

It isn't always fraud

Commonwealth of Virginia Bank of America Summit 2019

Richmond, VA

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James Madison University

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James Madison University

Location:

Harrisonburg, VA

Enrollment (2018):

Undergraduate: 20,798

Graduate: 1,888

Current ERP System:

PeopleSoft

Pcard Spend FY2018:

29.5 Million

53,427 transactions



Agenda

- ▶ Fraud and Misuse
- ▶ How does fraud happen
- ▶ Ways to help reduce fraud
- ▶ How does misuse happen
- ▶ Ways to help reduce misuse

Learning Objectives

- ▶ Identifying the difference between Fraud and Misuse
- ▶ How prevalent is fraud and misuse
- ▶ Ways to prevent misuse on Purchasing Cards
 - ▶ Controls
 - ▶ Auditing
 - ▶ Training

What is the difference between fraud and misuse?

Fraud: Someone other than the cardholder is making unauthorized charges

Misuse: The cardholder is making unauthorized charges

The main difference between fraud and misuse is the person making the purchases.

How does fraud happen?

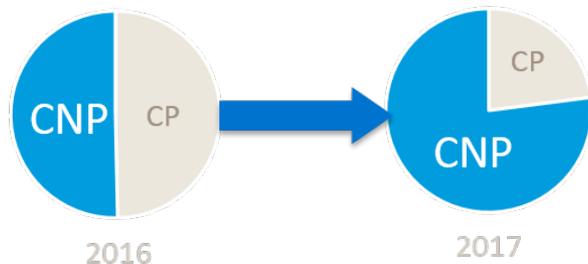
▶ Data Breaches

- ▶ According to Experian.com 14.2 million credit card numbers were exposed due to data breaches in 2017 (up 88% from 2016)*

▶ Account Takeover**

- ▶ Masquerading, Phishing, Smishing

▶ Card Not Present (CNP) Fraud**



▶ Lost or Stolen Card Fraud

*Information provided from <https://www.experian.com/blogs/ask-experian/what-is-a-data-breach/>

** Information provided by Bank of America Corporation. Bank of America N. A., Focused on card fraud prevention presentation 2018

How can you help reduce fraud?

You will never be able to reduce fraud 100% at your institution but there are some steps you can take to help reduce fraud.

- ▶ Educate your cardholders-make sure cardholders know not to give out card information except to the vendor they are doing business with
- ▶ If you haven't already issue Chip and Pin Cards
- ▶ Have cards shipped so that they can be tracked and know when they are arriving and where, we have all cards shipped to our office and picked up by cardholders from us
- ▶ Don't store full card numbers, printed or electronically
- ▶ Review cardholder usage, if cards are no longer needed or inactive cancel those cards
- ▶ Don't allow card sharing within an office/only the person who the card is issued to should be using the card
- ▶ Keep cards stored in secure locations when not in use, such as locked cabinets or safes

Misuse, why does it happen?

Misuse can happen for many reasons and can be intentional or not.

- ▶ Lack of policies and procedures
- ▶ Lack of understanding of policies and procedures
- ▶ Lack of audit by card administrators
- ▶ Lack of training/communication to cardholders
- ▶ Lack of review/approval of charges by supervisors

Ways to prevent Misuse

▶ Employee Agreement

- ▶ Have every cardholder sign an employee agreement that has clearly stated expectations on card use, their supervisor should also sign the agreement

▶ Policies

- ▶ Complete policies, grey area creates opportunities for misunderstandings
- ▶ Make policies that are easily understood
- ▶ Make sure policies are assessable
- ▶ Communicate policy changes to all cardholders in a timely manner
- ▶ Consistently enforce policies
 - ▶ Have an infraction policy for when policies are not followed that is clearly communicated to cardholders and supervisors

Ways to prevent Misuse

▶ Training, Training, Training

- ▶ New cardholder training-all cardholders must take
- ▶ Annual cardholder training
- ▶ Annual supervisor training
- ▶ Online training is great and convenient but make opportunities for in person training as well, this helps build a relationship between cardholders and pcard administrators

Ways to prevent Misuse

- ▶ Set reasonable single transaction and monthly credit limits on cards based on each cardholders spending needs
 - ▶ Review limits at least yearly to make sure limits are still accurate to cardholder spending
- ▶ Set MCC Controls up on cards
 - ▶ MCC's are Merchant Category Codes, each vendor has a MCC code
 - ▶ Block certain MCC codes depending on the purchasing needs of the cardholder
 - ▶ Set up MCC groups within your providers system to make it easier to set profiles on cards
 - ▶ When MCC blocks need to be lifted for special purchases return the blocks once the purchase has been made

Ways to prevent Misuse

- ▶ Supervisor review and approval of transactions
 - ▶ At least with each monthly statement the supervisor should review and approve all cardholder transactions
 - ▶ Supervisors need to know and understand policies and procedures so they can recognize any type of misuse
- ▶ Audit
 - ▶ Review transactions by audit reports, at JMU we run audit reports weekly to check for unusual or suspension transactions as well as looking at vendors that have higher risk of misuse like Amazon. We also run reports to make sure cardholders are following policies of the university, like using mandatory contracted vendors for certain transactions
 - ▶ Conduct onsite audits-we audit all of our cardholders onsite at least once in a fiscal year
 - ▶ Remember it is your job as the Card Administrator to make sure every transaction is compliant, you can ask for more information on any transaction at anytime!

Be a resource for your cardholders, supervisors and others on campus, this is the easiest way to prevent misuse

Many times misuse happens because of misunderstandings or uncertainty. Create a relationship with your cardholders and your campus where people are comfortable asking questions and knowing they will receive the correct, consistent answer.

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Questions?

Thank You

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