

Payables Strategy Series: Part 2

# REDUCING FRAUD IN YOUR PAYABLES STRATEGY

A VIRTUAL APPROACH



**CRAIG JEFFERY**

Managing Partner, Strategic Treasurer

**JACKIE SHARPBACK**

Director of Product Management, Comdata



## WHAT.

A look at fraud situations, what payment platforms are doing, and how companies can reduce vulnerabilities.



## WHEN.

Thursday, August 27, 2020  
2:00 PM – 3:00 PM EDT



## WHERE.

Live Online Presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



Presented by Comdata and Strategic Treasurer.

# ABOUT THE SPEAKERS

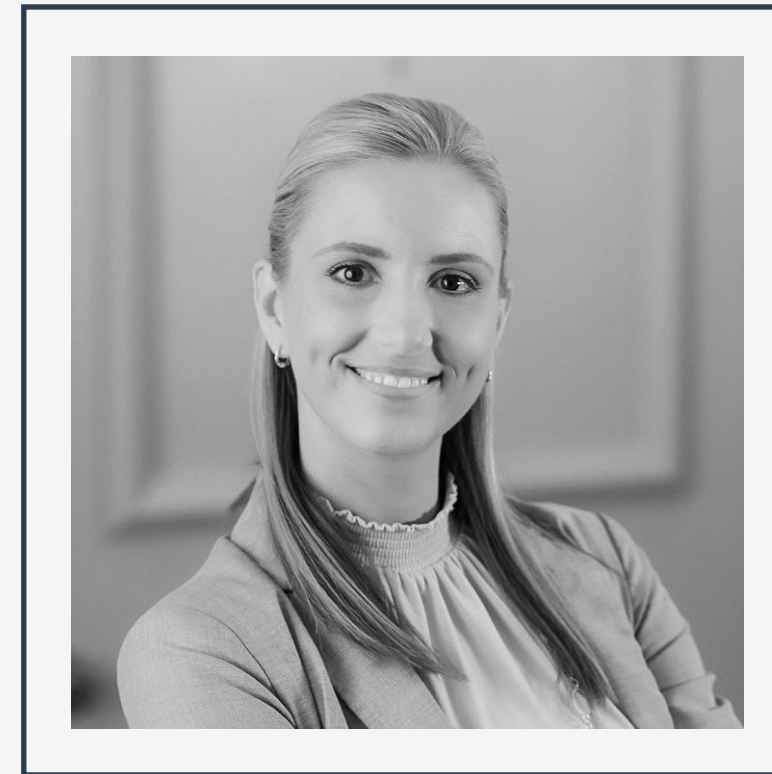
## GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



### **CRAIG JEFFERY**

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



### **JACKIE SHARPNACK**

As Director of Product Management, Jackie is responsible for product strategy and development for the company's corporate payments products and expense management solutions. Prior to joining the product team, Jackie was a Relationship Manager at Comdata and has been with the organization since 2014.

Jackie holds a bachelor's degree from Ohio State University and a master's degree from the University of Akron.

# TOPICS OF DISCUSSION

## TODAY'S KEY AREAS OF FOCUS

Fraud in payments is significant and increasing in frequency and average loss. Criminals are leveraging their playbook for fraud and continue to expand their attack methods.



