

VLI Hawaii

EMPLOYEES GONE BAD...HOW TO HELP DETECT AND PREVENT EMPLOYEE DISHONESTY

Ann Davidson, Vice President of Risk Consulting
Allied Solutions

Learning Objectives:

1. Understand how and why fraud happens.
2. Learn what you need to know to detect fraud.

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MANAGING RISK. SPOTTING OPPORTUNITY.

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Volunteer Leadership Institute - Hawaii 2020

Employees Gone Bad

How to Help Detect & Prevent Employee Dishonesty.....



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Embezzlements In The News It Could Happen to Your Credit Union

- We think....it could never happen to us
- We trust our employees
- We don't employ thieves
- We don't have weak controls



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How to Detect an Embezzlement

- A tip from an employee, member or anonymous
- Management review
- Internal audit review
- External audit review
- By Accident
- Account or document review
- IT Controls
- Confession
- Law Enforcement

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Why Embezzlement Happens?

- Poor internal controls
- Lack of separation of duties
- Inactive Supervisory Committee
- Ineffective internal audits
- Inadequate background checks

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Embezzlement – Who Commits it?

Need

- perceived financial need

Opportunity

- inadequate internal controls

Rationalization

- “only one time, I will pay it back, they owe me”

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Behavioral Risk Characteristics

- Defensive or nervous during audits and questions
- Lives beyond their means
- May experience financial difficulties
- Never wants to take a vacation
- Close with vendors and members
- Control issue – unwillingness to share duties/hoards data

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Lack of Internal Controls

- Lack of internal controls – main cause
- Lack of management review
- Override of existing internal controls
- Poor tone at the top
- Lack of competent personnel in oversight roles
- Lack of independent checks/audits
- Lack of employee fraud education

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Key Risk Mitigation

Segregation of Duties/Dual Control

**Have you validated and confirmed this
is in place and working effectively?**

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How to Prevent It

Employee Account Procedures

- Prohibit employees from performing transactions on their own/family member accounts!
- Have employees disclose family member accounts annually
- Payment of “on-us” checks at the teller line
 - Don’t forget they can still perform transactions through the ATM!
- Audit Sample
 - Obtain Account History For Last 3 Months

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Employee Dishonesty Prevention and Detection Checklist

- ✓ Implement segregation of duties (dual control) over
 - ✓ Vault cash
 - ✓ Verifying currency shipments
 - ✓ Replenishment of ATMs
 - ✓ Replenishment of cash recyclers and dispensers
 - ✓ Card control inventory for Instant Issue plastic
- ✓ Control employee access to:
 - ✓ Checks – corporate and cashier checks
 - ✓ All cash
 - ✓ Credit union data and information
- ✓ Maintain an active Supervisory Committee/Audit team
- ✓ Conduct frequent surprise cash audits at least monthly
- ✓ Establish dual controls over expenses (credit union and employee)

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Employee Dishonesty Prevention and Detection Checklist

- ✓ Perform file maintenance report reviews by someone who does not have the authority to perform file maintenances.
- ✓ Mandate employee time-off for all employees.
- ✓ Internal controls review by management and internal and external audits.
- ✓ Confirm every employee has signed a fraud policy and the fraud policy is complete and comprehensive and maintained in the employees HR file.
- ✓ Provide fraud training for all employees and volunteers.
- ✓ Emphasize fraud prevention and maintain a comfortable whistleblower policy.
- ✓ Never allow the person approving the loan, disburse the loan proceeds.
- ✓ Conduct audit reviews of the loans made in the lending area.

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Session Summary

- Credit unions of all asset sizes are exposed
- It can happen more than once
- Trust, but Verify
- Loss controls must be implemented
- Know who you are hiring
- Fraud prevention can help your credit union avoid/reduce losses
- Powerful temptation for some
- It just doesn't just happen to other credit unions, all are at risk
- Employee/Director Dishonesty claims account for almost half of Bond claim dollars paid

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Best Practices to Prevent Employee Fraud

It doesn't matter how large or small your credit union is, fraud does not discriminate!

This resource document addresses several internal controls credit unions can implement to prevent employee fraud exposure.

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Employee Fraud Explained

Credit unions can be vulnerable to internal theft if the proper controls are not implemented and followed. Unfortunately, the credit unions at the highest risk of exposure tend to have far fewer fraud prevention mechanisms in place.

A strong internal control system reduces the *opportunity* to commit fraud, making it harder for employees to steal or engage in dishonest business practices. While there's no single deterrent to prevent internal fraud, adopting the controls outlined in this document will help your credit union to more effectively detect and prevent exposure to these crimes.

EMPLOYEE FRAUD MOTIVATIONS

Certain situations drive some people to steal. It's sometimes called the "Fraud Triangle" and it generally contains three elements:

Financial Pressure. This is often financial stress seeing no effective, legal way out. It may be combined with job dissatisfaction, drug or alcohol abuse, or failure to meet family pressures.

Opportunity. If employees perceive there is a chance to steal and they are under pressure, they may try it, particularly if they think they can get away with it.

Rationalization. These employees believe stealing isn't really wrong. Excuses range from: "I will pay it back" to "I'm not taking anything that will be missed," or "They should pay me more."

EMPLOYEE FRAUD WARNING SIGNS

Lifestyle changes. Suddenly, an employee has a new, big home or an expensive car.

Unusual behavior. Nice people may become belligerent and vice versa.

Reluctance to delegate. Employees who are stealing often work extra hours rather than delegate responsibility out of fear of discovery.

EMPLOYEE FRAUD IMPACT

The cost of employee fraud can be devastating for a credit union. Many reported attacks in recent years have resulted in hundreds of thousands or even millions of dollars in stolen funds.

Damage to your credit union's reputation can be significant. The cost of having negative stories repeated anytime your credit union's name pops up on social media. Even minor image problems can damage member confidence. Consider creating a Public Relations response plan as part of your Business Continuity Plan. Reputation risk is too important to overlook.

Damage to employee morale can poison the whole spirit of the entire working environment. The act of embezzlement takes a toll on honest and open working relationships.

Resources are diverted away from other credit union projects and plans. The credit union may be thrown into turmoil and may have to make adjustments just to keep abreast of basic operations.

Controls to Prevent Employee Fraud

CASH CONTROLS

Currency Shipments

Currency Order

The employee who is responsible for placing the currency replenishment order should not have the ability to perform the currency order general ledger entry. This separation of duties will circumvent the manipulation of the vault cash order.

Currency Shipment

The currency shipment should be locked and stored in your currency vault or money safe under forced dual control (see Vault Cash Access below).

Verification of Currency Shipment

Currency Shipments should be verified under “forced” dual control.

The bundles received in the shipment should be unstrapped and individual bills should be counted either by counting machine or manually.

Both employees should remain present throughout the entire verification and re-strapping process until the re-strapped bundles are secured in the vault or money safe.

Both employees should initial and date the original straps of each bundle.

Surveillance Camera

A surveillance camera is helpful to monitor the activities in the bulk cash handling area. Strategically placed surveillance cameras assist in helping deter theft of cash by employees.

Vault Cash

Using Vault Cash

The strapped bundles in the vault cash should be used on a FIFO (First In First Out) basis so that the oldest strapped bundles are the first to be distributed.

Vault Cash Access

The vault cash should be under “forced” dual control. There are several ways to achieve “forced” dual control. An effective method is to store the vault cash in a cash box with dual locks. The key (or combination) to one lock can be given to one or two employees and the key (or combination) to the other lock can be given to one or two other employees. Under no circumstances should one employee have access to both keys (or combinations).

Another option is to split the combination to the money safe between employees in a way so that no one employee has the full combination. If dual control is not practical, the vault cash should be stored in a locked container under the exclusive control of one employee. If this is a hardship due to vacations, breaks, and other absences, a second fund should be set up and retained in a locked container under the exclusive control of one employee.

Do not rely on a camera as the only means of cash control. A camera can be disabled and rendered useless by a dishonest employee.

Vault Cash Custodian Change

The vault cash in its entirety should be verified under dual control when there is a change in the custodian.

Currency Transfers

Documenting Currency Transfers

A dated receipt should be completed whenever there is a transfer of currency between the vault cash and tellers.

The receipt should be signed by both parties involved in the transaction after they have verified the currency under dual control (strapped bills should be broken down and verified).

Vault Cash Transfer Entries

Tellers should not have the ability to perform a system entry to reflect currency transferred to their cash drawers from the vault cash.

The ability to make an entry could be used by a dishonest teller to conceal the theft of a cash shortage. If a teller knew of an impending surprise cash count he/she could quickly perform a bogus transaction to force balance and reverse the transaction after the surprise cash count.

Currency Transfers Between Tellers

Tellers should not have the ability on the system to buy or sell cash to each other. Teller replenishments should only be made from the vault cash.

The ability to perform this entry could be used by a dishonest teller to conceal the theft of a cash shortage. If a teller knew of an impending surprise cash count he/she could quickly perform a bogus transaction buying cash from another teller and reverse the transaction after the surprise cash count.

Teller Cash Drawers

Spare Cash Drawers

When a teller drawer is used by more than one employee due to part-time tellers or as a floater drawer, dual control of the drawer's contents should be exercised during the exchange.

Keys to Spare Cash Drawers

When spare cash drawers are not in use the keys to the tray tops should be secured under dual control (a dual locking key box).

Locking Teller Cash Drawers

Tellers should always lock their cash drawers and take the key with them when they leave their teller station, even for a brief moment.

Teller Cash Storage - During Nonbusiness Hours

Tellers should lock the tray tops on their cash trays when securing them in the currency vault/money safe and retain possession of the key. The key should not be left in the credit union overnight.

Spare Keys

The use of lockable containers requires the need to control access to the spare keys. In the event of a loss, lack of proper spare key control subjects every employee who had access to the spare keys to accusations of misappropriation. The ease of spare key access could lead to employee theft without the ability to determine the responsible party.

Spare keys to all lockable cash containers should be stored in a dual locking key box. The key to one lock should be given to one or two employees and the key to the other lock should be given to one or two other employees. No one employee should have access to both keys.

As an alternative, place each spare key in a sealed envelope with the signature of the employee responsible for that cash container signing over the seal. Then place a strip of cellophane tape over the signature. Credit unions can be vulnerable to internal theft if the proper controls are not implemented and followed.

Surprise Cash Counts

Surprise cash counts are an excellent deterrent to “borrowing” from teller funds. They serve as an excellent detection tool for unreported cash shortages.

Employees should not be apprised of when a surprise cash count is going to occur (hence the word “surprise”).

Surprise cash counts should be performed on a monthly or at least quarterly basis.

Surprise cash counts should not be performed in a predictable pattern.

Surprise cash counts should be performed by an individual that does not have access to that cash supply.

The person performing the surprise cash count should be the counter of the cash in the presence of the person responsible for the cash supply.

The cash count should include a review of cash replenishment transactions conducted by the teller for that day prior to the cash count.

Surprise cash counts should be performed for all cash items (teller funds, vault cash, postage stamps, petty cash, bus tickets, amusement park tickets, etc.).

Teller Cash Dispensers/Teller Cash Recyclers

Replenishment

Should be performed under dual control. Lack of dual control could subject an employee to accusations of misappropriation of funds in the event of a shortage.

Surprise Cash Counts

Surprise cash counts should be performed at least quarterly.

ATM Procedures

ATM Replenishment and Balancing

ATMs should be replenished (ATM cassettes) and balanced under dual control. Lack of dual control could subject an employee to accusations of misappropriation of funds in the event of a shortage.

ATM Cassettes

ATM cassettes containing cash should be locked and stored in the currency vault/money safe until they are taken to the ATM for replenishment.

The filled cassettes should have a numbered plastic or wire adhesive security seal while stored in the currency vault/safe.

The number of the security seal should be recorded and confirmation that the seal was not tampered with should be made before being taken to the ATM for replenishment.

ATM Surprise Cash Counts

Surprise cash counts should be performed at least quarterly.

ATM General Ledger Account

The employee balancing the ATM(s) should not have the ability to perform system entries to the ATM general ledger accounts. The duties should be segregated.

ATM Deposits

All ATM deposits should be verified under dual control.

Night Depository

The night depository should be accessed under “forced” dual control. No one person should have the ability to open the night depository. A key and combination or a split combination method should be implemented (refer to vault cash access).

The contents of the night depository should be verified by two employees acting jointly. All contents should be logged and both employees should sign the entries.

IMMEDIATE ISSUE PLASTIC CARD CONTROLS

Blank Card Stock

Storage

All blank card stock (credit, debit, ATM, prepaid) should be secured under dual control in your currency vault/money safe. Lack of adequate control increases your risk of unauthorized issuance.

Verification of Inventory

Inventory of the blank card stock should be performed quarterly by someone without access to the card stock.

PIN Encryption

All employees authorized to issue or re-encode plastic cards using the PIN encryption device should have their own individual confidential password. Passwords should be changed at least quarterly or sooner if there is an indication of a compromise.

PIN Encryption Log

A log should be maintained that includes new cards issued and PIN changes made using the PIN encryption device. The log should include the date, member name, the identification used to verify the member's identity and the employee's signature.

SAFE DEPOSIT BOX CONTROLS

Safe Deposit Box Guard and Gate Keys

In order to prevent unauthorized access to the currency vault, the guard and gate key should be stored in a secure location accessible to authorized employees only.

Spare Guard Keys

All spare guard keys should be stored under dual control, but not in a safe deposit box since you would not be able to open any safe deposit box if the guard key were lost.

Unrented Safe Deposit Box Keys

All unrented safe deposit box keys should be stored under dual control in an unrented safe deposit box.

Drilling of a Safe Deposit Box

If a safe deposit box must be drilled in the absence of the leaseholder, at least two employees as witnesses should be present during the entire process. After the box is opened, the contents should be documented and stored under dual control.

COMPUTER SYSTEM CONTROLS

Employee Password Standards

Complex Passwords

The system should require only complex passwords. At a minimum, passwords should be at least eight characters long, alphanumeric, case sensitive and require the use of special characters (!, @, #, \$, %, etc.).

Password Confidentiality

Passwords should never be shared or disclosed to another employee.

Password Changes

Passwords should be set up to force password changes at least every 90 days. The system should not allow a change to a recent password that was used within a recent period of time.

Incorrect Password Attempts

Your system should be designed to automatically lock user IDs after three incorrect password attempts. A report should be generated and reviewed of failed login attempts.

Terminal Sign-Off

Employees should always sign off of their terminals when they leave their workstations. In addition, the system should automatically log off after five minutes of inactivity.

Supervisory Overrides

Dormant Accounts

Dormant accounts should require a supervisory override to post a transaction (deposit, withdrawal, loan activity). Dormant accounts are often the target of dishonest employees.

Supervisory Override Report

The Supervisory Override report should be reviewed on a regular basis by an employee without override authority. Transactions in dormant accounts, waiving fees, accounts changed to “do not mail”, etc., should be reviewed for legitimacy.

Activity on Dormant Accounts

You may want to generate a separate report of **activity** in dormant accounts to be reviewed by internal audit.

“Do Not Mail” Account Review

Periodically a separate report of accounts flagged as “do not Mail” should be generated and reviewed by internal audit. These types of transactions can be used by a dishonest employee to control an account.

File Maintenance/Non-Financial Transaction Report

An individual that does not have the ability to perform a file maintenance transaction should review this report on a regular basis. The types of transactions that should be reviewed for legitimacy are as follows:

- Advancing a loan next payment due date
- Changing the payment amount for a loan
- Changing the payment frequency for a loan
- Changing the collateral code
- Changing interest rates for any account
- Several address changes to a single address

The file maintenance report should be reviewed for credit card transactions by someone not authorized to perform these types of transactions.

Employee and Family Member Accounts

Employee Annual Disclosure of Accounts

Procedures should be in place requiring employees to annually disclose their accounts and those of family members and other individuals living in their household.

Employee and Family Member Account Activity

Employees should not have the ability to perform transactions in their own or family member accounts. In addition to a written policy, the computer system should be programmed to enforce this policy by restricting access.

Your plastic card processor should be contacted to determine if a lockout feature is available to block card department employees from their own and family member accounts.

Employee and Family Member Account Review

Procedures should be in place to review employee and family member accounts and others living in their household periodically.

A monthly report should be received from your plastic card processor of insider credit card accounts (employees and family members). Someone outside of the card department should review this report to detect unauthorized changes (unauthorized limit increases).

At a minimum, a review should consist of at least the following:

- Courtesy Pay usage
- Non-Sufficient Fund activity
- Balances extending beyond credit limit
- Loan advances
- Credit limit increases
- Delinquent loan payments
- Overdrawn accounts
- Suspected check kiting
- Transfers from other accounts
- Large deposits

LENDING CONTROLS

Separation of Duties

To deter unauthorized/fictitious loans, no one employee should have the ability to approve a loan, process the loan, and disburse the proceeds. Separation of duties in the loan process can be accomplished by segregating the loan approval and disbursement.

Opening New Accounts

Loan officers should not have the ability to open new accounts on the system. Lack of this separation increases the chance of a fictitious loan.

