

Questions?