### **GROWTH OF FRAUD**

Frequency; Automated;  
Sophisticated; Level of Loss



### **PERVASIVENESS OF FRAUD**

Criminal Playbook



### **PAYMENT CHANNEL PROTECTIONS**

Status of Security



### **REDUCING THE ATTACK**

One-Time Use or Hidden



### **VIRTUAL APPROACH**

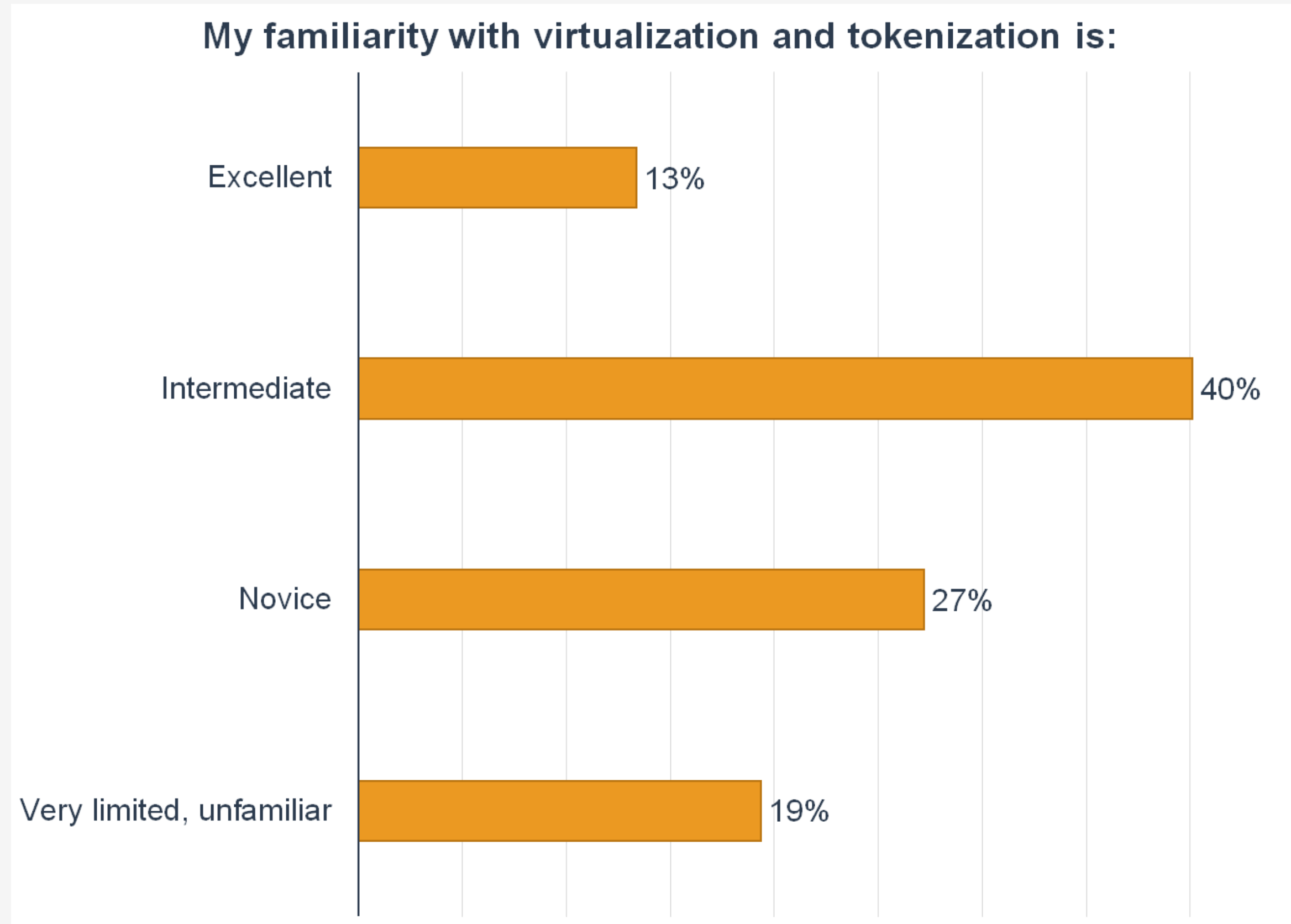
Tools at Your Disposal



### **NEXT STEPS**

Action Plan

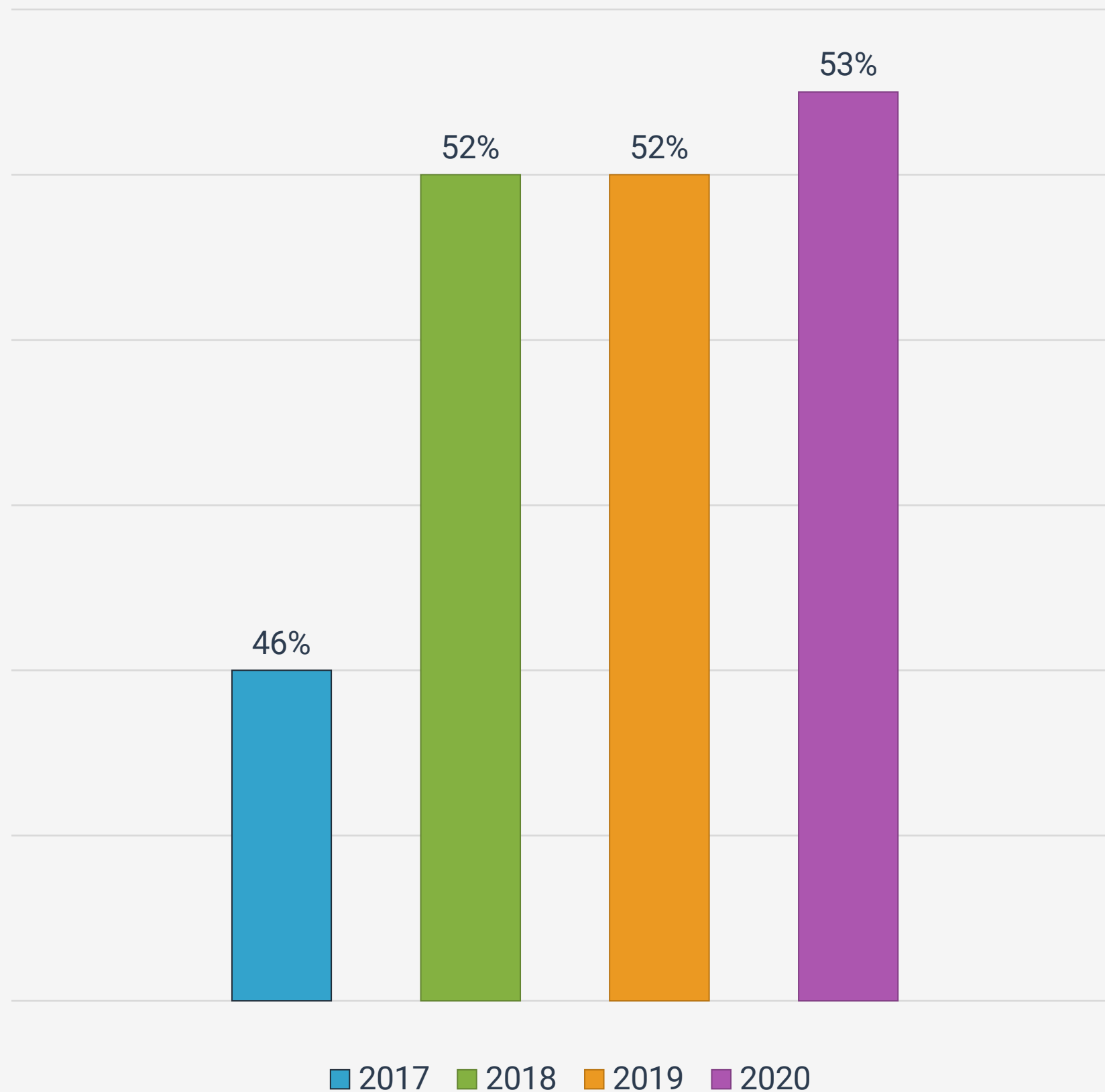
# POLL QUESTION



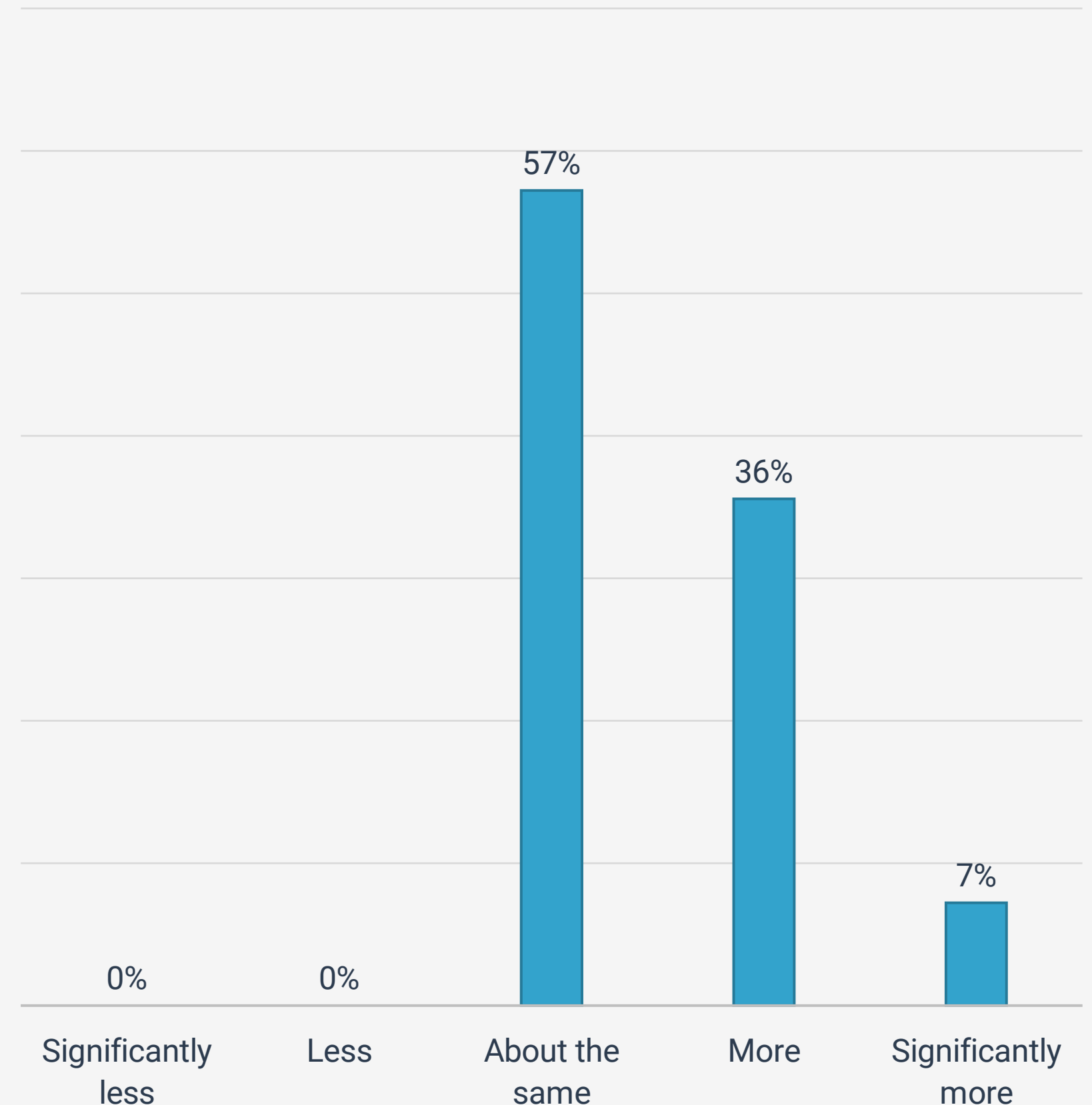
