

Fraud Discovery Checklist for Credit Union Board of Directors

The following checklist will assist officials when fraudulent activities are suspected or discovered. It is provided for guidance only, and should not be construed as an all-encompassing list of required actions when credit union officials suspect or discover fraudulent activities.

Fraud can occur in any department of the credit union, by anyone from a teller to a board member, or a group of employees or board members could also conspire together to commit fraud. Officials should keep this in mind as they begin to act on suspicion of fraud.

Please read the entire checklist prior to completing individual tasks, as items may need to be performed out of order based on specific circumstances.

Tasks	Initials	Date	Comments
1. Contact the credit union's legal counsel for advice on how to proceed.			
2. Contact the credit union's NCUA examiner and state regulator, if applicable.			
3. Control access of the involved personnel: ¹			
a. Obtain keys and passwords from the individual(s). Request Fed tokens, security codes, user names and passwords, and vendor contact information. If the individual(s) is not cooperative, void authorization access. ²			
b. Consider contacting law enforcement or a security company if physical security concerns exist.			
c. Prevent removal of any items or possible evidence from the worksite, if this can be accomplished safely.			

¹ Access restriction should occur prior to placing the individual on administrative leave.

² Obtain usernames and passwords for all systems such as web-based applications, third party services, and email provider, payroll administrator, etc.

Fraud Discovery Checklist for Board of Directors

Tasks	Initials	Date	Comments
d. Revoke remote access to credit union systems.			
e. Re-key locks on doors, disable electronic badge access, and change alarm and camera codes. If the building is leased, notify the building management of re-keyed door locks.			
f. Change computer system passwords.			
g. Change signatories and wire authority on bank, Federal Reserve, investment, safekeeping documents, custodian accounts and corporate credit union accounts, etc. ³			
h. Obtain total control of any post office or mailboxes, night drops, ATMs, vault, teller drawers, etc. ⁴			
i. Notify third party vendors of the change in personnel and access. Vendors to include initially: ACH service provider, online banking provider, CUSO to support any electronic payment activity, post office box, security system provider, core system provider, ATM network, email provider, and payroll administrator.			
j. Ensure any relevant footage from security cameras is saved, secured, and not subject to being overwritten.			

³ Financial institutions normally require identification of new signatories. This process will be facilitated if current signers assist in the change. As different institutions will have varying procedures to make this change, the Board should contact the individual institution for further guidance on how to make the change as soon as possible.

⁴ This includes collecting all keys (such as cash drawers, mailboxes, desk drawers) from the individual and changing combinations where applicable (for example, vault, ATM, night deposit).

Fraud Discovery Checklist for Board of Directors

Tasks	Initials	Date	Comments
k. Secure credit union owned assets (such as cell phone, laptop, vehicle) from the individual including items maintained offsite.			
4. After consulting with the credit union's legal counsel, restrict access to involved personnel's credit union accounts, including:			
a. Freezing accounts (primary and joint).			
b. Closing charge/credit cards, both personal and corporate.			
c. Restricting access to safe deposit boxes.			
5. Perform review procedures to determine cash differences:			
a. Perform cash, vault, and ATM cash counts, under dual control.			
b. Account for teller/cashier checks, money orders, and negotiable instruments.			
6. Contact involved personnel:			
a. Consider interviewing the individual(s) to determine if they will share any relevant information. Ensure at least two individuals are present, and document any discussions with the individual(s). Consider having legal counsel present for any interviews. Be vague on the information found, and do not give a possible dollar loss to involved personnel.			
b. Suspend the personnel involved with pay until an investigation can be completed. Determine if other employees are involved and should also be suspended during the investigation. ⁵			

⁵ Credit union officials should consult with their human resources department and attorney during this step.

Fraud Discovery Checklist for Board of Directors

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<p>c. Escort involved individual(s) out the door. Do not leave involved personnel alone, as they could destroy or remove evidence. Advise them their personal possessions will be inventoried and boxed up, and they will be contacted for pick up.⁶ If there are safety concerns, consider contacting law enforcement or a security company to assist in escorting the individual(s) from the credit union.</p>			
<p>7. Depending on the individual's involvement in credit union operations, fill the operational void caused by the suspension.</p>			
<p>8. Review bond contract to determine notification deadlines, coverage, and notify bonding company of potential fraud.⁷ Also consider hiring specialized bond counsel, if necessary.</p>			
<p>9. Isolate and preserve all hard copy and electronic evidence. Ensure originals are in "as-is" condition, and do not write on or alter originals. If necessary, make working copies in order to preserve the originals for evidentiary purposes.</p>			
<p>10. Consider contracting with a third party to complete a mirror image of affected computers and computer systems.⁸</p>			
<p>11. Determine if a forensic audit is needed.</p>			

⁶This step does not include maintaining car keys, wallet, etc. If the individual(s) leaves with a briefcase or bag, officials should check contents for credit union possessions or evidence of the fraud prior to the individual(s) exiting the credit union.

⁷ The credit union officials should consider consulting with an attorney to ensure notification deadlines are met.

⁸ Mirroring makes an exact copy of the storage media on the computer that is precisely the same as the original both physically and logically. The purpose of mirroring is evidence preservation.

Fraud Discovery Checklist for Board of Directors

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12. Consider contacting law enforcement, if you haven't already.			
13. Assign a media contact person to develop a message and address any media questions.			
14. Inform staff. Messaging to staff should include, at minimum, an emphasis on business as usual, how to respond to member questions, maintaining confidentiality, and avoiding social media posts.			
15. If member accounts are involved in the fraud, a verification of member accounts should be performed.			
16. File a bond claim after all facts are known and per the bond contract deadlines. A forensic CPA may be able to assist you in filing the bond claim, or using a specialized bond attorney.			
17. Once the fraud is confirmed, consult with attorney to formally notify the individual(s) of termination and to determine pay due to involved individual(s). The acceptance of a resignation letter containing a "Hold Harmless" clause will be detrimental in pursuing any restitution. You should consult with your attorney before accepting any resignation letter and ensure any termination letters does NOT contain a "Hold Harmless" clause.			
18. Complete a Suspicious Activity Report (SAR) per regulatory requirements.			