

BUILT FOR BETTER BUSINESS

Keeping your information safe



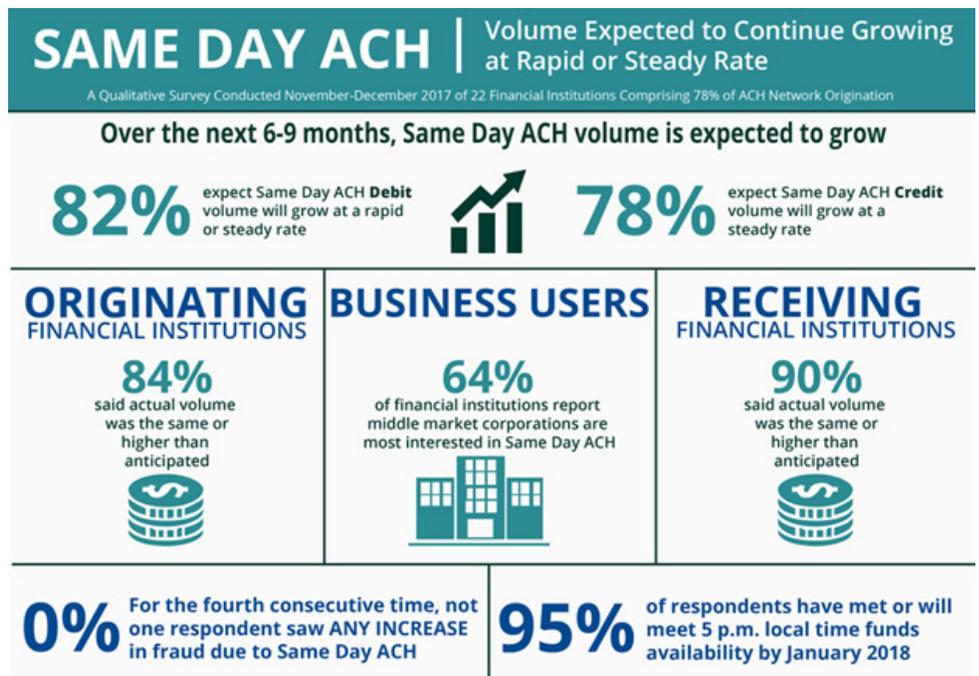
ACH FRAUD & SMALL BUSINESS

You are an expert at your business, and you likely have several tasks to manage and master each day. But how much can small businesses know about fraud prevention? Each year, fraud takes a toll on companies large and small, but in recent years, criminals are increasingly targeting local small businesses. The key trends and some common-sense action steps we can each take are identified below, some of which you may be acting on presently. No matter how prevalent you think fraud is among small businesses, this information presents a chance to see if there are one or two small steps you can take to safeguard you and your customers.

Fraud Trends

The 2018 Association for Financial Professional's Payments Fraud Survey found that payments fraud reached a new high in 2017 after a decline earlier in the decade. A record 78% of all organizations were hit by payments fraud last year, according to the survey of nearly 700 treasury and finance professionals. Checks continue to be the subject of more deception than any other payment method, with 74% of respondents reporting this form of attack. Wire fraud followed at 48%, while corporate card fraud ranked third at 30%.

One of the more common types of fraud in today's business environment is ACH fraud. You would be hard pressed to find a small business today that doesn't use ACH as a form of receiving and delivering payments. According to the Electronic Payments Association NACHA, ACH volumes have continued to climb each year among businesses and the



Source: NACHA

number is expected to rise consistently over the next several years. The latest data on same day ACH activity shows that nearly 2 million transactions take place every day, giving criminals more access to fraud opportunities. Given this prevalence, it's easy to understand why ACH fraud is so popular with criminals.

Common schemes seen in criminal activity related to ACH fraud involve criminals acquiring a customer's banking information and using it to initiate payment over the phone or internet for products and services. Also, criminals may pose as a retailer to establish a relationship with a financial institution.