# FRAUD INTENSIFYING

## AND SO IS THE BURDEN OF DEFENSE

Over half of respondents report experiencing fraud in the last 12 months.



The cost and burden of providing treasury fraud and controls services is not going down.

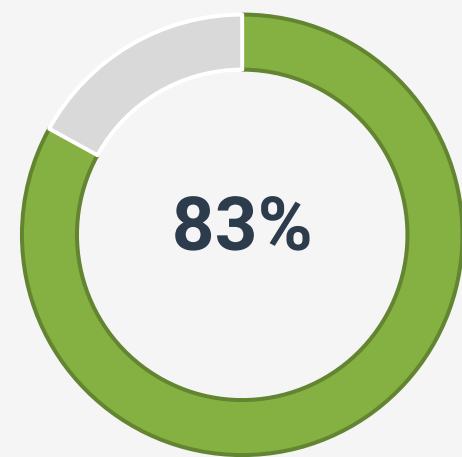


# FRAUD TARGETS

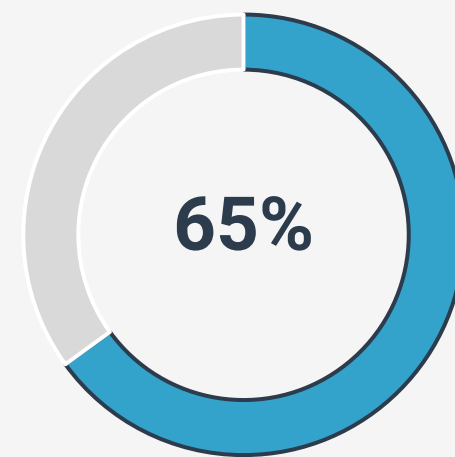
PAYMENTS ARE OFTEN THE FOCUS

Fraud experienced in the last 12 months (attempts, losses, and losses with a termination of at least one employee)

