

Fraud Discovery Checklist for Examiners

Fraud can be committed in any department of the credit union and by anyone from a teller to a board member, or even collusion between a group of employees or board members. Examiners should keep this in mind as they begin to act on a suspicion of fraud.

This checklist provides guidance to examiners through the fraud discovery process. Fraud discovery is a fluid process and every fraud discovery process is different; therefore, examiners should use their judgement when completing the checklist.

Task	Initials/ Date	Comments
Notification		
1. Notify your supervisor as soon as fraud is suspected. Keep your supervisor updated regularly.		
2. Determine who is involved in the fraud. Discuss with your supervisory examiner whether to request a personal database search through DOS.		
3. If the fraud is considered a Level 1 Fraud discuss with your supervisor how and when to notify management, the board of directors, and the supervisor committee of the fraud. Use the following tips to communicate with the credit union officials. <ul style="list-style-type: none">• Clearly present the evidence of the fraud.• Explain the board's fiduciary responsibility to the members and that failure to act may result in release of surety from liability for any future fraud losses.• Request that the officials contact an attorney.		

<ul style="list-style-type: none"> Request that the officials notify law enforcement. 		
4. If the fraud is a Level 2 Fraud , examiners should contact their supervisor, who will consult with the ARD.		
Evidence Collection and Preservation		
1. Begin the Fraud Chronology . This is where you will document the tasks performed leading up to the discovery of the fraud and going forward as you investigate the fraud.		
2. Obtain a list of credit union employees and their contact information.		
3. Protect original documents from destruction, loss, being altered, etc. Make two sets of copies of documents or scan the documents. You may write on one set while the other set is maintained for law enforcement. Obtain a receipt for any documents provided to law enforcement.		
a. Organize your information and documents. Label, date, and index all documentation <u>without</u> writing on document originals or clean copies. Original documents generally must remain in the credit union. Refer to the latest version of Instruction 13500.09, Security of Sensitive Information .		
b. Use the Document Security Log included as Appendix A to NCUA Instruction 13500.09, Security of Sensitive Information . Describe how each document		

is relevant to the fraud or fraud investigation.		
c. Develop a chain of custody via the Document Security Log that documents the time of receipt and return of documents or records and the names and title of the person from or to whom it was obtained or returned.		
d. Copy both sides of records such as checks, notes, and general ledger tickets and copy documents such loan files, policies, etc., in their entirety.		
e. Make sure copies of documents and records are readable. Maintain originals and copies in a secure area.		
f. Digitalize (scan, take pictures or videos with your agency issued i-Phone) documents and records in accordance with agency policy.		
4. Take pictures to document the credit union (for example, offices) and evidence (such as cash stashed in a drawer). This will assist in a potential prosecution and can be used by AMAC in the event of liquidation.		
5. Document the flow of the money. If it is leaving the credit union, how is it leaving (for example, ACH, wire, cash)?		
6. Document whether and how the insider's activities deviated from the credit union's established policies, procedures, and practices. Maintain		

full copies of the applicable policies, procedures, and practices.		
7. Document how the fraud will impact the credit union (for example, failure) and what the potential outcome will be for the membership (such as loss of financial services).		
8. Verify the officials contracted with a third party to complete a mirror image of affected computers and computer systems.		
Other		
1. Verify the actions taken by the officials. The Credit Union Board of Director Fraud Discovery Checklist will assist you and the officials with tasks that need to be performed to protect credit union assets.		
2. Contact the regional office and verify the officials filed a SAR. If the officials refuse to file the SAR, the regional office should contact OGC and E&I's Fraud and Risk Analysis Specialist to receive guidance on how to proceed.		
3. Obtain a list of third party vendors.		
4. Determine the financial impact of the fraud on operations (for example, liquidity, net worth).		
5. Complete the Fraud Report.		