Confirmation of Member Loans

Someone not active in the lending department should perform a confirmation of new loans and loan advances, including new credit cards and limit increases.

Collection Activity

Collection staff should not have lending authority or the ability to post collection payments to delinquent member's accounts. All payments for collection accounts should be sent to the teller staff for posting. Collection staff should not have transaction authority. Lack of separation of duties could allow fictitious loans and/or theft of collection proceeds.

Someone not involved in the approval or collection of delinquent accounts should periodically review the entire collection process including:

- Documentation of progressive collection efforts at each stage of delinquency
- Reporting of delinquencies to the Board of Directors
- Separation of duties of collection staff
- Invoices of repairs of repossessed collateral
- Condition reports on collateral
- Physical Inspection of repossessed collateral
- Bids for sales of collateral

EMPLOYEE AND DIRECTORS EXPENSE CONTROLS

Written Employee/Director Expense Reimbursement Policy and Procedures

Approved Expenses

A policy should be in place that clearly specifies approved use of assigned corporate credit cards and out-of-pocket expenses for both volunteers and employees. At a minimum, the policy should include the following:

- Cell phone/internet
- Supplies
- Transportation (auto mileage, rental cars, airline, etc.)
- Hotel (internet, movie rentals, etc.)
- Incidental travel expenses (taxi, tips, etc.)
- Use of the corporate credit Card (acceptable and unacceptable use)
- Policy exceptions

Expense Reporting

Employees and Directors should be required to complete an expense report for business related expenses. Both out-of-pocket and expenses charged to their corporate credit card should be included. Receipts should be required that would include the reason for the expense, business purpose and individuals involved in the expense (i.e., if others were present at a meal).

Expense reports should be turned in within a reasonable period of time.

Conference Summary

If attending a conference, at the conclusion, each employee and/or official should complete a conference summary. This ensures the maximum benefit of the travel expenses incurred, as well as documents the attendance.

Expense Approval

- Expense reports should not be approved by a subordinate. The following is a next higher level of authority approval listing:
- The CEO and all volunteers except for the Chairperson of the Board – Chairman of the Board approves
- The Chairperson of the Board – Board Treasurer approves
- All employees except for the CEO – CEO approves

Segregation of Duties

The person who approves expenses should not post them to the general ledger. This violates sound internal control procedures and could allow fictitious or unauthorized expenses to go undetected.

ACCOUNTING CONTROLS

Corporate Checking Account Reconciliation

Segregation of Duties

The corporate check account should be reconciled by an employee who does not have the authority to sign checks or post deposits. The reconciliation should be performed timely every month.

Unresolved differences should be brought to management's attention immediately. Differences not resolved within 90 days should be reviewed by internal audit or the supervisory committee.

Voided Checks

A report of voided cashier's checks and official checks should be generated monthly. The review should be performed by an employee who does not have the authority to issue checks to verify the checks were voided and reissued for legitimate reasons.

To increase the effectiveness of this audit procedure, the employee who reviews voided checks should not have the authority to issue them.

Accounts Payable System Access

Accounts payable system access should be limited to only Accounts Payable employees.

An audit should be performed quarterly to include verification of new vendors. In addition, a sampling of payments made should be reviewed for supporting invoices and proper approval authority.

Lack of this procedure poses a risk of unauthorized/fictitious vendors and/or payments.

General Ledger Suspense and Clearing Accounts

All general ledger suspense and clearing accounts should be reviewed monthly by an employee who does not have posting authority. These types of general ledger accounts are often used by a dishonest employee to force balance an embezzlement scheme.

Employee Payroll

Payroll functions of creating the payroll file, authorizing the payroll and issuing the payroll/submitting the file to an outside payroll service should be segregated.

A manager not involved in the payroll process can be assigned to authorize the payroll prior to being issued for payment/submitted to the outside payroll service. Or, the employee creating the file is not the same employee submitting the file.

Funds Transfer System Controls

Dual verification for funds transferred through Fedline or the corporate credit union's electronic funds transfer system should be used. Frequency and monetary limits should be in place. Implementation of internal processes will reduce your exposure to employee dishonesty.

Equipment Purchases

Approvals

Requests for equipment purchases should be approved by the requester's superior. Lack of approval from the next higher level of authority could allow unauthorized or fictitious purchases.

Competitive Bids

A policy should be established for obtaining competitive bids for equipment purchases. Sound business practices consider price, vendor, quality and support. Not only will this prevent overpaying, but also the temptation of an employee receiving kickbacks.

Physical Inventory of Equipment

When new equipment is ordered it should be inventoried to determine it is on-site. In addition, a semi-annual inventory of equipment should be performed. This practice will deter employee theft of equipment.

ADDITIONAL INTERNAL CONTROLS

Know Who You Are Hiring

Consider the use of a reputable third party to perform a criminal background check, a credit check, work, and education verification and possibly a drug test prior to making a job offer to any applicant.

Consider Enforcing Mandatory Vacations

It is essential to enforce a mandatory one week of consecutive vacation. If an employee is committing internal fraud, a week of consecutive days off potentially removes the opportunity for an employee to cover their tracks.

The intent of the mandatory vacation policy and enforcement of the policy is to allow for the discovery of fraudulent activity.

Whistleblower Process

Employees should be provided a resource for reporting fraud or theft that they become aware of. Using a third party for fraud and theft reporting may increase employee usage, by providing anonymity and reducing the fear that information will be traced back to the reporting employee.

Implement a Formal Complaint Handling Process for your Members

Several employee dishonesty schemes have been uncovered while investigating complaints from members.

If a member reports suspicious transactions or questions their account activity, it should be taken seriously, even if it seems trivial at first. All member complaints should be investigated in a timely manner. Not only is this a useful fraud prevention technique, but it is also an excellent service for your members.

Anti-Fraud Policy

A written anti-fraud policy should be developed together with legal counsel, approved by the Board of Directors and included in the board minutes. Every employee should be required to read and acknowledge the policy by signing and dating it when hired and annually thereafter.

Fraud Training for All Employees

Employees, management, and board members should receive annual fraud awareness training. This sets the tone that fraud will not be tolerated and ensures procedures are reviewed on a regular basis. This training should include fraud ramifications and reporting procedures.

Rotation of Duties

Limited staff may make cross-training employees more challenging, but implementing these internal controls can greatly reduce exposure to fraud. Many embezzlement cases have in fact been detected when the employee goes on vacation and another employee steps in to perform his or her duties.

Board Oversight

The Board of Directors should have oversight of the credit union's anti-fraud program. The Board should also be meeting with internal and external auditors on a regular basis. Internal controls should be implemented at the Board level and established throughout the credit union. It is the responsibility of the Board to set the tone from the top that fraud will not be tolerated.

Contact your Allied Solutions Sales Representative to receive more risk education and support, or visit our website: alliedsolutions.net/contact-us.



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BRAIN SHIFT: WHY BEHAVIORAL ECONOMICS IS THE FUTURE OF CREDIT UNIONS

Melina Palmer, Founder
The Brainy Business

Learning Objectives:

1. Understand this change that the entire credit union industry is facing.
2. Why this change is important for them and their credit union as a whole.

Brain Shift

why behavioral economics is the future of credit unions



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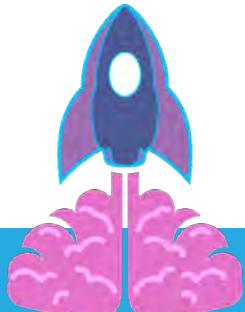
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Behavioral Economics

Traditional
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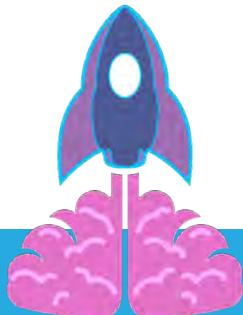
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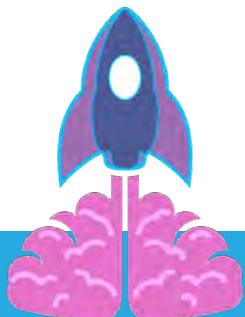


The Problem

Traditional economics
assumes
rational people
making
logical decisions...
(oops)



Why this matters for credit unions





situations, consistently implementing predetermined behavioral strategies in order to ensure student safety.

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Economics

Top Jobs for Next Decade Are Behavioral Scientist, Data Analyst

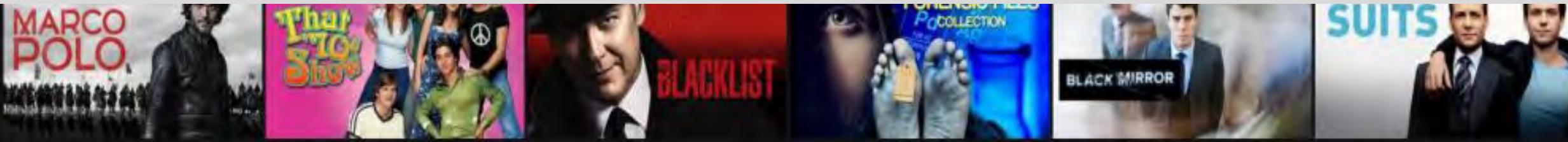
By Lucy Meakin

December 29, 2019, 4:01 PM PST





Consumer Science at Netflix



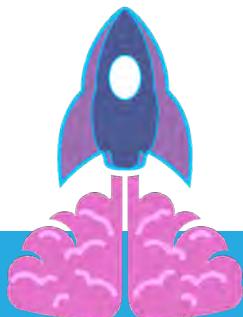
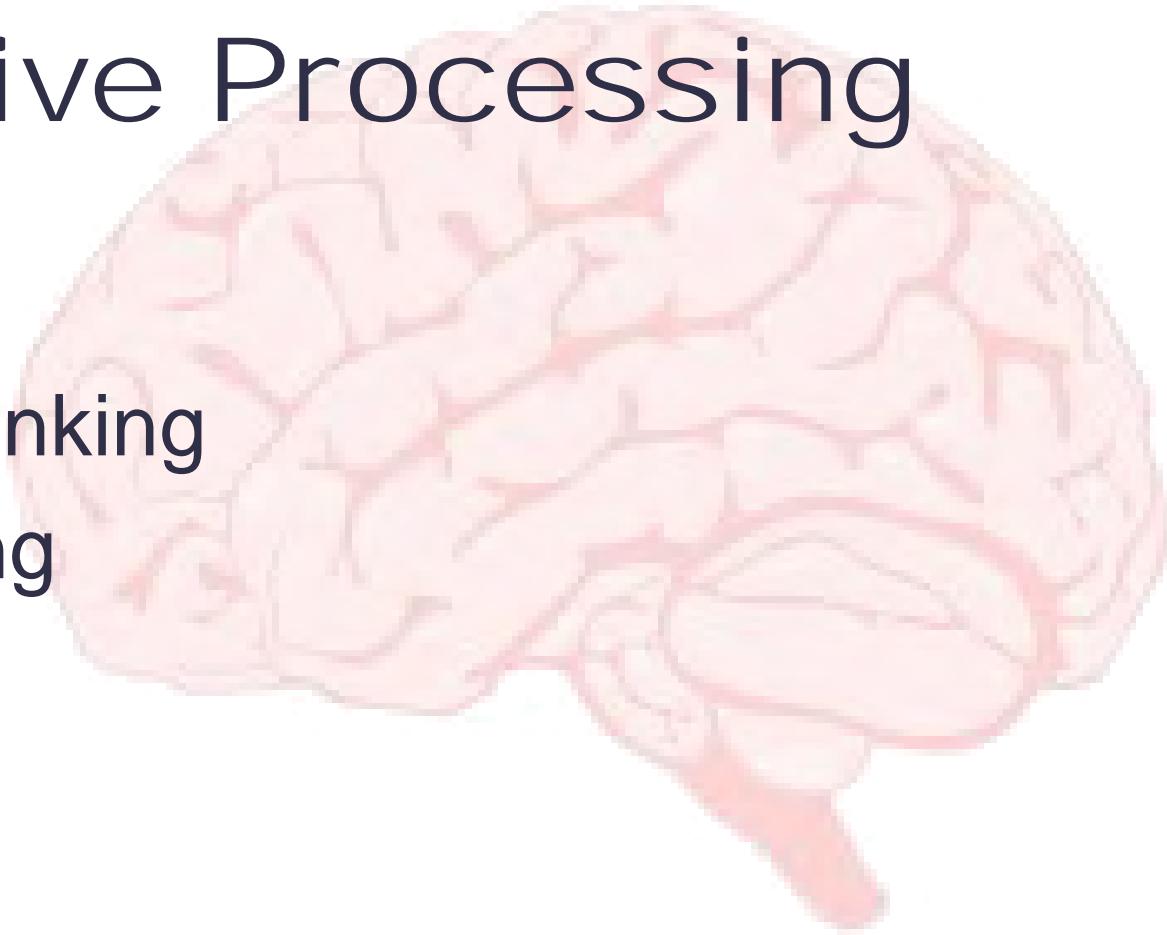
Simplicity at Amazon





Cognitive Processing

- Conscious part
- Aware of the act of thinking
- Thinking about thinking

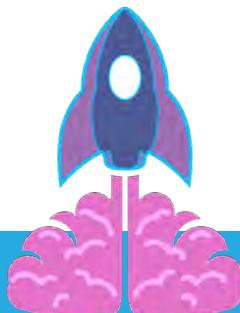


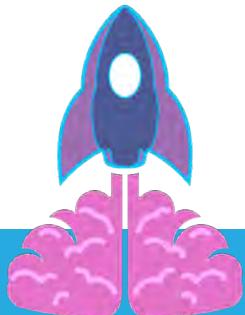
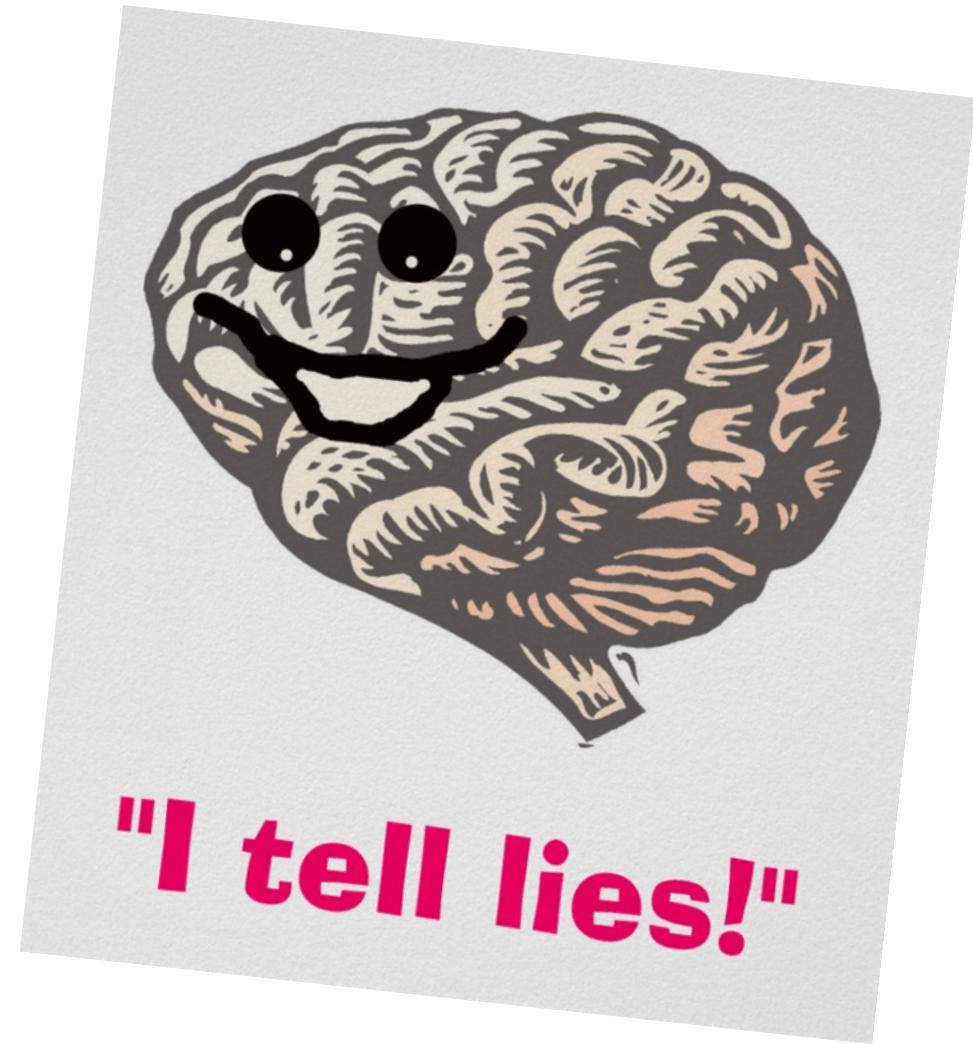
Subconscious Processing

What percentage of the brain's processing is subconscious?

- 25%
- 50%
- 75%

Only .001%
conscious!?!





The Good Thing Is...