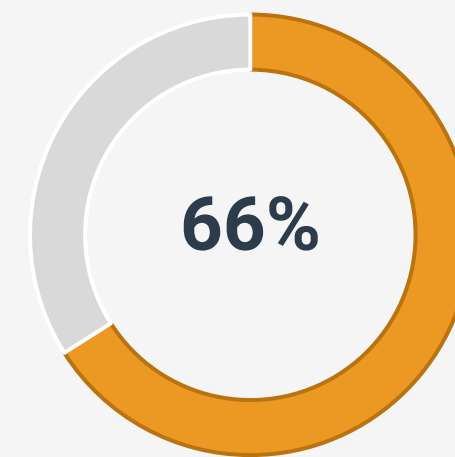
Email  
Compromise



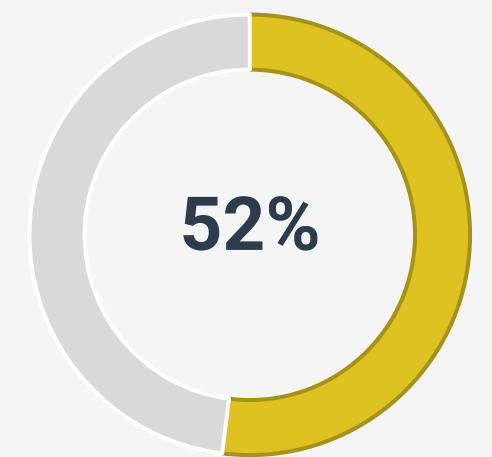
Bank Mandate  
Fraud



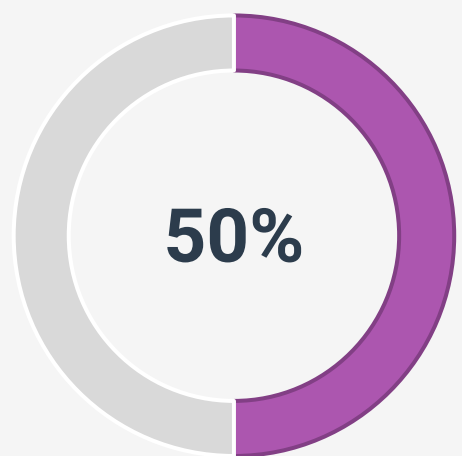
Social  
Engineering



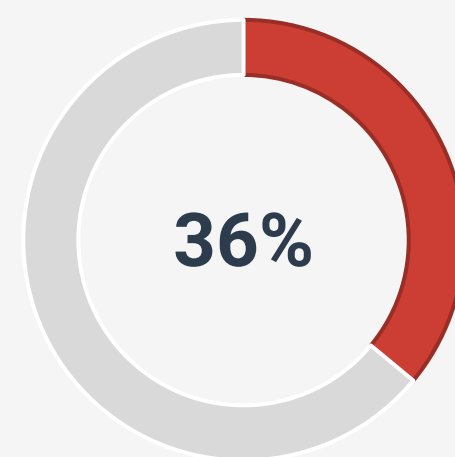
Payment  
Diversion



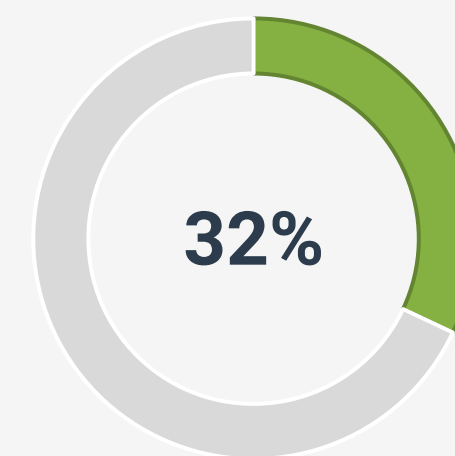
Cyber Fraud



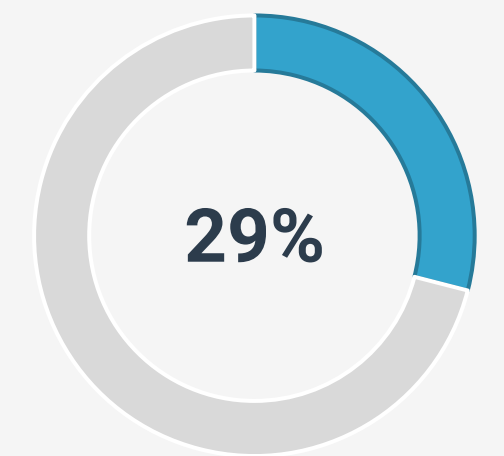
Check  
Conversion



ACH Fraud

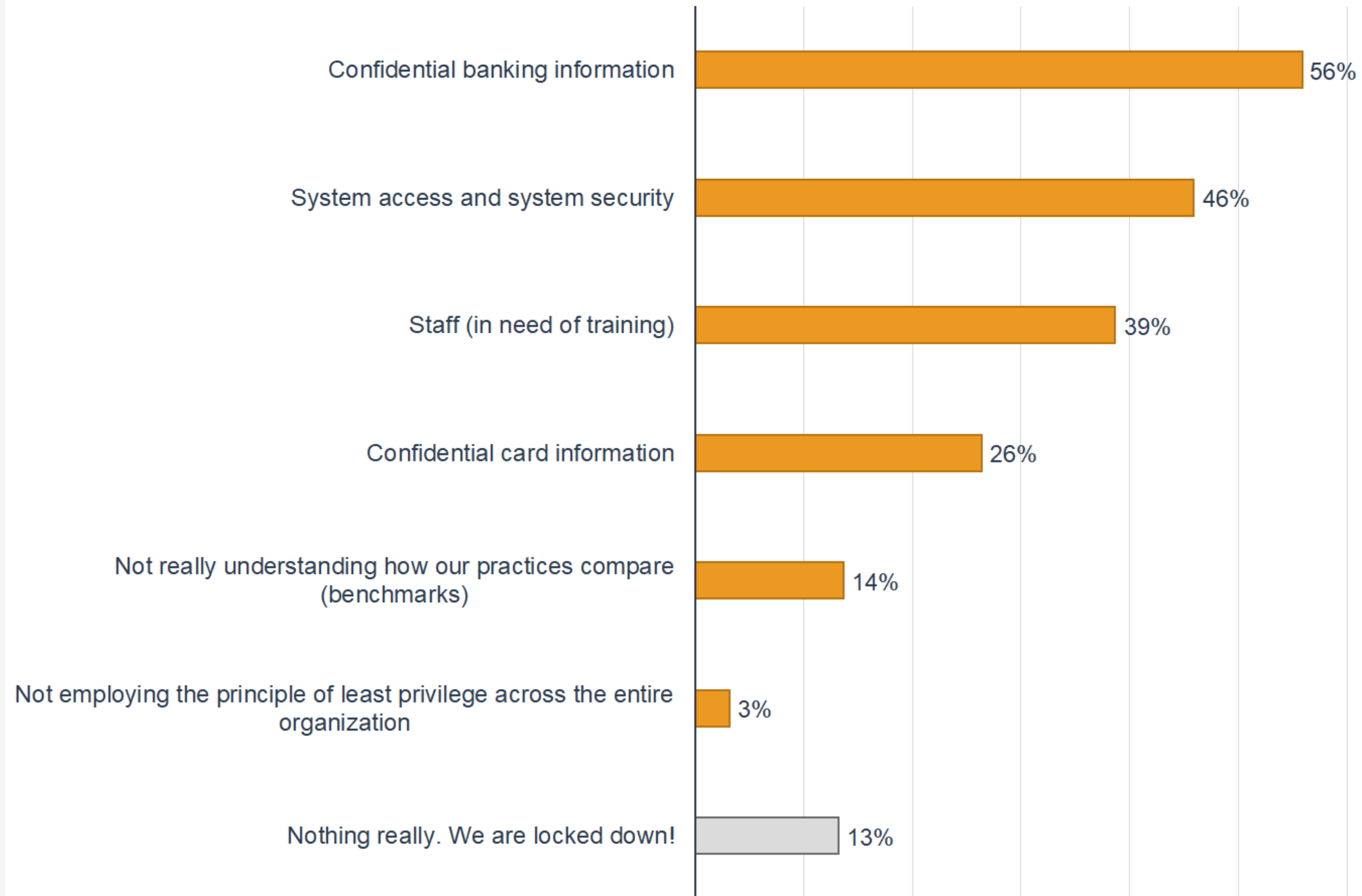


System-Level  
Fraud



