July 16, 2020

Superintendents of the Los Angeles County K-12 School and Community College Districts

Dear Superintendent:

**RECENT FRAUDULENT ACTIVITY RELATED TO SETTING UP ELECTRONIC VENDOR PAYMENTS**

During the COVID-19 pandemic, we have seen an increase in fraud attempts, especially those involving setting up and updating vendor payments via Electronic Funds Transfer (EFT). In two recent cases, EFT transactions were submitted with fraudulent bank account information. Fortunately, the fraud was discovered quickly enough for us to recover funds.

This is a very serious concern and we want to ensure that your District employees are taking the necessary steps to detect fraudulent activity, which includes authenticating that the bank account information received is valid. On May 6, 2020, Los Angeles County Office of Education (LACOE) released its Bulletin # 5213 on EFT Vendor Setup (attached) that provided guidance. We want to ensure that the appropriate people in each district are getting this information and that your internal procedures are being revised as needed. These procedures are not only for use in the office, but especially when the vendor setup process is managed remotely.

In addition to the guidance provided by the Bulletin, the Treasurer and Tax Collector and LACOE are hosting a virtual educational seminar on July 23, 2020, at 10 a.m. following the weekly Business Level Alike Meeting. The seminar will focus on bank
account verification best practices to incorporate in your EFT Vendor procedures. We highly recommend you require your districts' staff attend this seminar.

Very truly yours,

KEITH KNOX
Treasurer and Tax Collector

PATRICIA SMITH
Chief Financial Officer
Los Angeles County Office of Education

Attachment

c: Debra Duardo, Superintendent of Schools
May 6, 2020

TO: Business and Accounting Administrators
    Los Angeles County K-12 School and Community College Districts
    Regional Occupational Centers/Programs (ROC/Ps),
    Other Local Educational Agencies (LEAs), and Selected Charter Schools

FROM: Jenny Zermeño, Enterprise Financial Systems Consultant
      Accounting and Financial Services
      Division of School Financial Services

SUBJECT: Electronic Funds Transfer (EFT) Vendor Setup Warning

District business staff are reminded to be cautious in processing requests for Vendor EFT setup and changes. There has been a recent increase in unauthorized personnel posing as vendor contacts emailing school districts requesting changes to EFT vendor account information. Districts are advised to be wary of any unsolicited communication of this nature and are strongly encouraged to develop procedures for authenticating all EFT requests before entering/changing information in PeopleSoft Financial System (PSFS) or BEST Advantage Financials (FIN).

Suggested means of confirmation include but are not limited to:

✓ Verbal Confirmation. Verbally confirm the request to initiate the wire with an authorized person within the company
✓ Verify changes with trusted district personnel
✓ Investigate unique/uncommon requests
✓ Double check email addresses
✓ Forward to trusted personnel instead of replying to sent email
✓ Establish dual internal controls to mitigate against identified risks
✓ Be alert
✓ Be suspicious

PSFS Users – Districts are advised to revisit internal controls regarding linking bank accounts to vendor payments. LACOE recommends districts follow appropriate security set-up procedures to segregate staff responsibilities involved in this process. Per the PS ACH Processing User Manual, the following securities classes must be established:
<table>
<thead>
<tr>
<th>Class Name</th>
<th>Security Description</th>
<th>Recommended Staff Assignment</th>
<th>Staff Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACH01</td>
<td>This class will set up the Bank Account for the vendor</td>
<td>A person in General Ledger</td>
<td>Step 1 - Check for Bank&lt;br&gt;Step 2 - Add Vendor Bank&lt;br&gt;Step 3 - Add Bank Account</td>
</tr>
<tr>
<td>ACH02</td>
<td>This class will link the Bank Account (setup by ACH01) to the vendor</td>
<td>A person who is assigned to vendor set-up. This will not be the same person with the ACH01 class</td>
<td>Step 6 - Vendor Update</td>
</tr>
<tr>
<td>ACH03</td>
<td>This class will confirm the ACH vendor (to enable regular ACH transactions). This class will also have the ability to authorize ACH rejection.</td>
<td>A person with high level position equivalent to voucher approver.</td>
<td>Step 8 – Vendor Confirmation</td>
</tr>
</tbody>
</table>

FIN Users – Effective July 1, 2020, agencies that do not have at least one level of district workflow approval, LACOE will work with each agency to add an EFT approval process for Vendor Customer Modifications (VCMs)/Vendor Customer Creations (VCCs). However, we encourage agencies to implement an EFT approval process and/or review the internal controls currently in place and update as necessary. Although FIN does not have the same security set-up as PSFS, please consider following similar control measures when reviewing processes. We have attached for your use Form No. 503-913 to be completed by payee and financial institution authorizing EFT implementation and modifications.

