# Connecting Government & Financial Institutions to Identify, Recover & Prevent Fraud
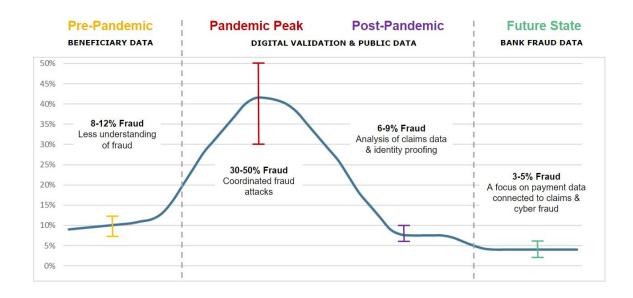
*Leveraging **private sector** financial crime unit expertise to enhance **public sector** fraud prevention and funds recovery*

# The Challenge:
*Fraudulent Claims are a Continuing Challenge for Agencies and Banks*

➔ U.S. and State Agencies annually disburse over **$1.5 Trillion** in **2 Billion transactions** for entitlement benefit payments

➔ Fraudulent claims peaked in the Pandemic but continue to be a challenge to prevent, resulting in **suspicious activity cases** for banks that are difficult to resolve

➔ Federal Law Enforcement estimates that banks still have over **$500 Billion** in suspicious beneficiary payments

➔ Sharing of **Agency-identified fraud payments** and **Receiving Bank-identified suspicious activity** is hindered by a lack of contractual relationships and no traditional rails to share information

| Pre-Pandemic | Pandemic Peak | Post-Pandemic | Future State |
|---|---|---|---|
| BENEFICIARY DATA | DIGITAL VALIDATION & PUBLIC DATA | | BANK FRAUD DATA |

**8-12% Fraud**
Less understanding of fraud

**30-50% Fraud**
Coordinated fraud attacks

**6-9% Fraud**
Analysis of claims data & identity proofing

**3-5% Fraud**
A focus on payment data connected to claims & cyber fraud

## Key players in the disbursements lifecycle operate in a "data vacuum", unable to safely share information that could improve the overall process

# Bank Regulations & Oversight

**Federal Reserve**

**FinCEN**

**Anti Money Laundering**

**Know Your Customer**

**OCC**

**Bank Secrecy Act**

**NACHA ACH Network**

**Department of Treasury**

**Homeland Security Patriot Act**

**Federal Deposit Insurance Corp**

# Manual Outreach Required to Banks & DPNs

# The Solution:
## *Public-Private Partnerships to Elevate Fraud Prevention and Case Resolution*

### State Agency Fraud Data

- Claimant Identity Verification
- Benefits Payment Calculation
- Employer Fact Finding
- Business Process Controls
- Bank Return Codes