All that is needed to commit these types of ACH fraud is the account number and bank routing number taken directly from a victim's check. And noted by fraudster Frank Abagnale, "Punishment for fraud and recovery of funds are so rare, prevention is the only viable course of action." Meanwhile, with the implementation of Same Day ACH, the windows to guard against frauds is moving from days to hours.

According to the survey, attempted fraud against bank deposit accounts reached \$19.1 billion in 2016, up from \$12.9 billion in 2014. Despite that 48% increase over the two-year period, industry fraud losses only rose 16% to \$2.2 billion. Other highlights of the 2018 AFP Payments Fraud and Control Survey include:



Source: 2018 AFP Payments Fraud and Control Survey

Meanwhile, the Association of Certified Fraud Examiners, or AFCE, previously found that small businesses with fewer than 100 employees exhibit the greatest victimization rates of all companies. As a result, small companies need to be aware of the types of fraud and given its prevalence, focus additional attention on ACH and related check fraud in their prevention efforts.

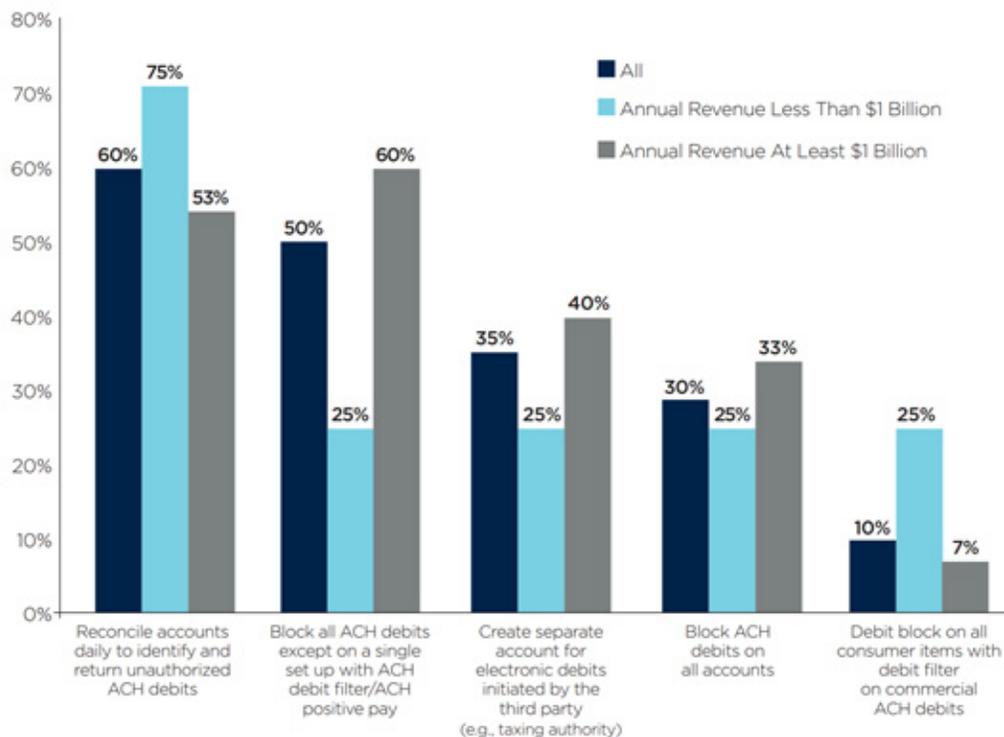
Action Items for Small Businesses

Several methods can be implemented to make it more difficult for criminals to commit fraud. Small businesses may consider the following action items as well as highlights from the Association for Financial Professional's annual study:

1. Implement dual control, out-of-band on all online payment transactions and set-up alerts for electronic transactions, monitoring return activity in particular.
2. Set authorization limits at both company and individual levels for online transactions.
3. Implement debit filters on all accounts to limit the accounts that your organization has authorized to implement ACH debits.
4. Implement debit blocks to block all ACH debits from posting to specific accounts.
5. Return unauthorized ACH debits to your account within 24-hours.
6. Tightly limit access on who can manage recipient information to prevent changes to key fields like beneficiary account information. Monitor changes to these fields, and pay close attention to this in payroll files.
7. Run background checks and credit checks on all new employees who have access to your finances and continue to reinforce not sharing online credentials via training.
8. Get all changes to vendor payment account numbers in writing, and verify with a phone call the number you have on file is correct.
9. Keep account authorizations up-to-date and notify the bank when an authorized signer or online banking user leaves.
10. With same-day ACH, you and your teams will want to be even more on alert for the various payroll, IRS and international related schemes, as speed helps fraudsters move quickly.

Fraud Control Procedures Used to Prevent ACH Fraud

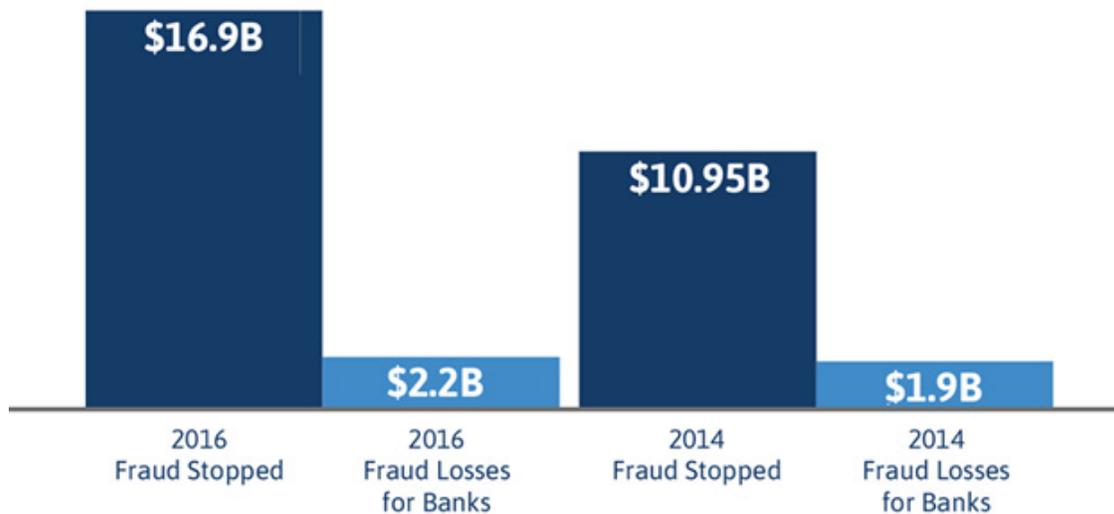
(Percent of Organizations that Experienced At Least One Attempt of ACH Fraud)



Source: AFP
Payments Fraud
Survey

The good news is that the banking industry has been proactive in helping small businesses, working to prevent \$9 out of every \$10 of attempted deposit account fraud according to the 2017 American Bankers Association Deposit Account Fraud Survey Report. “Fraud prevention never stops,” said James Chessen, Executive Vice President of ABA’s Center for Payments and Cybersecurity. “Banks are constantly monitoring for patterns and trends and quickly evolving their techniques to stay a step ahead of fraudsters.” Combined with bank diligence, small businesses can take small steps to reduce payments fraud over time.

BANK DEPOSIT ACCOUNT FRAUD



Source: American Bankers Association Deposit Account Fraud Survey Report

Top Resources

Use the following resources to learn more about payments fraud and its impact on small businesses. Also, be sure to use My Money Roadmap’s Learn Center for more information about relevant financial topics.

[American Bankers Association. Deposit Account Fraud Survey Report.*](#)

[Association for Financial Professionals. 2018 AFP Payments Fraud Survey.*](#)

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