People may not be logical, but they are

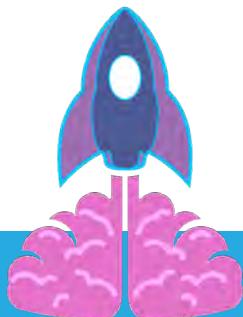
PREDICTABLE



Fairness **Halo Effect** **Herd Behavior** **Myopic Loss Aversion** **Framing Effect** **Less-Is-Better Effect** **Trust**
Social Proof **Fast And Frugal** **Social Preferences** **Disposition Effect** **Hindsight Bias** **Zero Price Effect**
Prospect Theory **Precommitment** **Ambiguity Aversion** **Regulatory Focus Theory** **Cognitive Dissonance**
Risk-As-Feelings **Honesty** **Overconfidence Effect** **Gambler's Fallacy** **Habit** **Intertemporal Choice**
Present Bias **Cognitive Bias** **Endowment Effect** **IKEA Effect** **Satisficing** **Behavioral Game Theory**
Naïve Allocation **Choice Architecture** **Action Bias** **Social Norm** **Elimination By Aspects** **Decoy Effect**
Decision Fatigue **Reference Dependence** **Overjustification Effect** **Homo Economicus** **Affect Heuristic**
Status Quo Bias **Preference Inertia** **Dual-System Theory** **Partitioning** **Myopic Procrastination** **Utility**
Altruism **Ratio Bias** **Scarcity** **Bounded Rationality** **Optimism Bias** **Hot-Cold Empathy Gap** **Nudge**
Time (Temporal) Discounting **Peak-End Rule** **Information Avoidance** **Sunk Cost Fallacy** **Regret Aversion**
Identity Economics **Reciprocity** **Decision Staging** **Hedonic Adaptation** **Dual-Self Model** **Self-Control**
Licensing Effect **Loss Aversion** **Representativeness Heuristic** **Preference Reversal** **Availability Heuristic**
Choice Overload **Inequity Aversion** **Economic Bubble** **Ego Depletion** **Recognition Heuristic** **Anchoring**
Defaults **Efficient Market Hypothesis** **Incentives** **Mindless Eating** **Projection Bias** **Mental Accounting**
Physical Representation **Certainty / Possibility Effects** **Commitment** **Optimism Bias** **Take-The-Best Heuristic**
Mental Accounting **Priming** **Pain Of Paying** **Control Premium** **Confirmation Bias** **Diversification Bias**

Our Concepts

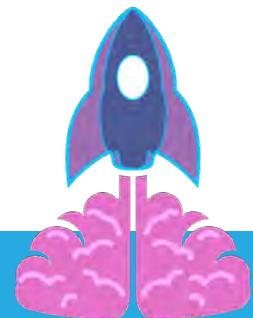
- Framing
- NUDGES
- Anchoring & Adjustment
- Relativity
- Priming
- Time Discounting





FRAMING

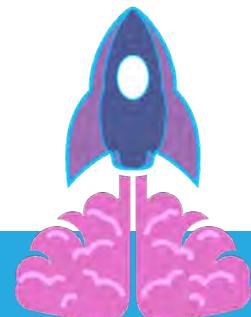
Episode 16



90% Fat Free
LEAN Ground Beef



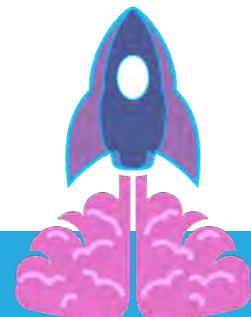
The Brainy Business: Episode 16



10% FAT
LEAN Ground Beef



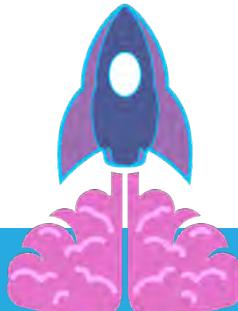
The Brainy Business: Episode 16





**90% Fat Free
LEAN Ground Beef**

**10% FAT
LEAN Ground Beef**



Let's talk
RATES





The Brainy Business: Episode 35-41



The Brainy Business: Episode 35-41



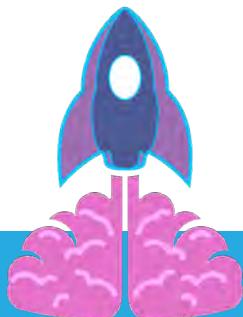
The Brainy Business: Episode 35-41



Next concept...let's test

- Is the population of Ghana more or less than 5 million?
- What do you think it is?

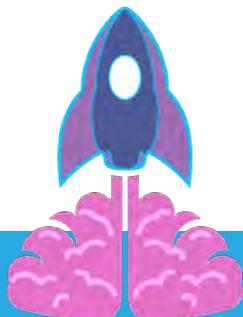
28 million

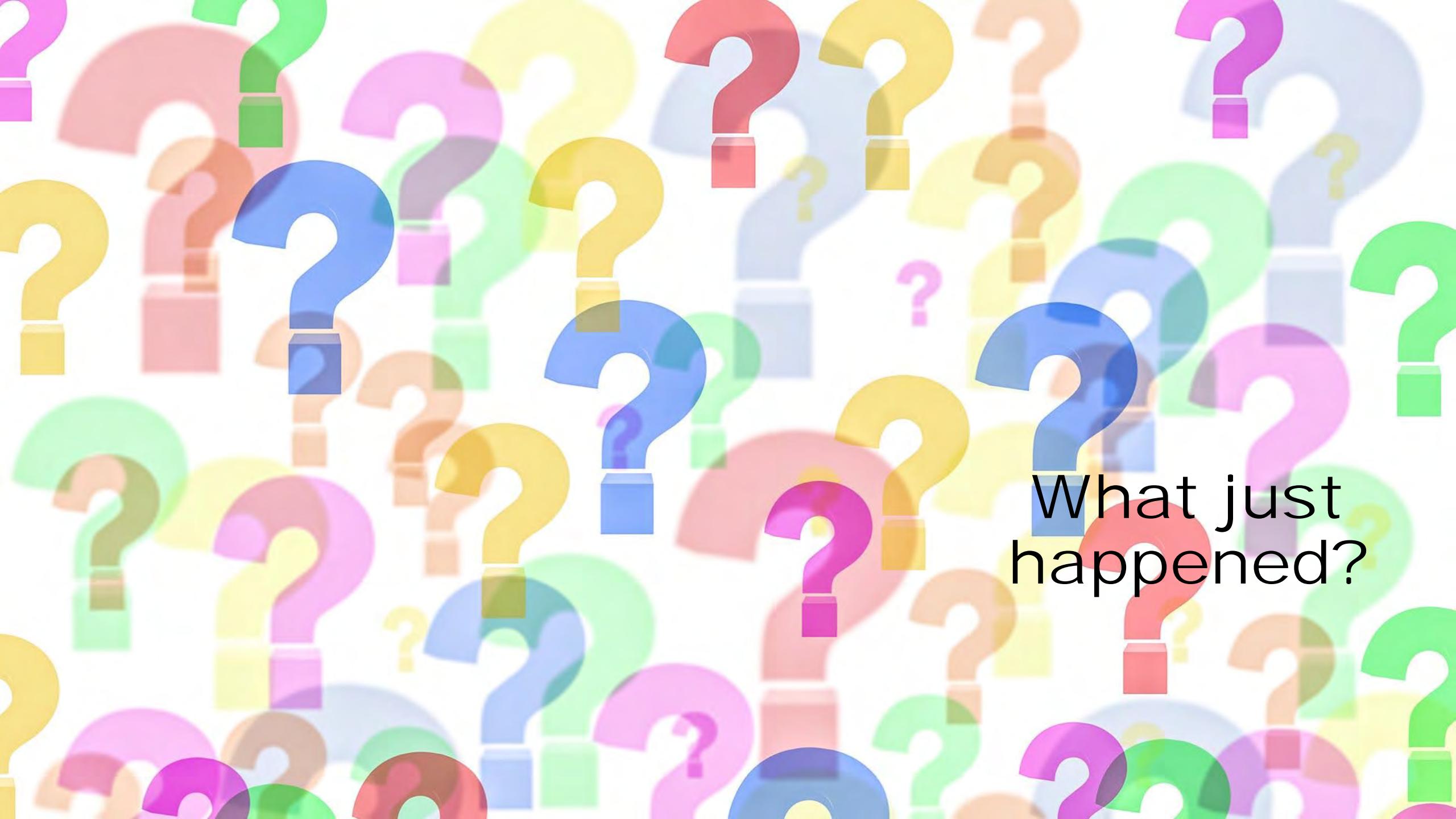


Let's try again...

- Is the population of Ireland more or less than 50 million?
- What do you think it is?

4.7 million





What just
happened?

Anchoring & Adjustment

- First number becomes the anchor
- Adjustments work off of it
- Really hard to set a new one



Anchoring & Adjustment

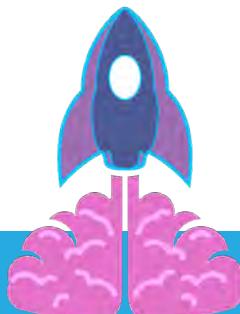
The lesson – throw out some numbers

Snickers Bars:
Buy 18 for
your freezer.

Snickers Bars:
Buy them for
your freezer.

38% increase

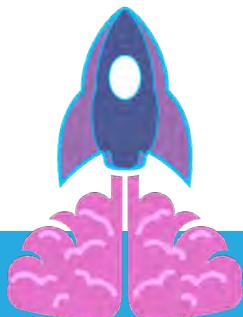
Wansink, B., Kent, R. J., & Hoch, S. J. (1998). *An anchoring and adjustment model of purchase quantity decisions*. Journal of Marketing Research, 35, 71-81.



Relativity



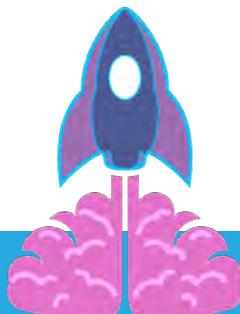
- We don't value things individually
- Decisions need reference points
- Context lets us know what we want



Comparisons Matter

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Ariely, D. (2009). *Predictably irrational: The hidden forces that shape our decisions*. New York, NY. HarperCollins Publishers.



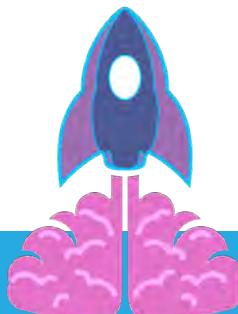
Comparisons Matter

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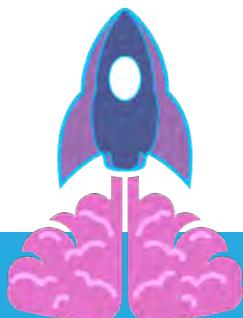
32 (84 last time!)

Ariely, D. (2009). *Predictably irrational: The hidden forces that shape our decisions*. New York, NY. HarperCollins Publishers.



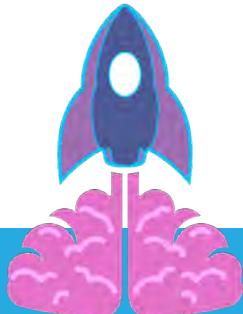
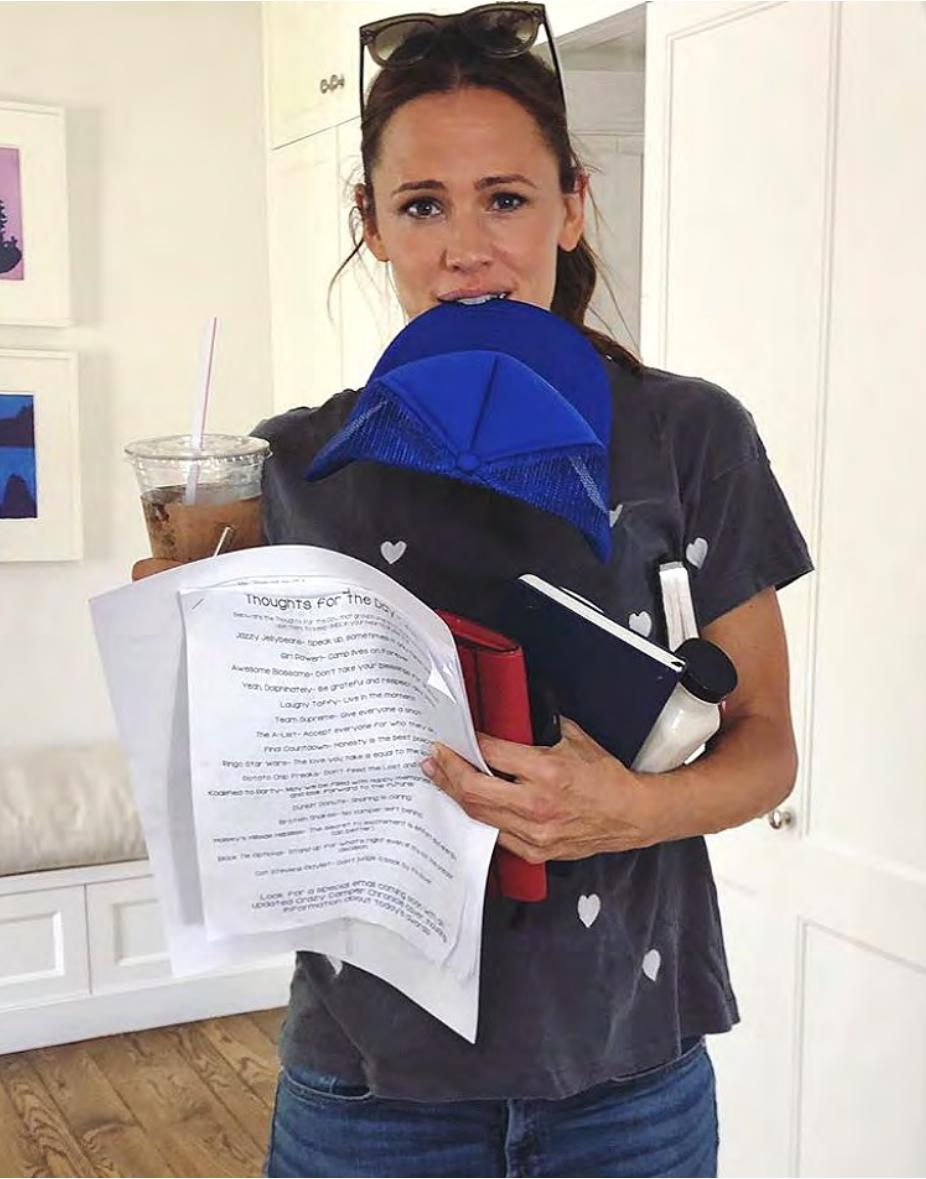
Relativity

- The lesson? Give your best option a decoy to make it more appealing.





PRIMING





A woman is sleeping peacefully in bed. In the foreground, a silver twin-bell alarm clock sits on a nightstand. The clock face shows the time as approximately 7:45. A woman's hand, with dark-painted fingernails, reaches out from under the covers to turn off the alarm. The background is softly blurred.

“I'll Start
Monday”
Effect



RESEARCH
BRIEF



AUTHOR

Melina Palmer
The Brainy Business

15 MINUTE READ

In this research brief,
Melina Palmer provides

Can Behavioral Economics Increase Savings and Member Loyalty?

OVERVIEW

Why is it so hard for people to save money—and why do so many initiatives to encourage saving fail? Research in the field of behavioral economics suggests that in order to help members save, it is better to create programs that take into account how people actually do behave rather than how they should behave.