### Identify | Recover | Prevent

Aggregates Agency & Banking Data

Accelerates Funds Recovery

Automates Fraud Prevention

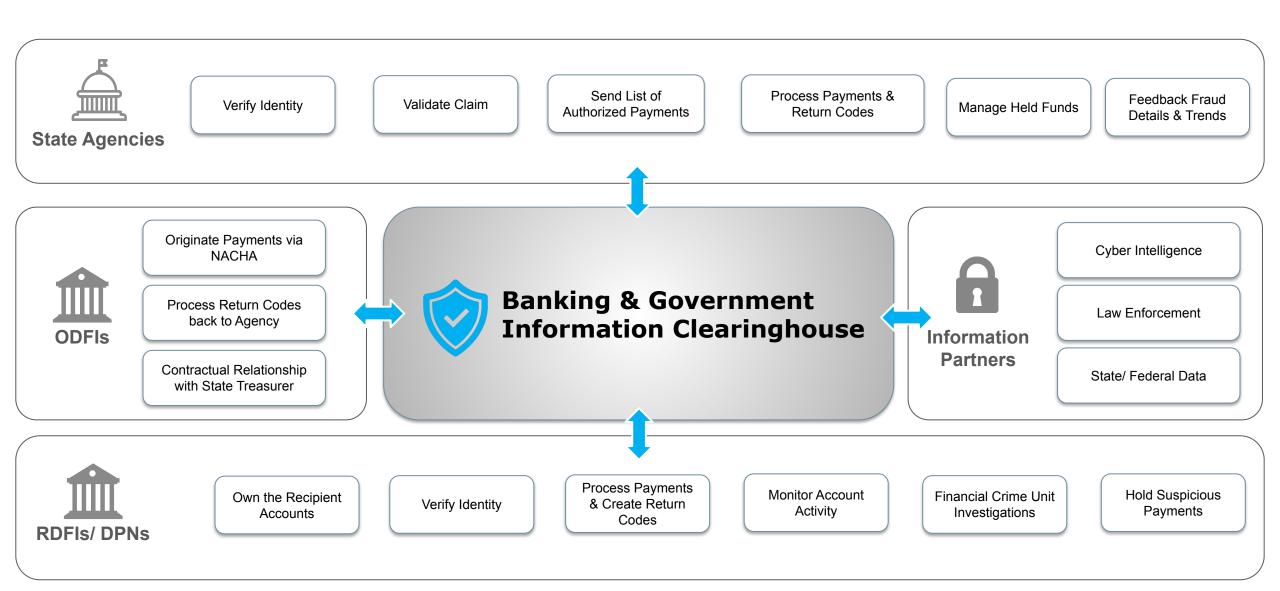Simplifies Communications

### Financial Institution Fraud Data

- Account Opening Validations
- Suspicious Account Data Changes
- Unusual Money Movement
- Abnormal Merchant Activity
- Multi-State/ Agency Benefit Activity

**A standardized method of integrating public sector agency information with financial crime data can significantly help to prevent fraud & resolve banks' suspicious activity cases**

# Connecting Agency Data with Financial Crime Analysis

## State Agencies

- Verify Identity
- Validate Claim
- Send List of Authorized Payments
- Process Payments & Return Codes
- Manage Held Funds
- Feedback Fraud Details & Trends

## ODFIs

- Originate Payments via NACHA
- Process Return Codes back to Agency
- Contractual Relationship with State Treasurer

## Banking & Government Information Clearinghouse

## Information Partners

- Cyber Intelligence
- Law Enforcement
- State/ Federal Data

## RDFIs/ DPNs

- Own the Recipient Accounts
- Verify Identity
- Process Payments & Create Return Codes
- Monitor Account Activity
- Financial Crime Unit Investigations
- Hold Suspicious Payments

# ACH Returns vs. Financial Crime Units Analytics

- ACH processing is a 50 year old batch network with limitations to preventing modern fraudulent networks

- Banks have been required by federal regulators to prevent disbursement of fraudulent payments
  - Bank Secrecy Act (BSA)
  - Customer Identification Program (CIP)
  - AML Act of 2020
  - OFAC
  - Escheatment

- Incorporating banking partner's analysis into the fraud prevention process will reduce fraud by another 50%.

| | ACH Return Codes | Bank's Financial Crime |
|---|---|---|
| Account does not exist | ✔ | ✔ |
| Account closed | ✔ | ✔ |
| Account holder deceased | ✔ | ✔ |
| Account Seized | ✔ | ✔ |
| Claimant name mismatch vs. account holder | ✖ | ✔ |
| Multiple UI claims into one account | ✖ | ✔ |
| Multiple state UI deposits | ✖ | ✔ |
| Large international funds transfers | ✖ | ✔ |
| Unusual merchant activity | ✖ | ✔ |
| Non-government account fraud activity | ✖ | ✔ |
| Bank Account Takeover (ATO) Detections | ✖ | ✔ |

**ACH Processing**

**Bank's Financial Crime Unit Analytics**

# THANK YOU



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