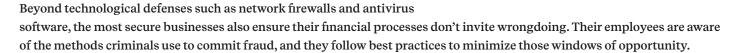# Frost

Business Insights

Fight Fraud with Better Financial Processes

How to build awareness and preparedness into every transaction

Every year, a myriad of new studies and alarming statistics warn against the growing prevalence of fraud and the staggering financial losses suffered by businesses of all sizes. Suffice it to say, the problem isn't going away. No company is invulnerable, but some are better protected than others.

Beyond technological defenses such as network firewalls and antivirus software, the most secure businesses also ensure their financial processes don't invite wrongdoing. Their employees are aware of the methods criminals use to commit fraud, and they follow best practices to minimize those windows of opportunity.

SIX WAYS TO IMPROVE YOUR FINANCIAL PROCESSES TO FIGHT FRAUD

If your business has yet to implement a robust framework of anti-fraud policies and procedures, there's no time to waste. In addition to training all employees to recognize threats such as phishing, malware and business email compromise (BEC), consider building the following protections into your day-to-day financial processes.

Improve permissions management. Whatever enterprise resource planning (ERP) or accounting software your company uses, it likely contains security features that allow you to set "permissions," designating which users are allowed to access certain files or tools or make certain types of transactions. It's critical to keep these types of controls up to date to ensure the right people can do their jobs effectively and to prevent unauthorized users from doing things they shouldn't.

Distribute control. Important financial processes shouldn't be completely controlled by one person; when they are, your business becomes susceptive to errors and deception. Separating duties ensures that critical business functions can only be carried out when two or more people are involved. Similarly, work with your bank to implement dual control transactions. This will require at least two people to review and approve certain actions, such as ACH payments or wire transfers.

Cut down on paper. Check fraud is extremely common, as criminals can intercept checks in the mail and cash them or use the information to create counterfeit checks. Most companies could dramatically reduce their risks by moving away from paper checks, and instead, opting to transfer funds electronically through ACH or other methods.

Lean on your bank. Many banks offer additional fraud protection services to their business customers. For example, Frost offers Positive Pay, which is a system to prevent unauthorized checks from being paid. With Positive Pay, the bank compares each check presented for payment to an approved list provided in advance by the customer. If a check doesn't match up, it gets flagged for review.

Verify Identification. Given the nerve and sophistication of today's con artists, one cannot assume that emails or texts are legitimate. Employees with the authority to make financial transactions must maintain a policy of suspicion. Anything that seems out of the ordinary — such as a request for account information or a customer changing their payment instructions — should be verified with a follow-up phone call to the other party.

Have a recovery plan. Even with exhaustive efforts to prevent fraud, it can still happen to any business. If and when it does, time is of the essence. Your company should already have a specific plan in place to shut down the attack, minimize the damage and ensure it doesn't happen again. Your recovery plan should include details such as the proper contact for people at your bank and law enforcement, along with what steps might be necessary to recover your funds, if possible.

Putting in the work to ward off financial fraud may not be easy, but it's truly a case where an ounce of prevention is worth a pound of cure. At Frost, our business banking team is committed to playing a role in every aspect of your financial security, including fraud prevention. Call your Frost banker to learn more about how we can help.

WE'RE HERE TO HELP

Scan the QR code or visit: FrostBank.com/TMServices to learn more.