Episode 65

FIGURE 3

CHANGE IN SAVINGS DURING STUDY PERIOD

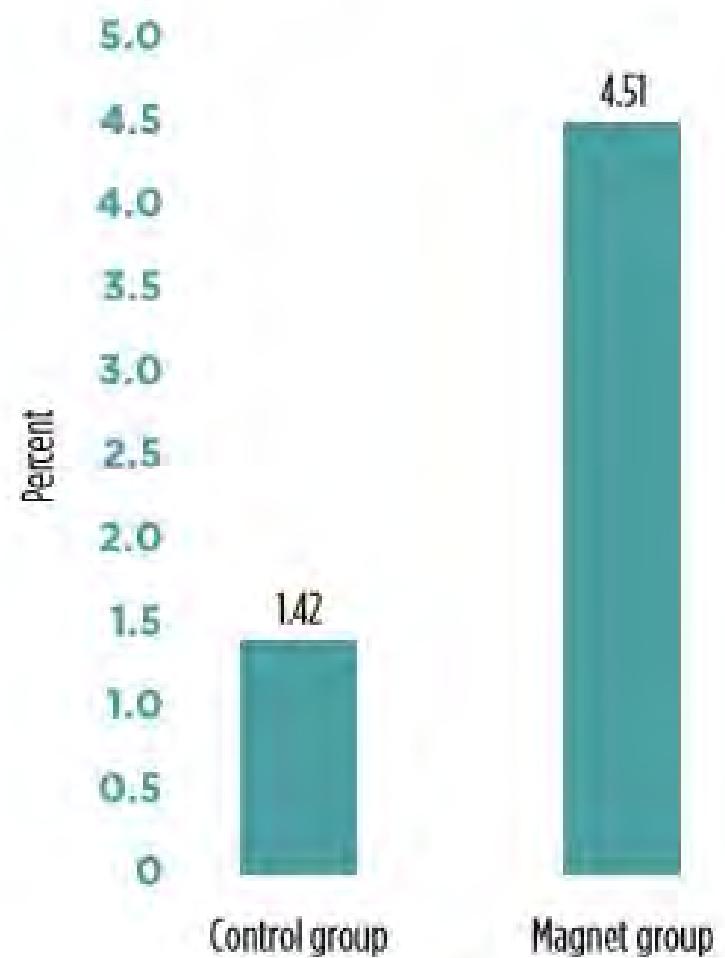
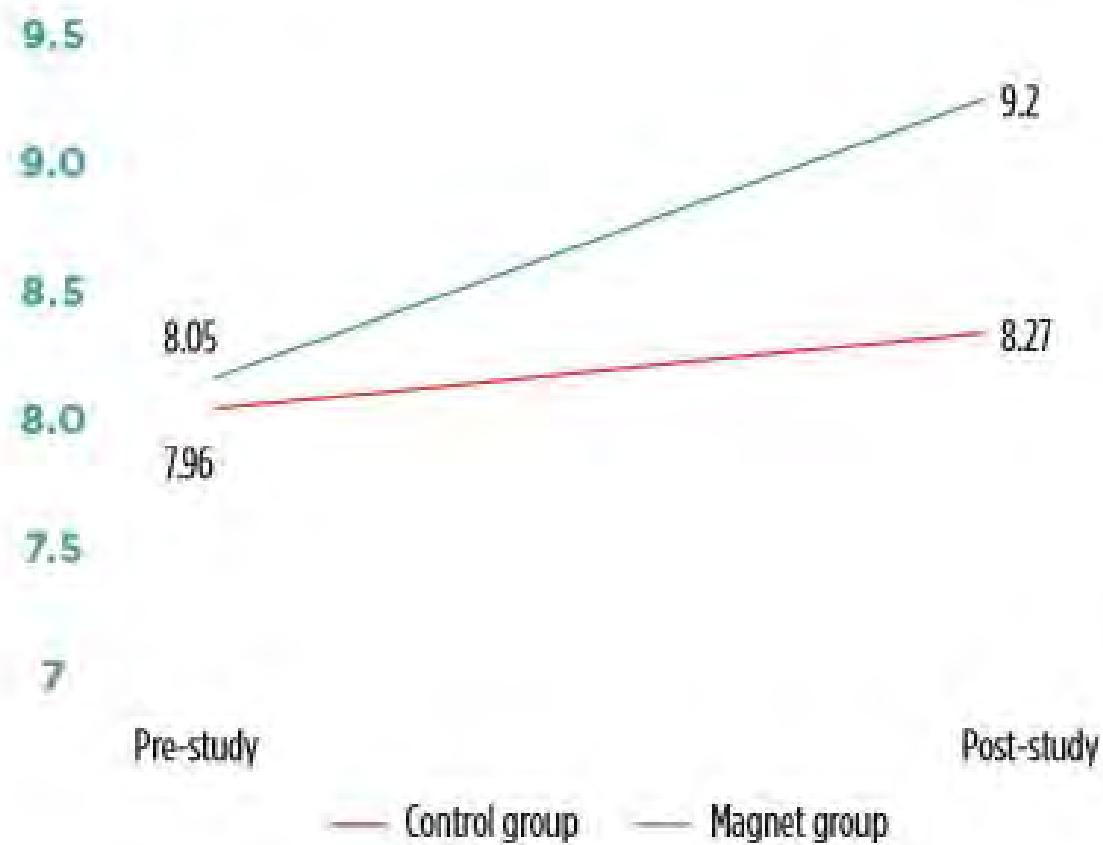


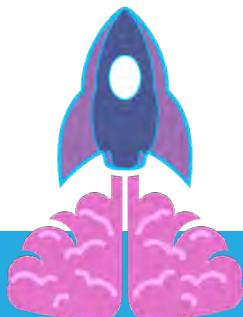
FIGURE 4

PRE-STUDY AND POST-STUDY "LIKELIHOOD TO RECOMMEND"



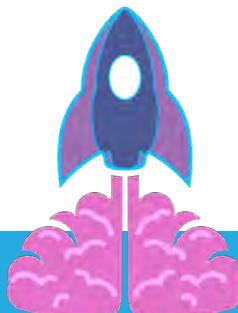
So What?

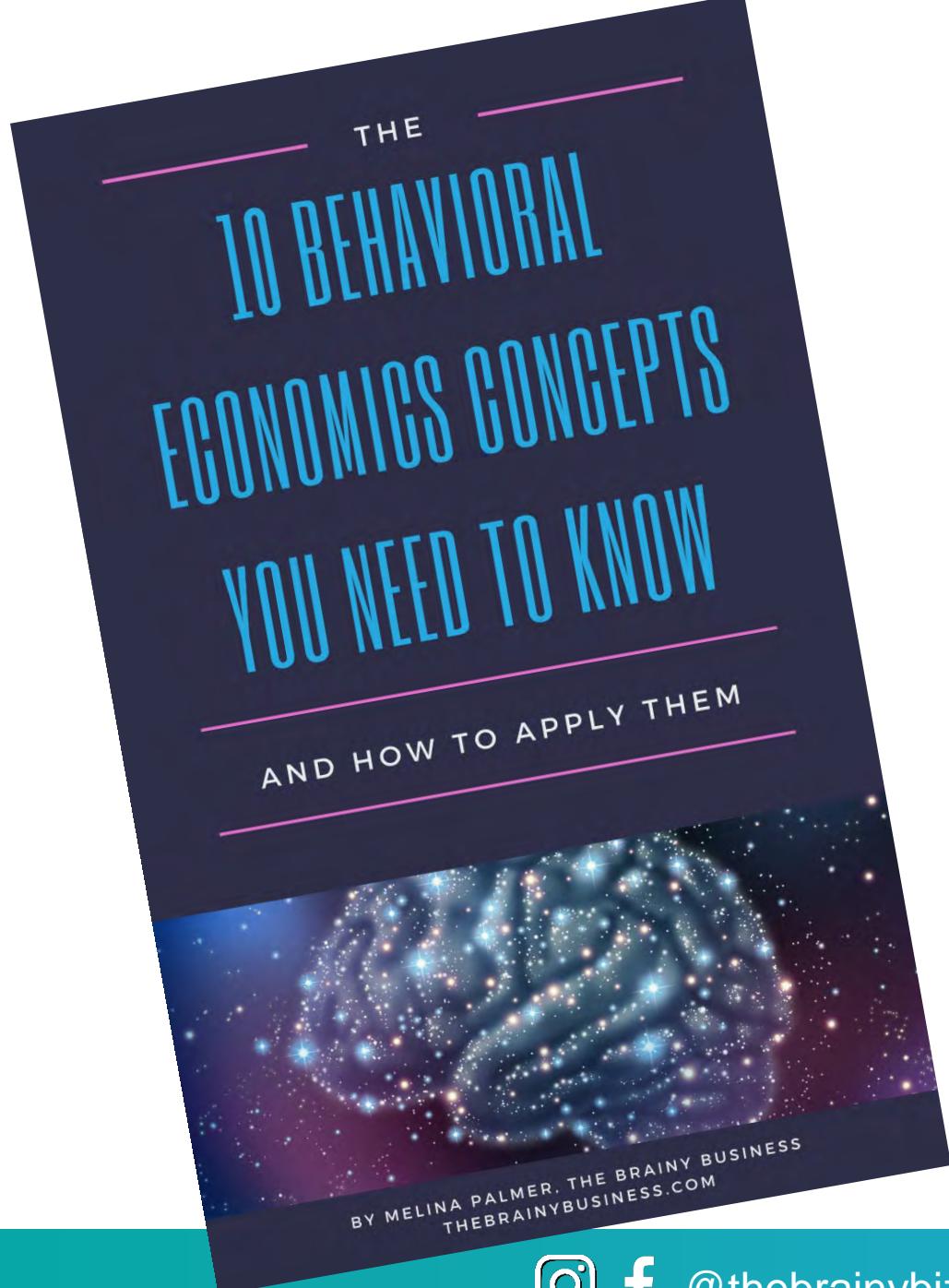
- People are not logical...
- But they are predictable
- Use this in everything you do



Concepts

1. Framing (how matters more than what) **16**
2. NUDGES (help people make the best choice) **35-41**
3. Anchoring & Adjustment (try big numbers) **11**
4. Relativity (use a decoy) **12**
5. Priming (what comes first matters) **18**
6. Time Discounting (I'll start Monday) **51**





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WHO WILL SPEAK FOR CREDIT UNIONS?

Ryan Donovan, Chief Advocacy Officer
Credit Union National Association

Learning Objectives:

1. Look at why advocacy is important to credit unions.
2. Review the nature and state of the current threats against the credit union tax status.
3. Determine the opportunities that exist to advance public policy that would benefit credit unions.
4. Review how to get everyone invested in the success in credit unions involved in advocacy activities.

ROCHDALE PARAGON | Q apogee IQ
MANAGING RISK. SPOTTING OPPORTUNITY.

1

Who Will Speak for Credit Unions?

Ryan Donovan
Chief Advocacy Officer
Credit Union National Association

Photo by Ryan Donovan

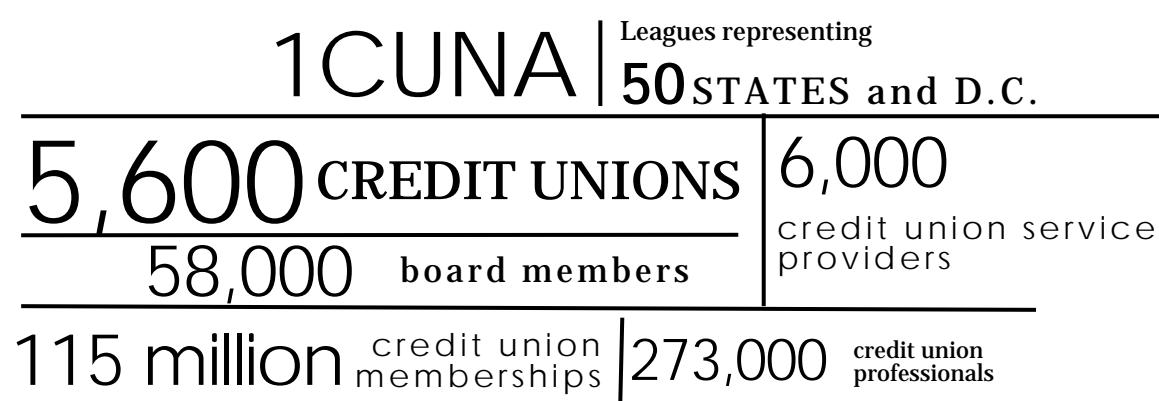
2

Why is advocacy important to credit unions

- Everywhere a credit union system has developed, organizers have had to fight to establish it.
- Many voices are seeking to change how credit unions serve their members.
- Financial services is evolving but our charter will not keep up without occasional government action.
- If those most invested in the success of credit unions don't advocate for credit unions, who will?

3

United States Credit Union System



4

How do volunteers help advance credit union advocacy?



Policymakers know credit union volunteers represent credit union members.



Credit union volunteers bring diverse professional experience and can draw on political engagements they've made throughout their life.



5

Our Advocacy Goal

Revolutionize the operating environment for credit unions through **expanding powers** and **removing barriers** to serving consumers and businesses.



6

Our Advocacy Strategy

Fierce, bold advocacy

Address issues from all angles

Saturate policymakers with our message in Washington and at home

United effort



7

For the fourth year in a row, CUNA and the Leagues lead the industry in unified voice

2016



1st in Financial Services
(2nd overall in the study)

2017



1st in Financial Services
(1st overall in the study)

2018



1st in Financial Services
(1st overall in the study)

2019

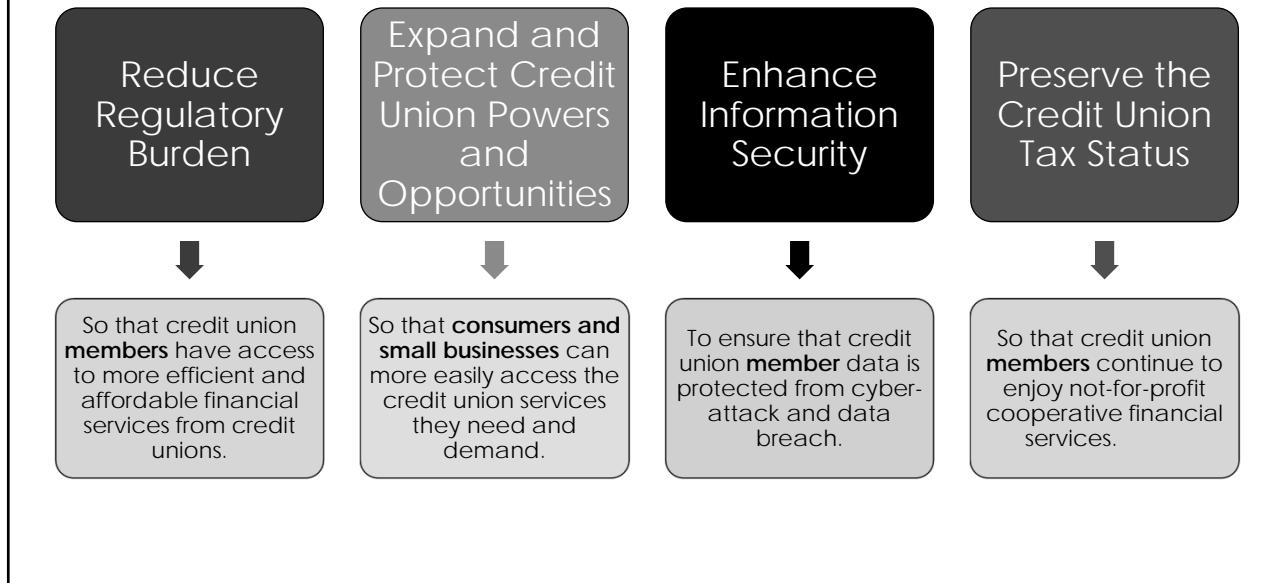


1st in Financial Services
(2nd overall in the study)