# POLL QUESTION

**Our significant organizational exposures include: (Select all that apply)**





# THE CRIMINAL'S PLAYBOOK

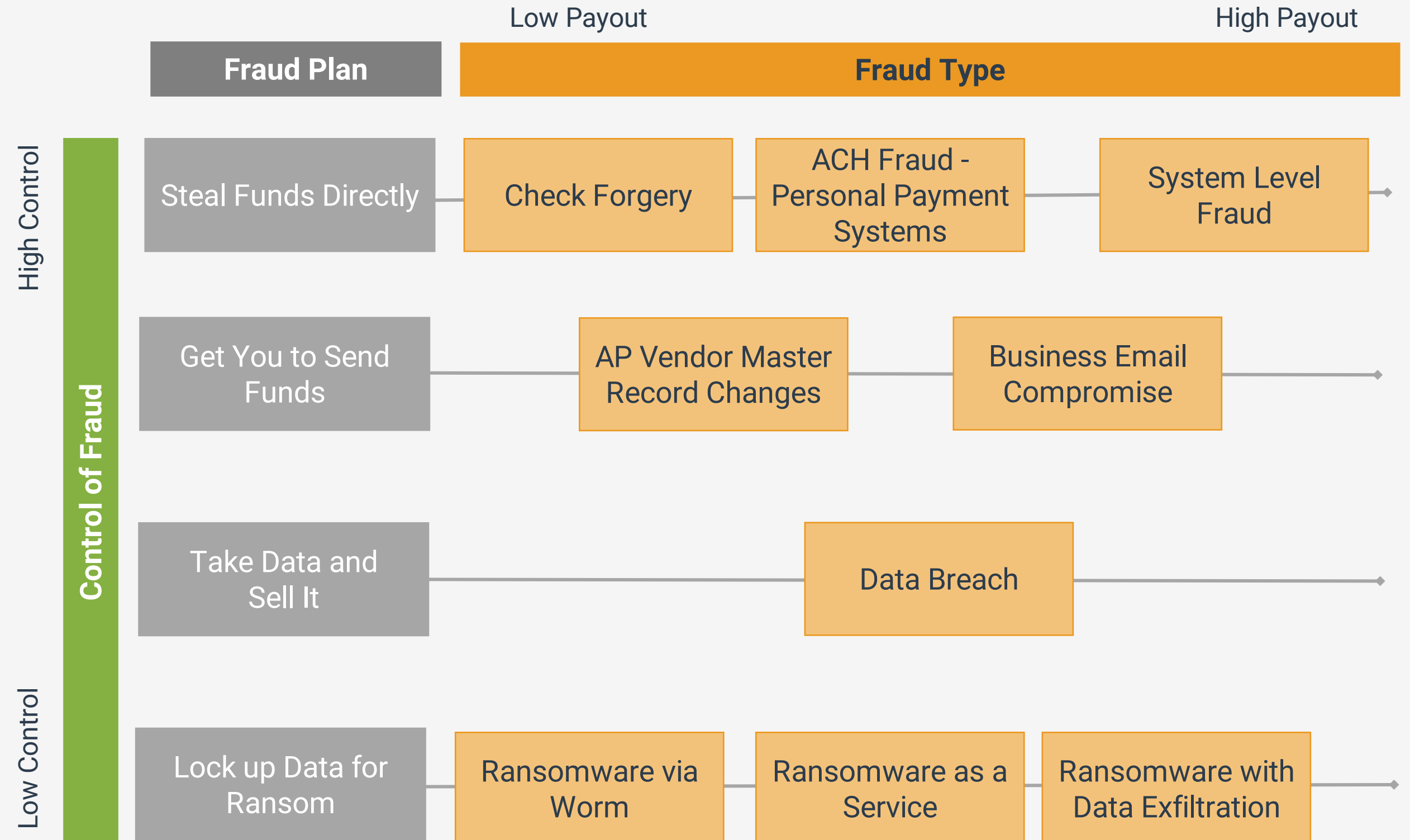
## THREAT SOPHISTICATION

Automation has helped the criminals scale their attempts and is clearly outpacing high-touch and high-exposure attack methods. The larger payoffs are attracting more sophisticated criminals who want to ensure that crime keeps paying.



### CRIME PAYS

- Leverage Automation
- Target Weak Areas
- Secure Medium to Large Payoffs
- Go Where the Money Is