We hope adding these measures will help prevent fraudulent activities. For questions regarding the setup of FIN workflow approval, please contact the SFS Security/Workflow Team at SFSSecurity@lacoe.edu.

If you have any questions regarding this bulletin, please feel free to contact Gail Shimokochi at (562) 922-8729, Raul Regalado at (562) 922-6167 or Veon Ng at (562) 922-8727. You may also e-mail us at SFSAccountsPayable@lacoe.edu.

Approved:
Nkeiruka Benson, Director
Division of School Financial Services

JZ:It
Attachment
SFS-A78-2019-2020
This form is used for Automated Clearing House (ACH) payments with an addendum record that contains payment related information processed through the BEST Advantage Financial System (FIN) by the Los Angeles County Office of Education. Recipients of these payments should bring this information to the attention of their financial institution when presenting this form for completion.

**PRIVACY ACT STATEMENT**
The following information is provided to comply with Privacy Act of 1974. All information collected on this form is required under the provision of 31 U.S.C. 3322 and 31 CFR 210. This information will be used by the Los Angeles County Office of Education to transmit payment data, by electronic file transfer to vendor’s financial institution. Failure to provide the requested information may delay or prevent the receipt of payments through the Automated Clearing House Payment System.

**ACCOUNT VALIDATION**
For the purpose of EFT payments, vendors are requested to ensure the account specified on this enrollment form remains active. Vendors shall notify the appropriate party(s) for any changes related to the ability of the specified account to receive ACH payment.

- Vendors complete Sections I and II.
- Financial Institutions complete Section III.
- Local Educational Agencies complete Section IV.

**Section I** - Please check appropriate box(es).

- [ ] New EFT Account
- [ ] Change in Bank Account or Mailing Address or Contact
- [ ] Delete EFT Account

**Section II**

**PAYEE/COMPANY INFORMATION**

<table>
<thead>
<tr>
<th>NAME OF PAYEE/COMPANY</th>
<th>FEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADDRESS OF PAYEE/COMPANY (NUMBER, STREET, CITY, STATE, AND ZIP CODE)</td>
<td></td>
</tr>
<tr>
<td>NAME OF CONTACT PERSON</td>
<td>TELEPHONE NUMBER</td>
</tr>
</tbody>
</table>

I hereby authorize the Los Angeles County Office of Education to initiate credit entries for vendor payments to the account indicated below, and the depository named below is authorized to credit such account. Pursuant to the National Automated Clearing House Association rules, the Los Angeles County Office of Education may initiate a reversing entry or reversing file to recall a duplicate or erroneous entry or file which they previously initiated. If the reversal attempt fails, the Los Angeles County Office of Education may employ other appropriate means to correct the error.

<table>
<thead>
<tr>
<th>AUTHORIZED SIGNATURE</th>
<th>DATE SIGNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE</td>
<td></td>
</tr>
</tbody>
</table>

**Section III**

**FINANCIAL INSTITUTION INFORMATION**

| NAME OF FINANCIAL INSTITUTION | |
| ADDRESS (NUMBER, STREET, CITY, STATE, AND ZIP CODE) | |
| NAME OF ACH COORDINATOR (PLEASE PRINT) | TELEPHONE NUMBER |

<table>
<thead>
<tr>
<th>NINE DIGIT ROUTING TRANSIT NUMBER</th>
<th>TYPE(S) OF ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPOSITOR ACCOUNT NUMBER (NOT TO EXCEED 17 DIGITS)</td>
<td>SAVINGS</td>
</tr>
</tbody>
</table>

*FORM NO. 503-913 05-05-2020*
1. **Section I - Desired Activity**
   Payee checks the box indicating the desired action, e.g. **ADD, MODIFY, or DELETE**

2. **Section II - Payee/Company Information Section**
   Payee prints or types the name of the payee/company and address that will receive ACH vendor payments, Federal Employer ID (FEIN), designated contact person and assigned telephone number.

3. **Section III - Financial Institution Information Section**
   Financial institution prints or types the name and address of the payee/company's financial institution who will receive the ACH payment, ACH coordinator name and telephone number, nine-digit routing transit number, depositor (payee/company) account title and account number. The financial institution also enters type of account to be used, e.g. checking or savings into the appropriate box.

Footnote - A voided check or savings deposit slip may be required by the Local Educational Agency for the verification of bank account and routing transit numbers. An example of a voided check, shown below, indicates where to locate the routing transit number for your bank and your bank account number. Remember to mark the word "VOID" across the front of your check or savings deposit slip.

![Voided Check Example]

4. **Section IV - Local Educational Agency Information Section**
   Local Educational Agency types or prints name and address of the agency and provides contact information.

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*FORM NO. 503-913 (BACKER) 05-05-2020*