Ballast Research, 2019 Washington Policy Brand Study

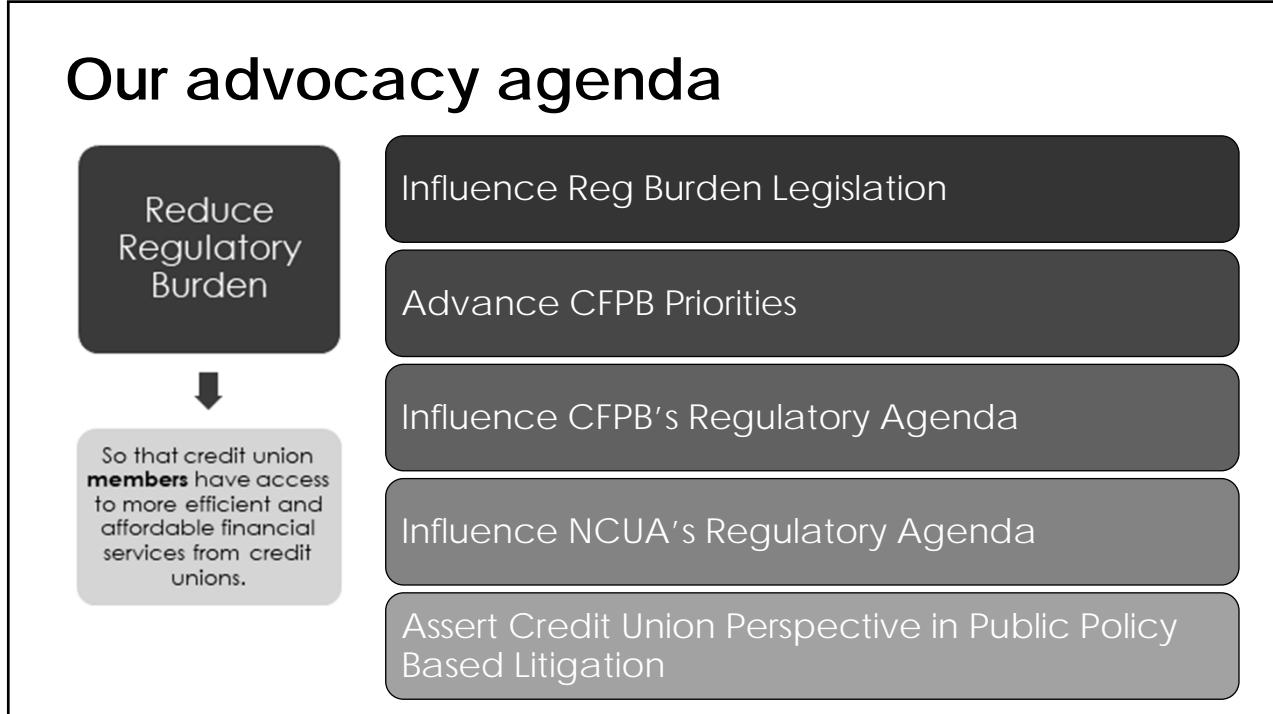
8

Our advocacy agenda



9

Our advocacy agenda



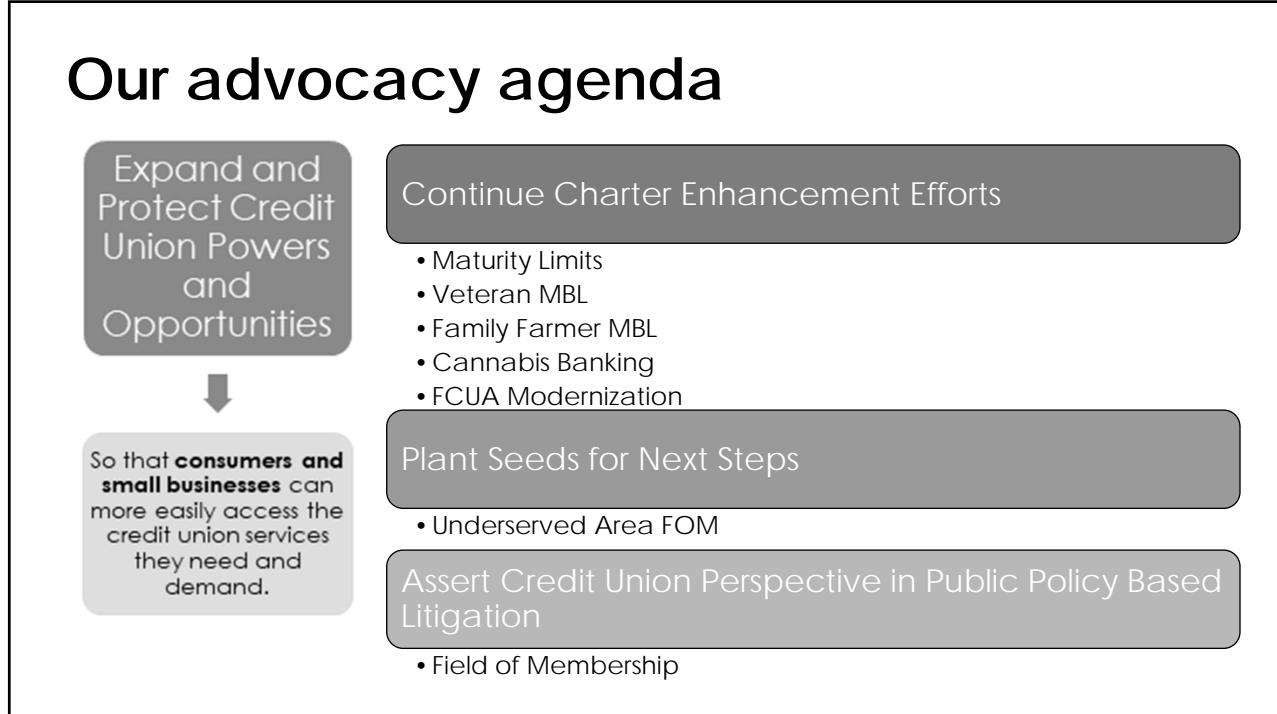
10

Our advocacy agenda



11

Our advocacy agenda



12

Our advocacy agenda

Expand and Protect Credit Union Powers and Opportunities



So that **consumers and small businesses** can more easily access the credit union services they need and demand.

Final Victory in MBL Effort

NCUA Field of Membership Rule Improved and Protected

State Credit Union Modernizations enacted in Alabama, Florida, Georgia, Illinois, Iowa, Maine, Minnesota, Nebraska, New Hampshire, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, and Washington.

Charter Enhancement Legislation Introduced in Congress

13

Our advocacy agenda

Enhance Information Security



To ensure that credit union **member** data is protected from cyber-attack and data breach.

Data Security/ Data Privacy / Cyber Security

- No Data Privacy without Data Security
- Enhanced protection of gov't held data

Assert Credit Union Views on Payments and Information Security Issues

- Faster Payments
- Big Data / AI
- Fin-Tech Partnerships
- Patents

Assert Credit Union Perspective in Public Policy Based Litigation

14

Our advocacy agenda

Enhance Information Security



To ensure that credit union **member** data is protected from cyber-attack and data breach.

Prevailed in Major Data Breach Litigation

Encouraged NCUA to add cyber-security expertise

Galvanized credit union system to focus on cyber threats and capacity

Providing critical thought-leadership in data privacy and data security debate

15

Our advocacy agenda

Preserve the Credit Union Tax Status



So that credit union **members** continue to enjoy not-for-profit cooperative financial services.

Engage Congress to Preserve Federal Tax Status

Support League Efforts to Repel Threats to Tax Status

- Arkansas
- Illinois
- Iowa
- Kansas
- Kentucky

Grow and Leverage National Advocacy Fund to ensure tax statuses are preserved.

- Execute pro-active strategy to go on advocacy offense to prevent future attacks.
 - 2020 Election Activity
 - Rural Initiative

16

Our advocacy agenda

Preserve the Credit Union Tax Status



So that credit union **members** continue to enjoy not-for-profit cooperative financial services.

Defeated efforts to tax credit unions in federal tax reform

New UBIT Tax Repealed

Supported successful state efforts to repel banker attacks

- Illinois
- Iowa
- Kentucky
- New Jersey
- New Mexico
- Oklahoma
- South Carolina
- South Dakota
- Vermont
- Wisconsin
- Washington

17

Current Challenges



Changing Political Environment



Unresolved Public Policy Issues



More sophisticated and sustained banker attacks



Changing Perception of Credit Unions

18

Changing Political Environment

House of Representatives is more Progressive – and could become even moreso

House Financial Services Committee and Senate Banking Committee Agendas are not aligned.

Impeachment is going to shut down the Senate for two to eight weeks from January to March.

Election year always means a short legislative year.

Annual battles likely to return.

19

Current Challenges



Changing Political Environment



Unresolved Public Policy Issues



More sophisticated and sustained banker attacks



Changing Perception of Credit Unions

20

A Completely Incomplete List of Public Policy Issues that Remain

- New Leadership at CFPB and NCUA
- CFPB Payday Rule / NCUA PAL
- Debt Collection Rule
- Community Reinvestment Act
- Home Mortgage Disclosure Act
- Telephone Consumer Protection Act
- BSA/AML Reform
- ADA Litigation
- Exam and Call Report Modernization
- CECL
- Military Lending Act
- Overdraft
- UDAAP
- Medallion Lending
- Remittances
- Small Business Data Collection
- CFPB Commission
- Flood Insurance
- Tow Truck Notice
- On-line Notarization
- PACE Loans
- Elder Financial Abuse
- Federal Credit Union Act Modernization
- Maturity Limit Legislation
- Veterans MBL Legislation
- Housing Finance Reform
- Cannabis Banking
- Public Deposits
- Field of Membership Litigation
- Supplemental Capital / Subordinated Debt
- CDFI Appropriations
- Credit Unions on Military Bases
- Credit Unions Buying Banks
- CUSO Investment Authority
- Prize-Linked Savings
- Green Lending
- Director Compensation
- USAID Procurement Reform
- Data Security
- Data Privacy
- Cyber Security
- NCUA Vendor Authority
- Faster Payment
- USAA Remote Deposit Capture Litigation
- Reconsideration of the Tax Cuts and Jobs Act of 2017
- State Budget
- State Bank Attacks

21

Current Challenges



Changing Political Environment



Unresolved Public Policy Issues

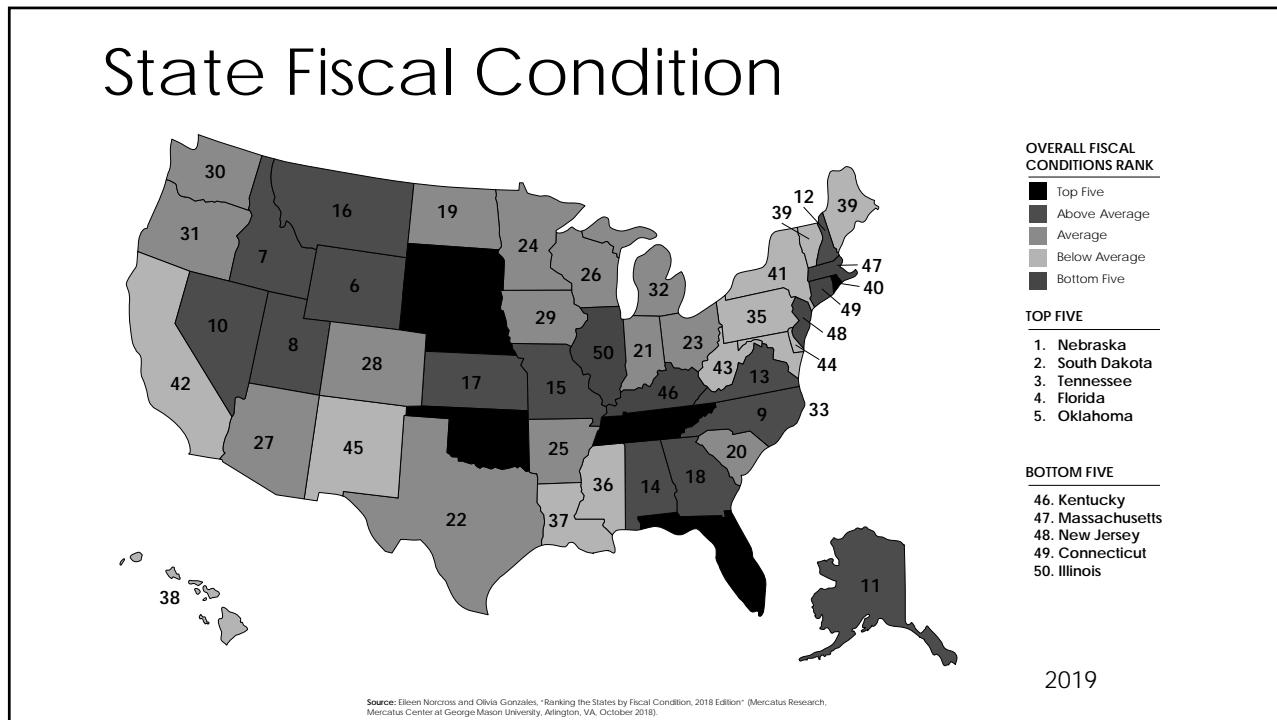


More sophisticated and sustained banker attacks



Changing Perception of Credit Unions

22



23



24

Current Challenges



Changing Political Environment



Unresolved Public Policy Issues



More sophisticated and sustained banker attacks



Changing Perception of Credit Unions

25

Changing Perception of Credit Unions in Congress



Concentration risk / taxi cab medallion credit unions has become an impediment to charter enhancement.



Credit unions buying banks is proving to be a distraction.



26

What Does It Mean for 2020 and Beyond?

Advance our agenda by focusing on credit unions' efforts to solve for the financial wellness challenges facing millions of Americans

Engage Congress on Data Privacy and Data Security Debate

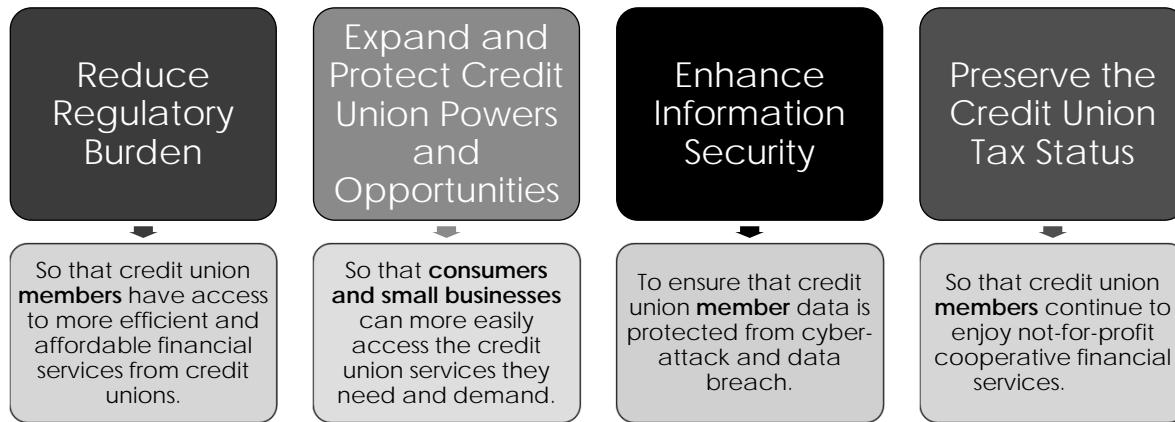
27

Reframing our agenda to show how changes in public policy impact credit unions ability to

- Address Financial Insecurity
- Improve Financial Health
- Advance Financial Inclusion

28

Our advocacy agenda



29

Reframing our agenda

- Understand what we know we know, and what we know we don't know. (NCUF Lead Conversations)
- Leverage what credit unions are already doing and commit to doing more.

30



31

Are there big goals credit unions could rally around?

- Help solve the emergency savings crisis in America?
- Enhance financial inclusion and access for the under banked and unbanked?
- Increase the number of credit union professionals trained in financial capability/health/teaching Americans how to save and manage their finances?
- Increase credit union system investments into communities?

32

Reframing our agenda

- Understand what we know we know, and what we know we don't know. (NCUF Lead Conversations)
- Leverage what credit unions are already doing and commit to doing more.
- Aggregate community impact comprehensively. (Think: Project Zip Code for Community Impact)
- Acquire new and complex data sets to help tell our story.
- Conduct research to answer key questions related to how credit unions are communicating the credit union difference, how we can better anticipate bank attacks and how to improve messaging in bank attacks
- Develop a comprehensive research-based message guide to help credit unions talk about our issues from perspective of financial security.
- Work together

33

What Does It Mean for 2020 and Beyond?

Advance our agenda by focusing on credit unions' efforts to solve for the financial wellness challenges facing millions of Americans

Engage Congress on Data Privacy and Data Security Debate

34

Secure data & protect consumer privacy

Since 2005
10,000 DATA BREACHES &
more than
11.6 billion RECORDS EXPOSED

Source: PrivacyRights.org

35

3 ways Congress can act

1 Fix
weak links



2 Standardize the
patchwork of regulations



3 Protect
American interests



36

How your credit union can help

- Project Zip Code
- CULAC, Credit Union Political Action
- Membership Activation Program



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37

Project Zip Code

Counts the number of credit union members based on residency in Congressional districts, state legislative districts and counties.

Why This Matters: This data sends a strong message to legislators that there are credit union members in their district.

Question to ask: Do we run project zip code?

Action step:

- Go to www.pzconline.com
- Call CUNA at 202-508-6708



38

CULAC, Credit Union Political Action

CUNA's Political Action Committee works to elect candidates to Congress who understand and support credit unions.

Why It Matters: Bankers and other opponents raise big money for Congress. This helps us engage and ensure there are credit union friendly voices in Congress.

Question to ask: Have we signed a permission agreement with CUNA so we can contribute to their PAC?

Action step: Email Trey Hawkins (thawkins@cuna.coop)



39

Member Activation Program

Inform and educate credit union members on the value of the **credit union difference**, **strengthen the bond** of membership, and **activate members** on behalf of their credit union

Why It Matters: Strength is in our numbers. No one is more invested in the success of credit unions than credit union members.

What to ask: Do we participate in CUNA's Member Activation Program?