# FRAUD

BY THE NUMBERS



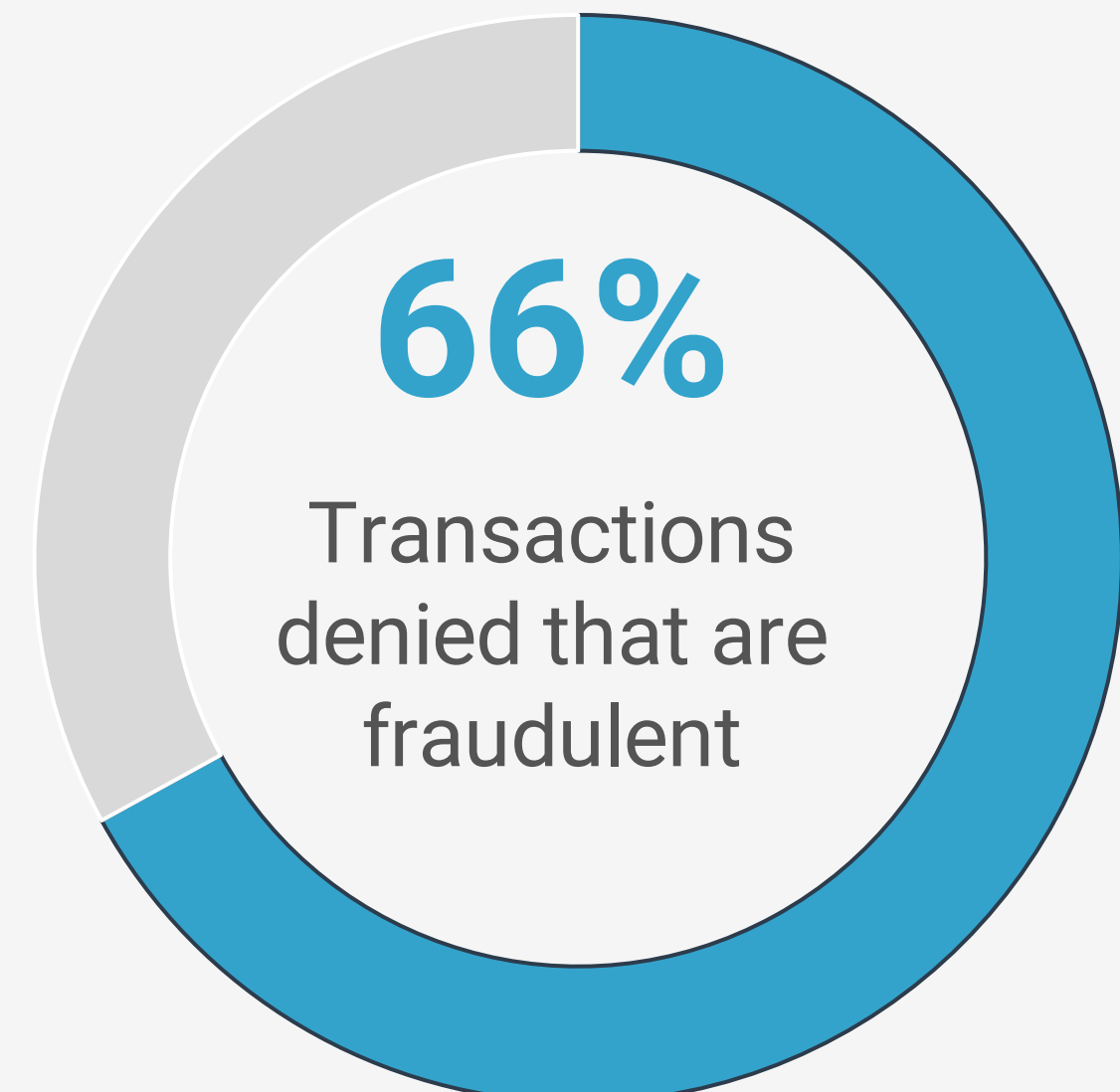
**240MM+**

Total Transactions  
in a Year



**23K+**

Notifications Sent  
in a Year



# FRAUD ACROSS CHANNELS

ACCESS POINTS INCLUDE PEOPLE AND PAYMENT RAILS



## PEOPLE

- Prevalence of spoofing
- Business email compromise or CEO fraud
- Credential compromise



## CHECK

- Payment information included on the instrument
- Entry-level criminals can start their criminal business



## CARD

- Skimmers
- Data theft from merchants
- Volume of activity
- Industry security process in place over 15 years (PCI-DSS)



## WIRE

- Size of fraud incidents
- Finality of settlement
- Instantaneous nature of funds movement
- Cross-border

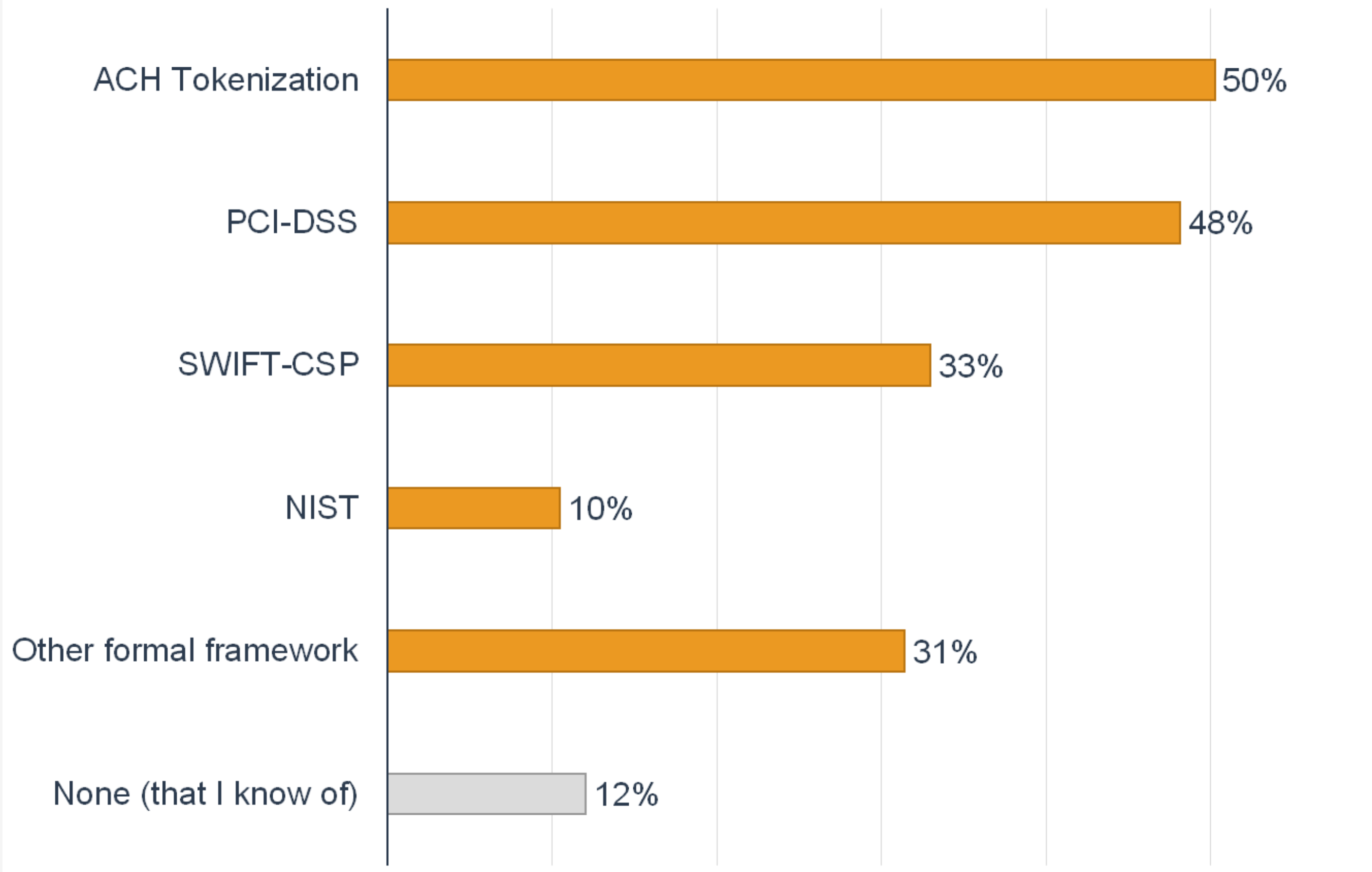


## ACH

- Consumer use of ACH activity
- Non-match of account number and name allowed
- Rate of volume growth

