



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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ACH and Wire Fraud

By Galen Nakamura

As financial managers, we are always looking for ways to improve efficiency in our daily lives. With the advancement of technology, we can't imagine going back to the "old" ways of doing things when it comes to processing payroll, vendor payments, and the like. The problem is no matter how much we try to put controls in place, the crooks will always find creative ways to circumvent the system. These days, one of the most concerning security breaches comes from ACH and wire fraud.

The larger your company, and the more vendors you deal with, the more likely you are to experience ACH fraud. All the perpetrator needs is your transit routing number and account information from one of your checks and they're off and running. So while technology has added convenience, it also serves as a means to threaten your company's financial security.

The National Automated Clearinghouse Association (NACHA) regulates the ACH network, setting the rules for all parties to ACH transactions are bound. So what are your responsibilities? First, you must use commercially reasonable business practices,

Continued on page 2

President's Message

By Carl Williams

Greetings. My name is Carl Williams and I am honored that you have chosen me to be your President. I am a proud graduate of the University of Hawaii at Manoa (BA in 1977 and MBA in 1984) who has been working with large and small construction contracting companies and their owners throughout a career in public accounting in Honolulu and Hilo spanning nearly 30 years. My wife Gail Nakamura is also a CPA, although not in public practice (a profession in which our sons Matthew, Michael, and Mark

have no interest. They are pursuing graduate and undergraduate engineering and science degrees in college, and an interest in mathematics and science in high school). I am a native of Southern California who graduated from Cairns State High School in Queensland, Australia – it's a long story – who found his home in Hawaii and intends to never leave. My father was a home builder and a highly skilled carpenter. I grew up pounding nails and digging ditches, but discovered accounting after discovering I am not a craftsman.

One of my biggest fears is not being bold enough, brave enough, insightful enough, or thoughtful enough to really make a difference. Well, you can join me in resting assured that your organization is in great shape for the future. Simply look to the bottom of this page at the fabulous officers and directors you have installed. There is a powerful energy among them that will manifest itself in upcoming events. They are "all in" for CFMA. I hope you will be too. You can contact me at carl@cpaloha.com.

CONTENTS

Page 1

ACH and Wire Fraud
President's Message

Page 3

2007-2008
Chapter Roster

Page 4

CFMA Golf Tournament



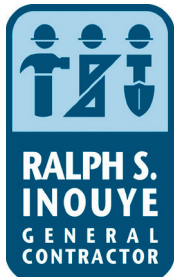
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First Hawaiian Bank

ACH and Wire Fraud continued from page 1

services, products and/or technologies to manage your accounts and monitor these transactions on a daily basis, reporting unauthorized transactions to your bank. A little known fact is, as a business, you have 24 hours to identify and report fraud to your bank.

While your bank should assist you in trying to recover your funds, should you fail to notify the bank within the 24 hour window, you may ultimately be responsible for any losses. In most instances, the bank has a business decision to make in determining whether or not to take or share the loss, but not necessarily a legal obligation to do so.

So what should you do?

- Monitor your bank accounts every morning and notify your bank if you suspect you've been compromised.
- Utilize ACH-only accounts and fund those accounts with only the amount you need for ACH payments you originate.
- Utilize ACH blocking services to block ACH debits that are not pre-authorized by you.
- Subscribe to ACH transaction reports and cross-reference ACH transactions against what you originated.
- Separate ACH originator/approval functions.
- Use sound hiring practices to identify trustworthy and dependable employees.

If you have been a victim of ACH debit fraud, here are a few tips:

- Contact your banker immediately. Remember the 24-hour window.
- Notify your internal audit or loss prevention group.
- Notify law enforcement officials.
- Anticipate 60-90 days to process claims.

Protecting your business from fraud requires vigilance. You can best protect your company by staying abreast of fraud trends and utilizing fraud-prevention services offered by your bank.

Galen is a CFMA member and a Senior Vice President & Manager, Hawaii Commercial Banking Center at Bank of Hawaii.



Outgoing President Frank Wirt handing off President's hardhat to Carl Williams.

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CFMA Golf Tournament

August 28th, 2007

Please join us at this year's CFMA "Fun" Golf Tournament!! Members are welcome to bring guests, but we are limited to 40 players. Please complete the registration below and fax or e-mail to Wes Mikuni at 833-5971 / wes@rsinouye.com.

Date: Tuesday, August 28th

Time: 11:30 Check-in

12:00 Tee-off (5-teams from the 1st hole and
5-teams from the 10th)

Place: Kapolei Golf Club

Fee: \$65.00 per player, \$250 per team of 4 –
includes golf and heavy pupus

- If you or your company are able to donate door prizes it would be greatly appreciated. Please send an e-mail to Wes if you can donate.

- 4 members to a team. Each person plays their own ball. Two best balls on each hole will count for the team score. Maximum Handicap - Men 36, Women 40.

- You can either request your teammates or we will match you up.