Action Steps:
<http://www.cuna.org/map>



40

How you can help

- Stay informed
- Discuss advocacy at your board meetings
 - Ask how your credit union is measuring community impact
- Come to the GAC
- Hike the Hill with your League
- Attend district office meetings with legislators
- Volunteer on campaigns



41

Contact me

Ryan Donovan
 rdonovan@cuna.coop
 202 508 6750

 @RyanDonovan

 Ryan Donovan

Connect with CUNA

CUNA News
 CUNA's Advocacy Update
 The Nussle Report

 @CUNA

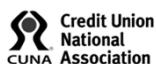
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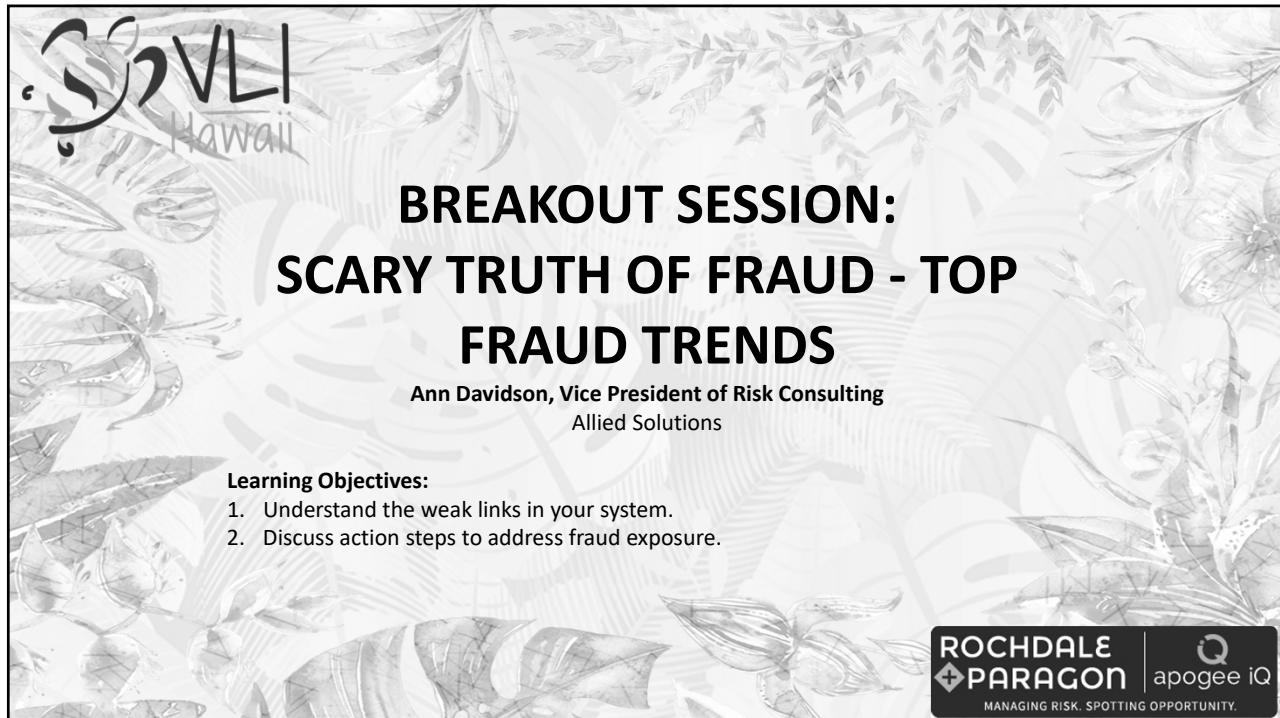
 @Credit Union National Association

Update your communication
 preferences at cuna.org/mycuna

Thank you!



42



VLI Hawaii

BREAKOUT SESSION: SCARY TRUTH OF FRAUD - TOP FRAUD TRENDS

Ann Davidson, Vice President of Risk Consulting
Allied Solutions

Learning Objectives:

1. Understand the weak links in your system.
2. Discuss action steps to address fraud exposure.

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MANAGING RISK. SPOTTING OPPORTUNITY.

1

Volunteer Leadership Institute - Hawaii 2020

Scary Truth of Fraud

Top Fraud in 2019 and Fraud Predictions for 2020

January 30, 2020

 **Allied Solutions**

2

Agenda

1. Top fraud trends
2. 2020 fraud predictions
3. Prevention fraud strategies
4. Questions



Ann Davidson
Vice President
Risk Consulting



3

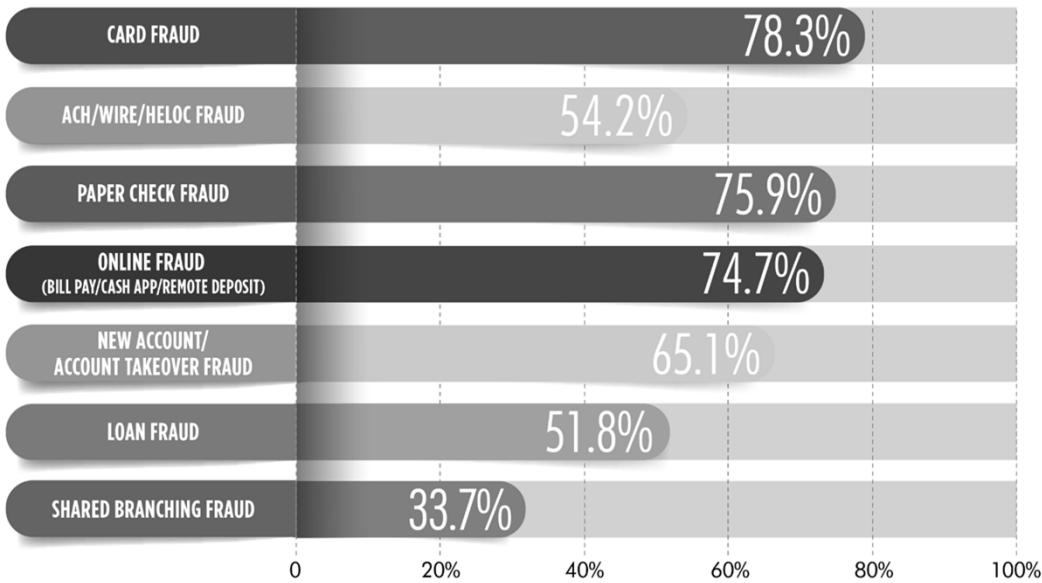
Question

What kind of fraud did your credit union experience in 2019?

- New Account or Account Takeover Fraud
- Payment Card Fraud
- Paper Check Fraud
- Loan Fraud
- Online Fraud (P2P/ A2A/ Bill Pay/ Payment Apps/ Remote Deposit)
- ACH/ Wire/ HELOC Fraud
- Shared Branching Fraud
- Cash App Fraud
- Internal Fraud

4

Top Fraud Concerns in 2019



From polling results reported by attendees of Allied Solution's "Scare Away Fraud with Multi-Authentication Methods" webinar hosted by NAFCU Service on October 31, 2019.

5

Top Fraud & Trends

6

2019 Fraud Trends – Which Fraud Will Continue in 2020?

- Synthetic ID theft on loans
- Mobile deposits
- Paper Check fraud – consumer, corporate, and cashier's checks
- Peer Payment App fraud – performing external transfers
- Phishing – uptick for online account opening and online banking
- Call center authentication attacks
- Call center “call outs” to members
- ACH fraud
- Wire fraud
- Fraudster creates “Travel Alerts” on members
- Transaction Fraud (Wire/ACH)
- Ransomware continues
- Mobile Device fraud
- ATM cash out
- ATM jackpotting
- New Account Opening Fraud
- Existing Account Takeover
- HELOC non wire fraud

7

2019 Fraud Trends – Which Fraud Will Continue in 2020?

- Credit cards with daily \$ limit as the line of credit
- Sending in “payments” on HELOC and credit card accounts using ACH
- Internal transfers before making a withdrawal
- Shared branching attacks against CU Issuer’s members
- Social engineering fraud
- Breaches – ID theft and synthetic ID fraud
- Internal fraud
- Bill payment – peer to peer attacks
- Brute force attacks
- Ongoing card fraud attacks and data breaches
- Cybersecurity – internal and external attacks continue
- Member attacks – sweetheart scams
- Device Fraud
- Crypto Fraud
- WHAT’s NEXT.....?????? In 2020

8

ID Theft Trends

- New entry points both in person and on-line
- Synthetic IDs are created using both fake & stolen info, like a real social security number
- SSN likely belongs to a person without a credit history – i.e. a minor
- Paired with fake address - even fake utility bills
- Credit history is built with the Synthetic ID
- Credit cards are taken out and used for numerous small purchases

9

Authentication & Phishing

- Account access may be given through phishing attacks if the only authentication layer your credit union has in place is password protection:
- From simple phishing attacks to sophisticated targeted spear phishing attacks, gaining access to members' passwords is an easy access point for an attack
- Passwords are a known weak link and continue to be exploited at alarming rates
- Employees may inadvertently share passwords when responding to phishing attacks
- Phishing attacks continue & evolve – call center attacks, online sign-on info, changed contact info for micro deposits

10

2020 Crystal Ball Fraud Predictions

What have we seen so far....?

11

2020 Fraud Predictions

- **Paper Check Fraud** on accounts with no/high check limits**
- **Payment Card Fraud** on weak payment authentication layers**
- **ACH Fraud** on credit/debits with weak authentication & wide open limits
- **Payment Fraud** attacks as a result of wide open funding and limits
- **Wire Fraud** on weak authentication layers & wide open limits**
- **A2A, P2P, and Mobile Payment Fraud** on weak authentication layers
- **New Account Opening Fraud** by entry points in person and online**
- **Mobile Device Fraud** as mobile banking, deposits, and payments increase

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2020 Fraud Predictions

- **HELOC Fraud** via account changes made by call centers**
- **Peer Payment App Fraud** when not authenticating requests**
- **Shared Branching Fraud** on HELOC & credit card line of credit disbursements
- **EMV Fallback Fraud** at POS devices & ATMs**
- **Foreign Card Attacks** at ATMs with no set daily \$ limits
- **ATM Cash Out Attacks** where daily limits are removed in uncontrolled setting
- **Corporate/Cashier Check Fraud** more likely for those not using Positive Pay**
- **Member Attacks** more creative (i.e. Sweetheart Scams)

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More 2020 Fraud Predictions

- **Business Email Compromises** more realistic
- **“Fraud Imposter” Attacks** where fraudster poses as CU employee
- **Data Breaches** beyond card breaches (internal & external)
- **Cyberattacks** within the credit union
- **Synthetic Loan Fraud** to get a loan in branch, online, or at an indirect dealer
- **Phishing Attacks** focused on online authentication layers
- **Ransomware/Malware** a common occurrence (especially at gas stations)
- **Third-Party Vendor Attacks** more creative & frequent
- **Social Media Attacks** targeting more consumers (especially seniors)

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2020 “Bad Guy” Predictions

- Will become more sophisticated in methods used to find weak links in account, device, and payment authentication layers
- Will seek to perform new account openings or take over an existing account to purchase a product, service, or loan that will offer cash opportunities
- Will perform less face-to-face fraud attempts, in place of more attacks through digital and mobile services
- May begin to target wearable devices for fraud

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Fraud Prevention: 2020 & Beyond

Ask the right questions & take key proactive steps to prevent any kind of fraud

16

Fraud Prevention MUSTS

- Make all departments aware of risk functions for each layer of authentication
- Adopt authentication layers as part of fraud detection/prevention/response security solutions
- Work with vendors using strong authentication measures/tools
- Adopt authentication layers in conjunction with cybersecurity tools that protect funds and information
- Adopt authentication layers as part of fraud monitoring solutions to detect prevent attacks
- Offer members ID theft to help prevent and manage dark web monitoring
- Use multi-authentication at every touchpoint and for ALL requests & transactions

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Authenticate to Prevent ALL Fraud

Including (but not limited to) the following fraud types –

- New Account Fraud
- Payment Card Fraud
- Loan Fraud
- Online Banking Fraud
- HELOC Fraud
- Peer Payment App Fraud
- Paper Check Fraud
- Shared Branching Fraud
- Internal Fraud

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Who, What, and How to Authenticate

Who:

- New and existing employees
- New and existing members
- All vendors (new and existing)

What:

- Access to any systems or accounts that contain private information
- ALL transaction activity performed by an employee or member

How (Examples):

- Pass phases / challenge questions
- Biometrics / Face recognition
- Device recognition / IP and Geo Locations

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Top Authentication Strategies

- Require complex passwords for online & in person account requests
- Require members to provide identifying information AND personal information for account access
- Require multi-authentication for ALL transaction requests - in person, online, and over the phone
- Adopt strong authentication layers for new account, loan or card requests, or prior to selling products to a new accountholder
- Leverage 2FA on your online & mobile accounts to manage cybercrime
- Educate members about importance of creating complex passwords & opting into all available authentication measures (i.e. 2FA or security questions)
- Consider adopting machine learning authorization tools

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Key Fraud Prevention Qs:

- What proactive authentication measures do your internal teams have in place? What about your vendors?
- Are all your department aware of their role & layers for protecting fraud and how/where to report the fraud within your CU?
- Is each department aware of layers attacked after fraud occurs?
- Can you confidently predict what the tricksters are planning next?
- Is your CU staying connected with peers on (1) effective authentication strategies & (2) what fraud they are experiencing?
- Are you keeping up-to-date on the latest authentication trends & insights?
- How well protected and monitored are your products & services?
- What security tools do you use to detect, prevent and manage fraud?

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Member Fraud Prevention Tactics

- Advise members to monitor their accounts daily
- Advise members to sign-up for text and fraud alerts
- Create a member education campaign on warning signs, tools, and resources available to detect and prevent fraud
- Provide identify theft education to prevent exposure
- Utilize member touchpoints to validate their activity with your institution
- Communicate with other institutions to learn what prevention methods are & are not working
- Get top management involved with fraud education & prevention

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Key Takeaway:

Stay proactive with your prevention, authentication, and education strategies to help mitigate attacks, no matter the cause.

***Time for
Questions!***



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Want to learn more?



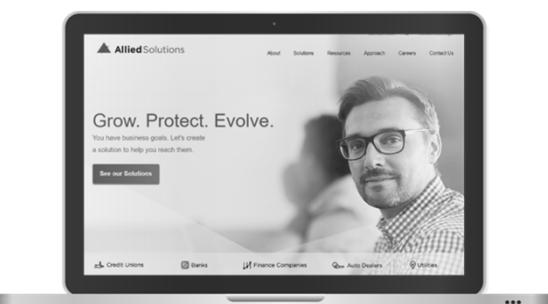
Contact the Presenter
ann.davidson@alliedsolutions.net



Visit the *Allied Insights* Blog
alliedsolutions.net/resources/allied-insights



Sign-up for our Newsletter
alliedsolutions.net/resources/Fraud-and-Security-Risk-Alert



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BREAKOUT SESSION: REMAINING RELEVANT - A DEEPER EXAMINATION

Alexandra Gekas, VP, Marketing & Engagement
Callahan & Associates

Learning Objectives:

1. Share best practices for remaining relevant for tomorrow.
2. Review examples of how organizations are adapting and successfully preparing for the future.



1

A Deeper Dive: Remaining Relevant For The Future

Alexandra Gekas, Vice President
Callahan & Associates

2

IMPERATIVE

n. Of vital importance; crucial.

Oxford



3

3

FOCUS ON THE INDUSTRY IMPERATIVES



PURPOSE



TALENT



MINDSET



4

4



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MINDSET

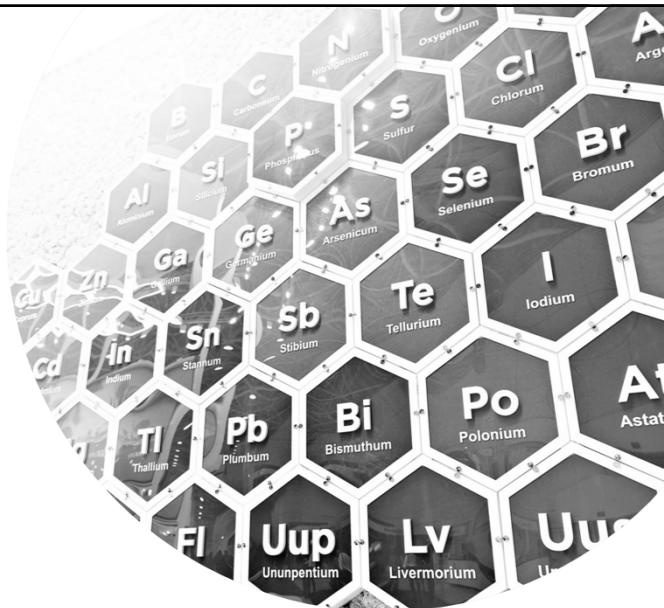
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KEY ELEMENTS OF THE MINDSET IMPERATIVE

- Innovation
- Collaboration
- Failure

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6

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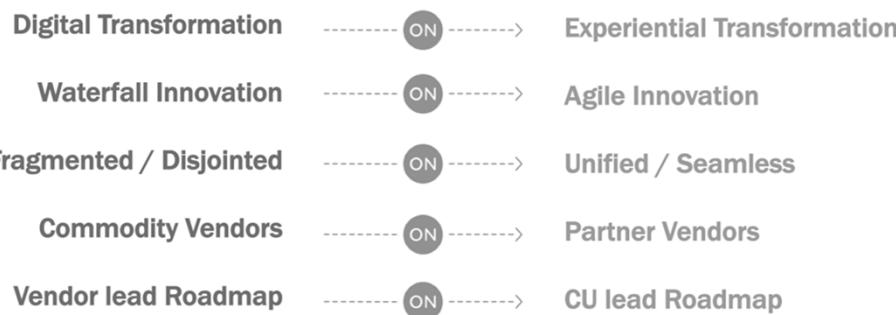
INNOVATION

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OUR MINDSETS NEED TO CHANGE....