# POLL QUESTION

**Our company follows the following security frameworks:  
(Select all that apply)**



# PAYMENT CHANNEL PROTECTIONS

## STATUS OF SECURITY

### PCI-DSS



### SWIFT-CSP



# REDUCING THE ATTACK

## ONE-TIME OR HIDDEN



### SPEED MATTERS

For criminals, the faster a fraudulent payment can be pushed through corporate controls and into their bank, the quicker they can make away with the funds.



### DEFENSIVE POSTURE

Conversely, the faster an organization can identify suspicious activity or payments, the better chance they have at stopping criminals.



### RAPID RECONCILIATION

For firms with high daily payment volumes, the ability to auto-reconcile payments through a TMS or other solution can provide an advantage in quickly identifying errant payments and suspicious activity.



### BIDING THEIR TIME

Often, a criminal will wait until a holiday or a time when most employees are out of the office before initiating fraudulent transactions, in hopes that they will not be noticed until the funds have already been stolen.

### VIRTUAL CARDS

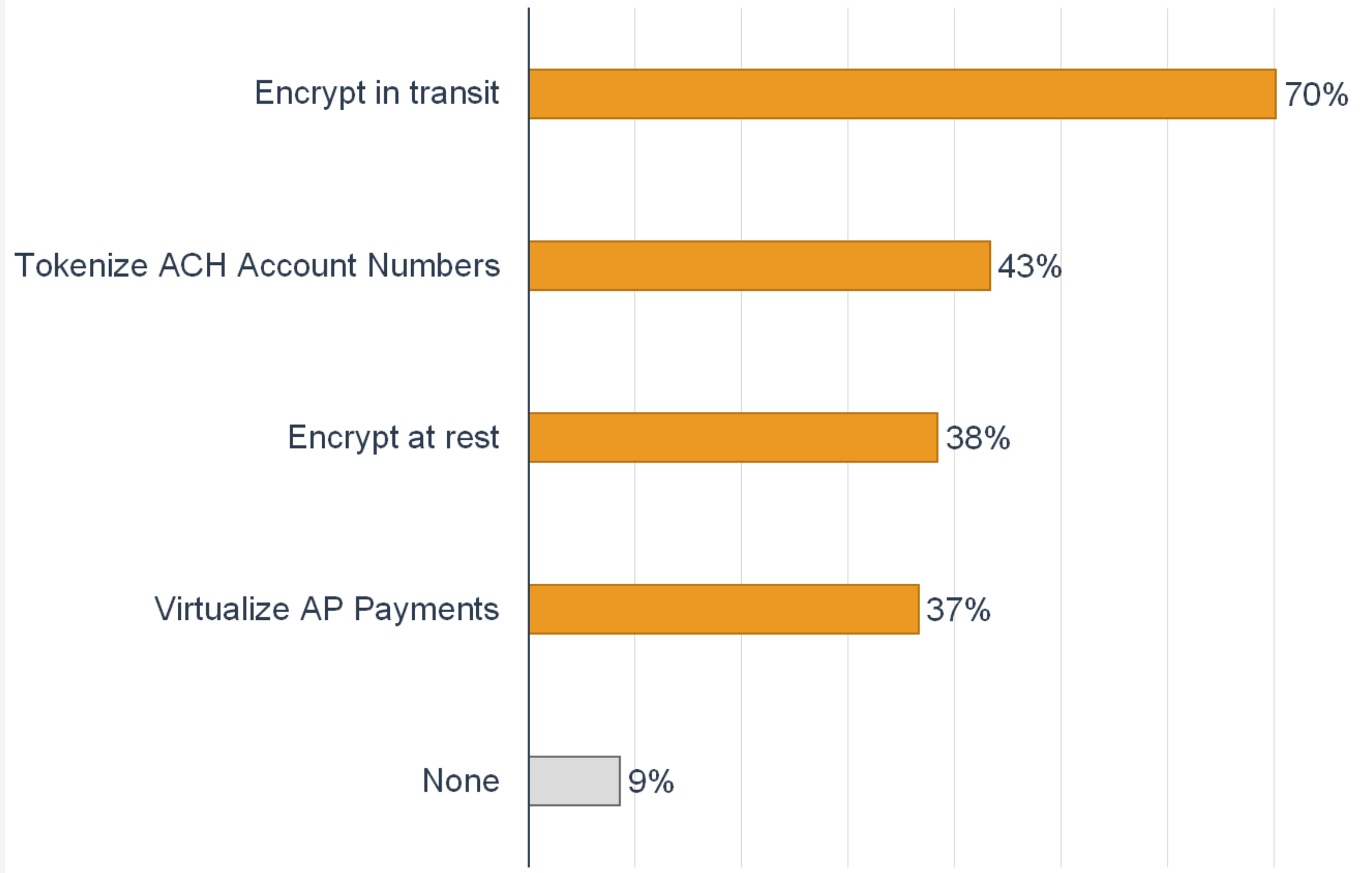
- Assigns unique, single use credit card number tied to a single vendor payment and issued for a specific dollar amount
- Electronic payment that can be used immediately
- Can be used for both small and large payments because of the extremely low security risk associated with the payment

### ACH PAYMENTS

- Low-volume, high-value payments
- No interchange fee
- Added security of payments must be predetermined and approved before transaction can be completed
- Once approved, the transfer occurs quickly