Innovation Mindset



8



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MAKE INNOVATION PART OF THE CULTURE

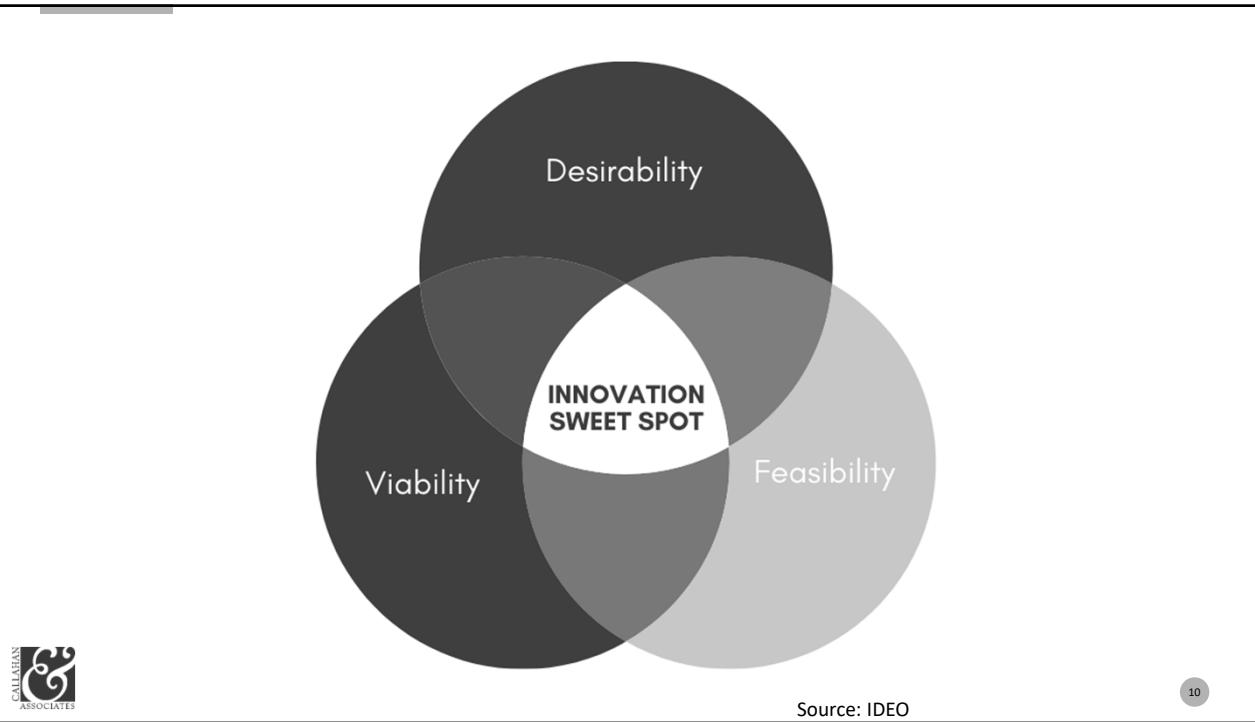


Part branch. Part learning workshop.
Part tech playground.

Source: The Financial Brand

9

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Source: IDEO

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ASK THE RIGHT QUESTIONS

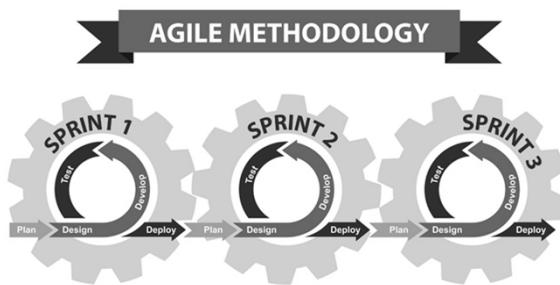
- Does it benefit the member?
- Is there a revenue component?
- How fast can we develop it?



11

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ADOPT INNOVATIVE METHODOLOGIES



MSUFCU Membership Application

Apply for membership online at your convenience. To get started you'll need:



5-10 minutes



Your government or state-issued ID



\$5 for your Savings Account

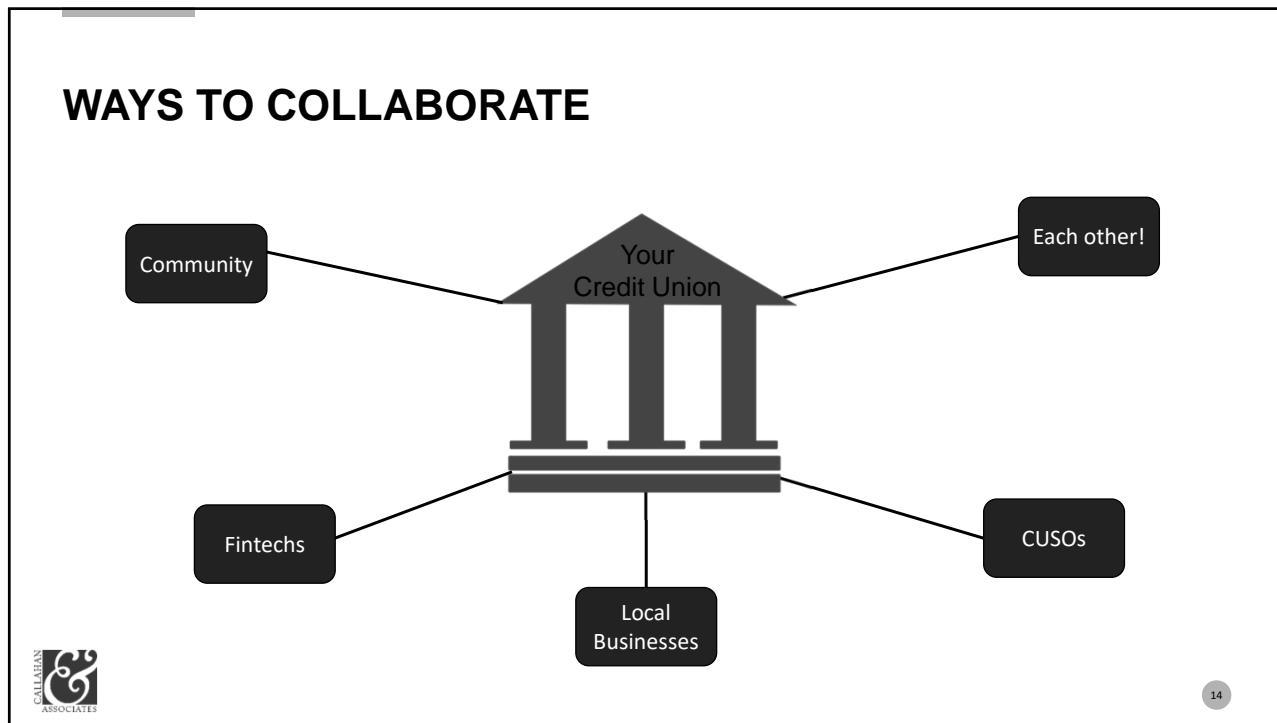
[Already a Member?](#)[NEW Member Application](#)Already started an application? [Return to your saved application.](#)

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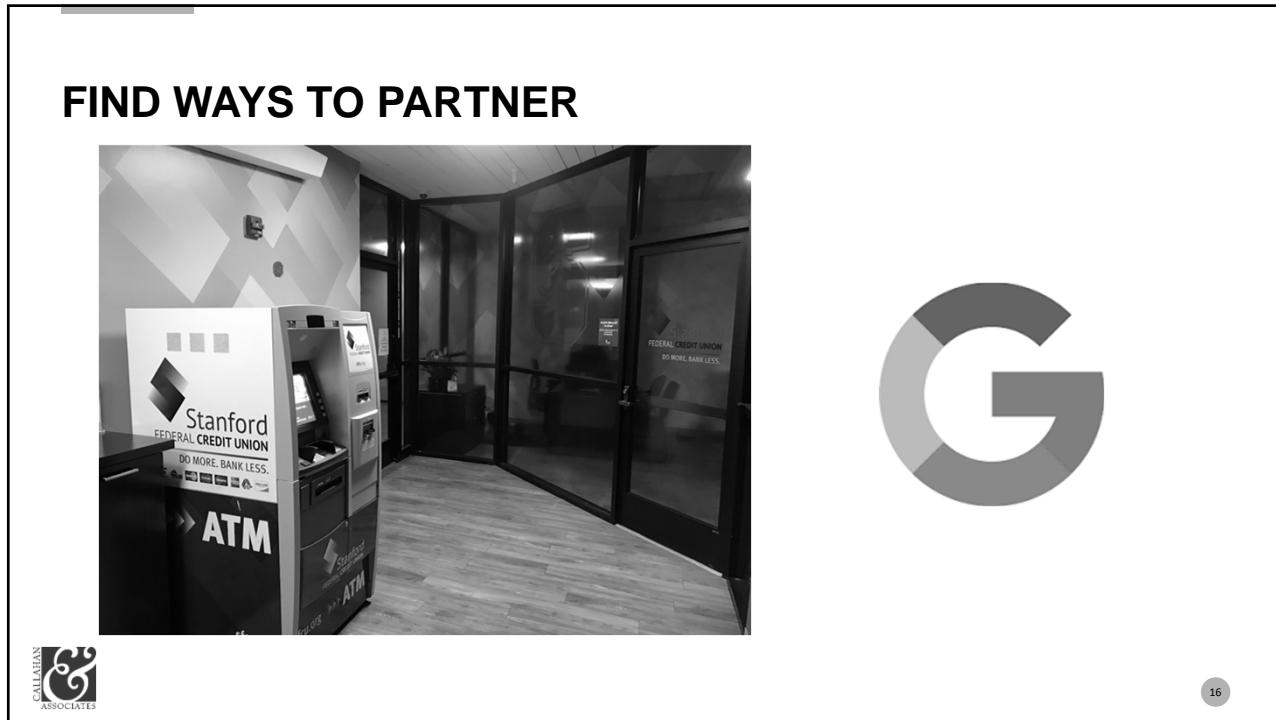
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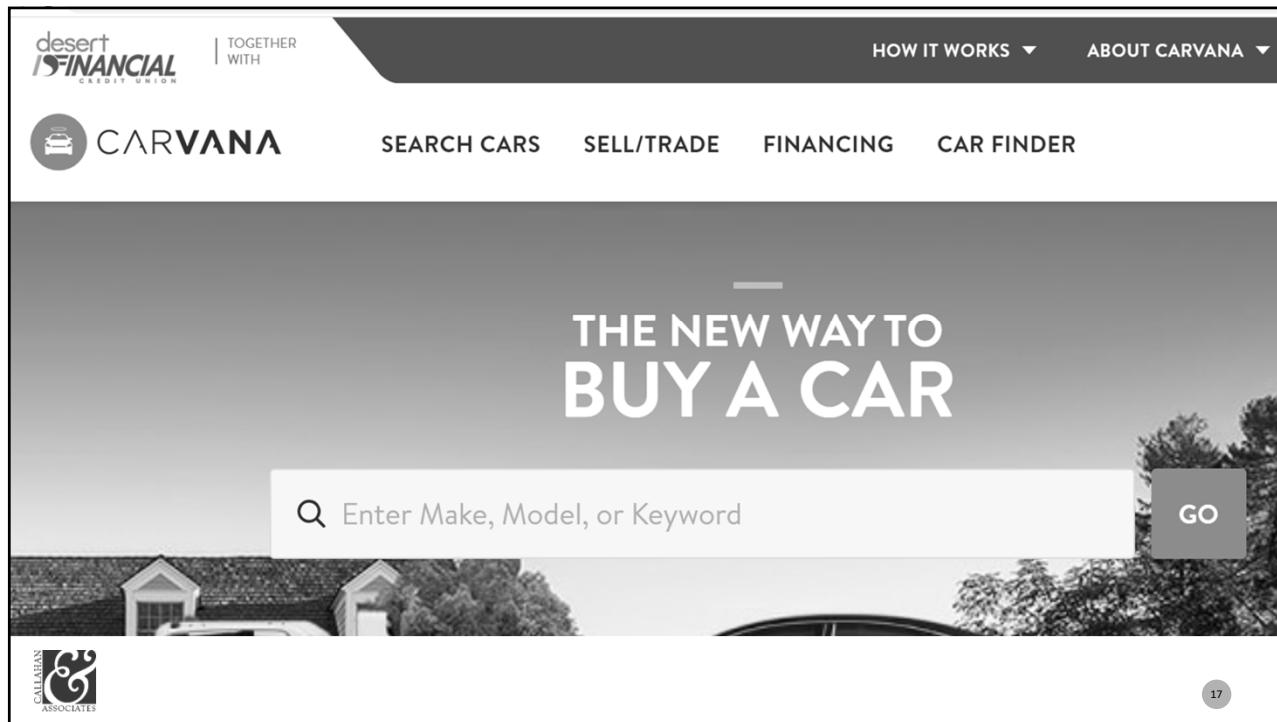
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HOW TO EMBRACE DEFEAT

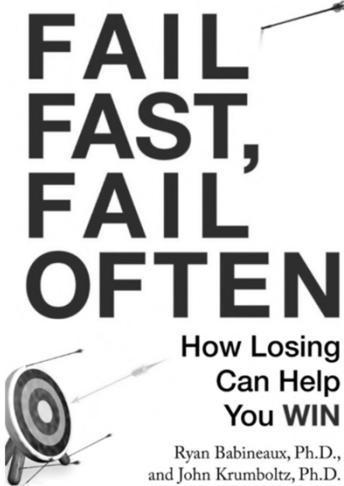
- Identify your fear
- Reverse your thinking
- Do it anyway
- Fail forward
- Find the next challenge



Source: *Fail Fast, Fail Often* by Ryan Babineaux and John Krumboltz

"If you're not occasionally failing, you're not trying hard enough. *Fail Fast, Fail Often* offers helpful tactics for conquering paralyzing fear and taking the strategic risks necessary for success."

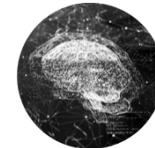
—Todd Henry, author of *Die Empty* and *The Accidental Creative*



19

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KEY QUESTIONS REGARDING MINDSET



- Is innovation a leading component of your culture?
- Are you willing to fail a little to learn a lot?
- What is the role of collaboration as your credit union evolves?



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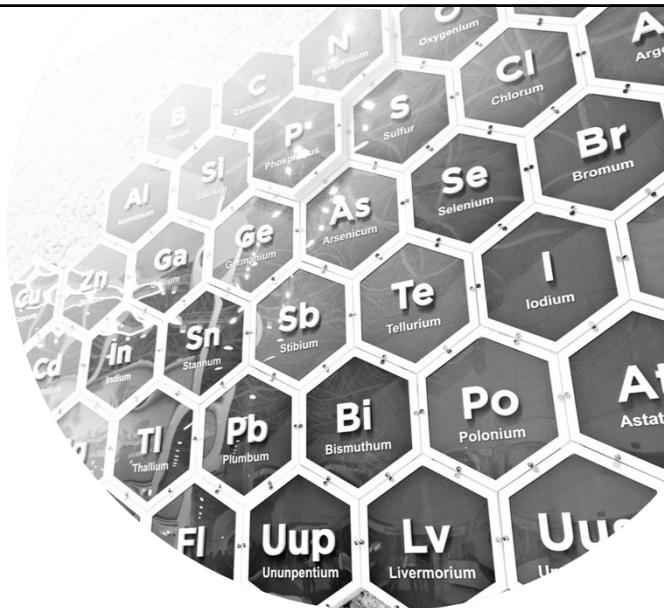
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TALENT

KEY ELEMENTS OF THE TALENT IMPERATIVE

- Human
- Inclusion
- Experience





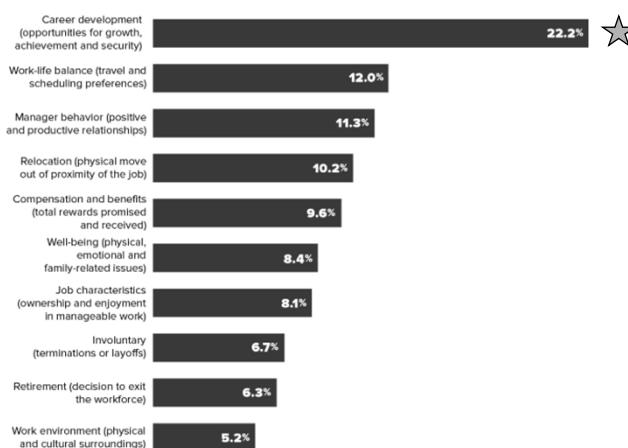
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INVEST IN YOUR HUMANS

Why People Quit

The leading reasons why employees left their jobs in 2018.



Source: Work Institute.



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24

INVEST IN NEW ROLES TO HELP

MYESHIA JONES

SUCCESS NAVIGATOR
AMERICAN 1 CREDIT UNION



DEBRA O'BRYAN

DREAM MANAGER
COMMUNITYAMERICA CREDIT UNION



25

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FORMALIZE DEVELOPMENT TODAY



Goal in support of NWCU Strategy or Core Values	Goal in support of my department/branch	Personal development goal	Career Goals
The strategic focus/core value is.....	My department is focusing on.....	My personal /professional development is focused on.....	My career goal/s is/are:
My goal in support of this strategy/core value is.....	My goal in support of this focus is.....	My goal in support of my development is.....	My plan to move toward that goal is.....
My action items to accomplish this goal are:	My action items to accomplish this goal are:	My action items to accomplish this goal are:	My actions items to further my plan this year are:
The timeline for completion is.....	The timeline for completion is.....	The timeline for completion is.....	The timeline for completion is.....
Notes:	Notes:	Notes:	Notes:



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TAKE A LOOK AT YOUR BENEFITS



401K ALTERNATIVES



LIFESTYLE



TIME OFF



REMOTE WORK

INCLUSION

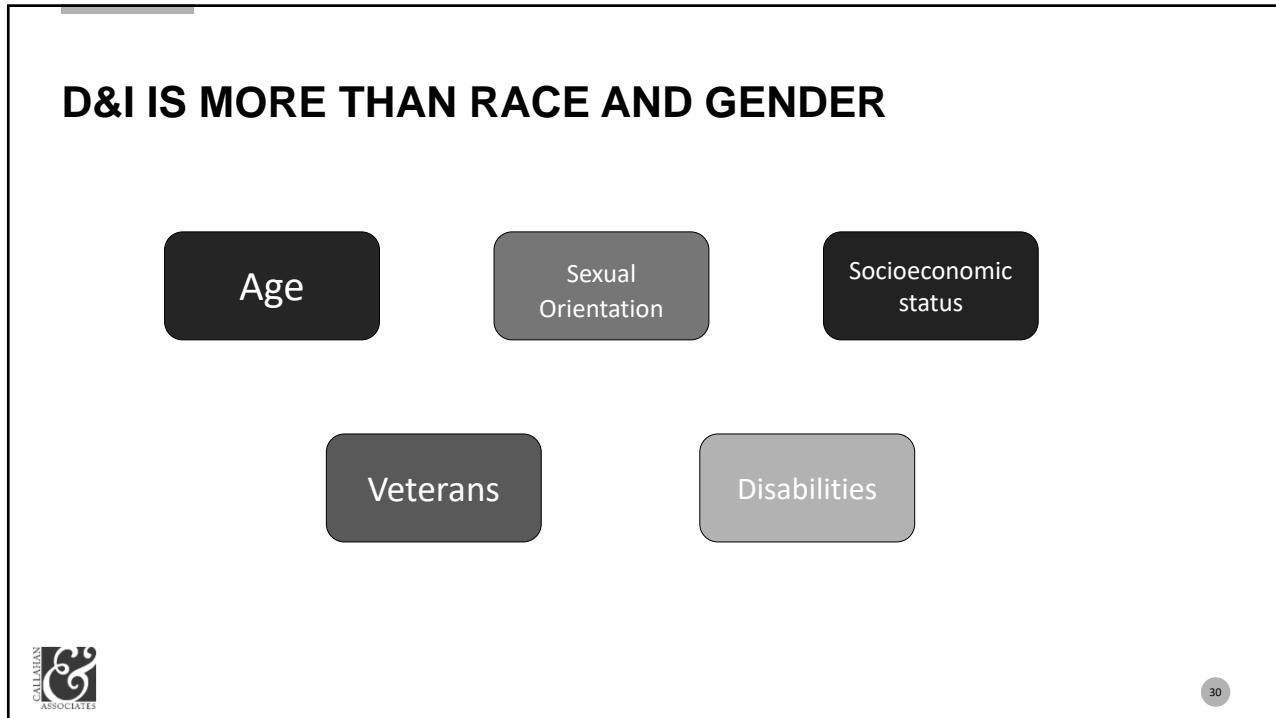
DON'T WAIT TO FOCUS ON INCLUSION



The screenshot shows a dark-themed website for Veridian credit union. On the left, a vertical navigation menu includes 'Membership', 'Careers', 'Community', 'Inclusion' (which is highlighted), 'Veridian Grants', 'Assistive Tools', 'Inclusion Resources' (with a small arrow indicating it's expandable), and 'Supplier Diversity'. The main content area features a black and white photograph of two smiling people, one with glasses and a shaved head, embracing. Below the photo, the heading 'Inclusion Resources' is followed by a list of initiatives: 'Greater Des Moines Partnership - Diversity and Inclusion Council', 'Greater Des Moines Partnership Inclusion Magazine', and 'Consumer Choices Option (CCO)'. A note at the bottom says, 'For more information, please contact Angela Weekley, Community Inclusion Manager, at supplierdiversity@veridiancu.org, or AngelaMW@veridiancu.org'. To the right, there's a sidebar with a search bar, icons for routing numbers, and a 'Members and Guests' section.

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D&I IS MORE THAN RACE AND GENDER



The diagram consists of five rounded rectangular boxes arranged in two rows. The top row contains three boxes: 'Age', 'Sexual Orientation', and 'Socioeconomic status'. The bottom row contains two boxes: 'Veterans' and 'Disabilities'. All boxes are dark grey with white text, except for 'Sexual Orientation' which is light grey.

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TECH VS. TALENT...WHICH IS BETTER?

?

Best Member Experience

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THE TRUTH



Best
Member
Experience



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6 WAYS TO REDUCE FRICTION IN THE MEMBER EXPERIENCE

1. Train employees
2. Improve processes
3. Enhance technology
4. Optimize facilities
5. Communicate
6. Mine data for insights



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KEY QUESTIONS REGARDING TALENT



- How do you find, develop, and retain *great* employees?
- Are you evolving your roles to meet the demands of the future?
- How are you incorporating diversity & inclusion into your strategy?



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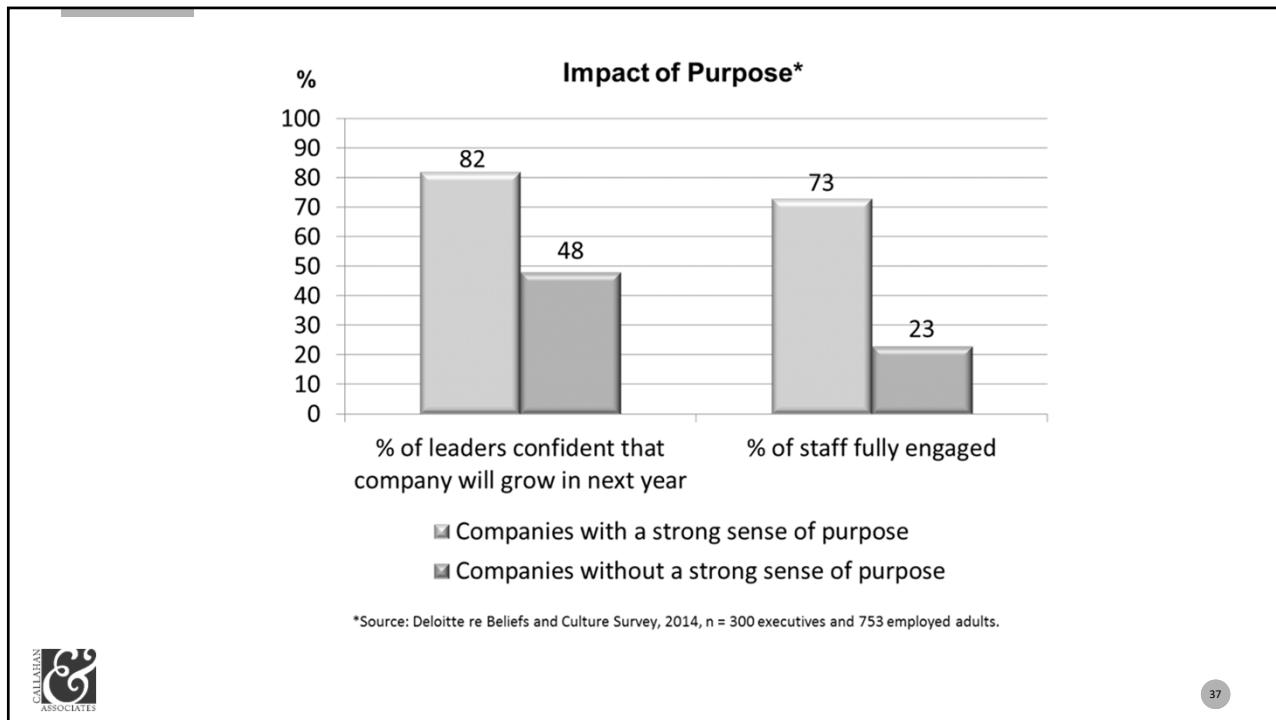


PURPOSE

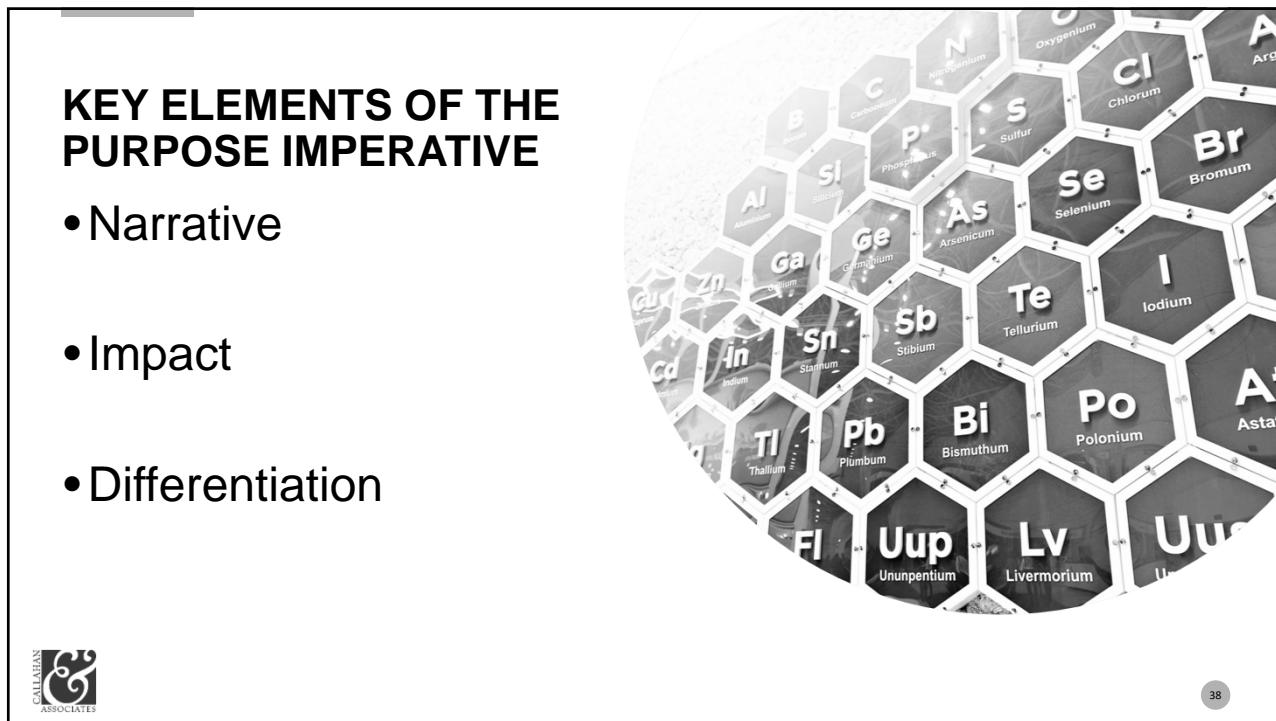


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NARRATIVE

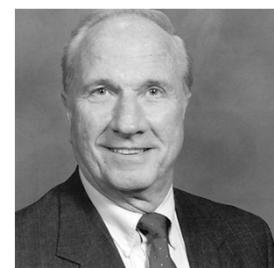
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OUR MISSION

Credit unions are different and always have been. We never came together with the notion of making money, but with the notion of helping people and improving their lives.

- Ed Callahan

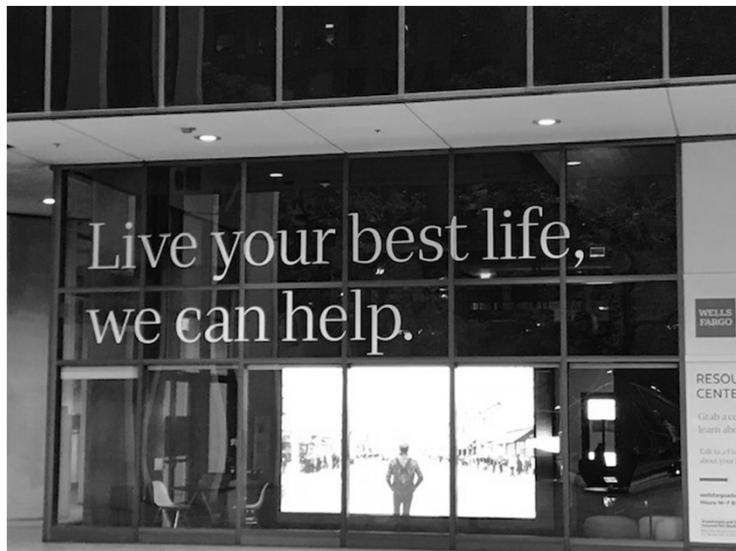


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TELL YOUR CREDIT UNION STORY



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TELL YOUR CREDIT UNION STORY

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ASSOCIATES

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TELL YOUR CREDIT UNION STORY



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DIFFERENTIATION

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WE'RE MEMBER OWNED



SC Telco FCU's Work With Habitat for Humanity



Serving Drug Store Employees and their Families Since 1963

Connect With Us
f e in

Home Virtual C U Products & Services Credit Card Membership Contact Us Blog

WHAT IS THE CREDIT UNION DIFFERENCE?

Credit Union Philosophy
The credit union philosophy of "People Helping People" has guided the financial cooperatives that abide it for more than 100 years. This solid foundation is built on principles and bound by a mission to serve members—a mission that is perennially recognized as the best customer service model in the nation.

WE'RE ROOTED IN COMMUNITY



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FOCUS ON THE COOPERATIVE DIFFERENCE



We believe in people over products

Our relationships with our members are incredibly important to us. You are the foundation of DC Credit Union.

A history of supporting our community

We were created in the 1950s to serve the needs of District government employees who were struggling to make ends meet. We are still community-driven and available as a helpful resource for the members of our community.

Our community partnerships »

We believe in first and second chances

Where you start shouldn't determine where you end up. DC Credit Union is committed to fostering financial inclusion and access to affordable credit.

What makes us different »

Helping you live the life you want to live

DC Credit Union helps our members transform their lives through a focus on progress and forward movement.

Get Inspired »

 Let's reclaim your future.

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AND MAKE IT APPARENT...EVERYWHERE

The screenshot shows the homepage of the Industrial Credit Union website. At the top, there's a dark header with the logo 'INDUSTRIAL CREDIT UNION' and the text 'IN YOUR CORNER'. To the right is a section for 'ACCOUNTS + LOANS' with a piggy bank icon. Below the header, a banner reads 'Proudly Serving Whatcom County Since 1941'. A navigation bar includes links for 'HOME / ABOUT US / MEMBERSHIP / THE CU DIFFERENCE'. The main content area has a title 'THE CREDIT UNION DIFFERENCE' and a sub-section titled 'Why Join'. Below this, a paragraph explains that the credit union is a cooperative owned by its members. It also lists 'The Seven International Operating Principles' and features a small image of two piggy banks labeled 'BANK' and 'CREDIT UNION' with the question 'WHAT'S THE DIFFERENCE?'.

What Makes a Credit Union Different From a Bank?

Jenna Taubel About The Author
Aug 29, 2017 6:40:00 AM

Bank vs Credit Union...what's the difference? On the surface banks and credit unions can seem very similar. Both banks and credit unions offer financial services like checking accounts and loans. Your accounts are federally insured up to \$250,000 at both institutions. They both offer access to your accounts online or at a branch. It isn't until you dig a little deeper that you develop a true understanding of the fundamental difference between a credit union and a bank.



The Major Differences Between Credit Unions and Banks:

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AND MAKE IT APPARENT...EVERYWHERE



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GET THE WHOLE CREDIT UNION INVOLVED



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IMPACT

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MEASURE YOUR IMPACT

of Financial
Health Programs
Offered

\$ Habitat For
Humanity Loans

\$ Grants

% Employee
Diversity

Employee
Volunteer Hours

First Time Home
Buyer Loans



51

51

MEASURE YOUR IMPACT

Performance Metric	2019 Plan
Members with \$500+ in Savings/Checking	45% or Better
Member Participation	5.11
Overall Satisfaction Score	9.15
Core Member to Member Ratio	65% or Better
TRIP Loans with Rate Reduction	75% or Better
Fees Per Member	\$50 or Less



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THEN COMMUNICATE THAT WITH MEMBERS



Our Members

We are honored to be a part of many of our members success stories.

Maurice's Story

Jawonna's Story

Jerry's Story

45%

of 1st Financial members have improved their credit by an average of 47 points over the past three years.

BUILDING CREDIT | It Can Only Go Up From Here



Maurice is a 1st Financial member who has overcome some serious financial hurdles. His account account went negative and eventually was closed. He later came back to the credit union to learn how to improve his credit. The road wasn't easy and along the way, he encountered new struggles that he had to overcome.

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KEY QUESTIONS REGARDING PURPOSE



- Do you feel your credit union has a clear purpose?
 - Do your members and community know it?
- How are you differentiating your credit union?
- What's your unique brand story? How well do you tell it?
- How do you measure your impact?



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FOCUS ON THE INDUSTRY IMPERATIVES



PURPOSE



TALENT



MINDSET



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Thank You!

Alexandra Gekas

✉ agekas@callahan.com

LinkedIn.com/in/alexandra-gekas/

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