# POLL QUESTION

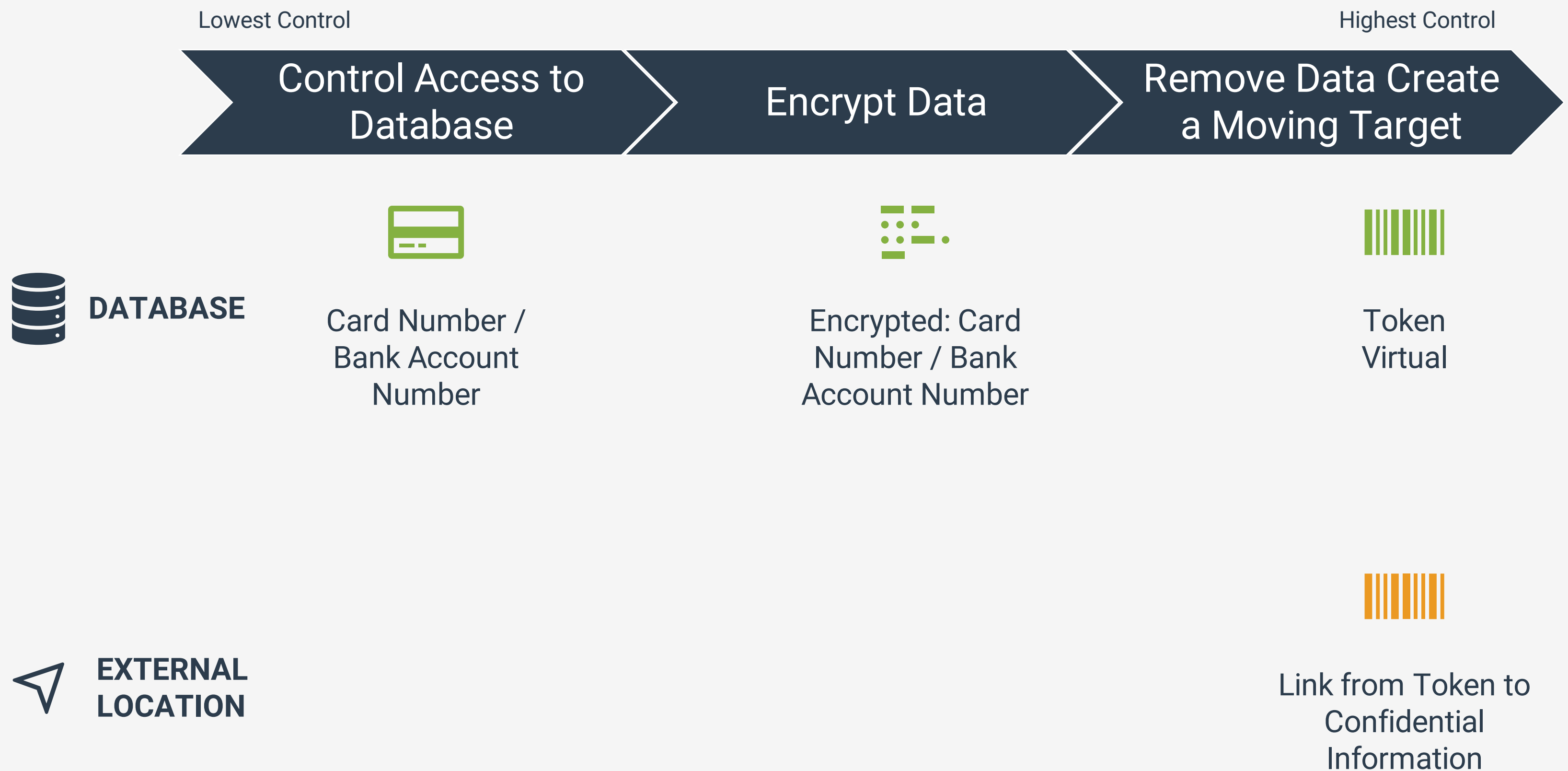
We do the following with confidential data related to payments (account #'s, CC#'s) (Select all that apply)



# TOKENIZATION

## IN SYSTEM

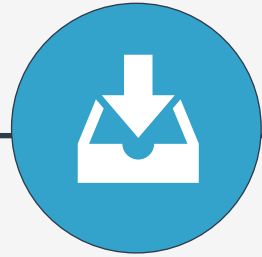
If the database is accessed and encryption is broken, the confidential information is exposed. In a tokenized environment, if that happens, they get a token.





# THE VIRTUAL APPROACH

SYSTEM, COMMUNICATION WITH OTHERS & ADOPTION ELEMENTS



## INBOUND PAYMENTS

- Universal Payment Identification Code (UPIC): a unique identifier that looks and acts just like a real account number on ACH payment transactions but doesn't expose your actual banking information



## OUTBOUND PAYMENTS

- Virtual/Ghost Cards: A randomly generated series of 16 numbers that can be used to make purchases, similar to a plastic card
- Option to issue a unique 16 digit card number for each payment or keep a standing card number on file



## PERSONNEL

- Team of One
- An Army

# TAKE-AWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE



## YOU ARE A TARGET

- Sophisticated
- Automated
- Crime pays well



## KNOW WHAT IS COMING

- Level of Care  
Across All  
Payment  
Channels
- Multiple Years of  
Increased Threats



## UNDERSTAND VIRTUALIZATION

- Know the Value
- Understand the  
Technical Steps
- Plan to  
Implement



## ALTER THE EQUATION FOR FRAUD

- Increase the Cost  
Required to Get a  
Yield on Fraud
- Take Inexpensive  
Steps to Reduce  
Exposure

# LET'S CONNECT.

DON'T LET THE LEARNING END HERE...  
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



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COMDATA Payment Innovation STRATEGIC TREASURER

PAYABLES STRATEGY WEBINAR SERIES:

# Making Payments: Moving Virtual for Flexibility

SEPTEMBER 29  
@ 3:00 PM EDT

TAD FORDYCE  
Comdata  
+  
CRAIG JEFFERY  
Strategic Treasurer

 Certified Treasury Professional  
Attendees receive 1.2 re-certification credits.

## Part 3: MAKING PAYMENTS

Sure, making payments by card seems like it could be useful in some cases. However, very few think that card allows a company to increase flexibility. This session will cover how virtualization functionally works to both streamline the process, allowing your finance group to scale and adapt in a highly flexible manner.



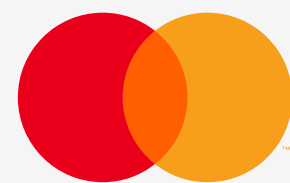
**Register for Part 3**



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