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Debra Duardo, M.S.W., Ed.D., *Superintendent*

August 4, 2023

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: Nkeiruka Benson, Director
Division of School Financial Services

SUBJECT: CRITICAL MEASURE: Alarming Increase in Fraudulent ACH Transactions

This is to bring to your attention the changes we will be making in the processing of Vendor Customer Creation (VCC) and Vendor Customer Modification (VCM) documents for ACH transactions in BEST ADVANTAGE FIN. This is an additional measure we are putting in place to mitigate the occurrence of ACH fraud. We have experienced an alarming increase in fraudulent ACH transactions of significant amounts and need to put more measures in place to ensure no reoccurrence. The Los Angeles County Office of Education, the Division of School Financial Services (SFS) cannot stress enough the immediate attention and vigilance required to confront this threat to the Districts. We are all charged with the responsibility of ensuring the safety of public funds in our custody.

All fraudulent transactions reported to date have involved perpetrators posing as a genuine vendor requesting an update to their bank account details or insists on transitioning to ACH payments, replacing the previous payment method by warrant.

Key Points to Take Note of:

- The fraudulent activities were perpetrated via EMAIL CONTACT.
- The scammers pose as GENUINE VENDOR, making their deceit harder to detect. This can include using the exact same email (vendor hacked) or a similar email (majority seen with one letter difference).
- The requested change noted are usually BANK ACCOUNT NUMBERS or ACH PAYMENT METHOD.

Effective September 1, 2023, the following are the changes that will be added to assist in safeguarding district funds going forward.

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1. Additional workflow to SFS for Vendor Customer Creation (VCC) and/or Vendor Customer Modification (VCM) submissions for EFT set ups.
2. All Districts are required to sign up for Early Warning Services.
3. In the unfortunate event of ACH fraud affecting a district, access of staff with the authority to create the VCC/VCM documents will be temporarily removed until staff completes a specialized ACH/EFT training provided by SFS.

Please look out for a bulletin in the upcoming months with details of required procedures.

To ensure the utmost security of our District's financial transactions, we strongly encourage all district staff members and administrators to exercise extreme caution by adding and following preventive measures. The following steps must be included in your District procedure:

- 1. Vendor Verification:** When making changes to a vendor record, verify by calling a known contact on file with the district. District staff should use a phone number **on file**, for all payment account changes, rather than solely replying to or relying on an email communication. **Do not use** the contact information listed on the email change request communication (e.g., from the email's body, or signature block of the sender), as those may be that of a fraudster.
- 2. Early Warning Services:** All districts are now required to sign up for the Early Warning Services (Bulletin #[6707](#)) by September 1, 2023. This valuable service provides an extra layer of verification. This service has no direct cost to the district. Please contact Anthony Hung at Hung_Anthony@lacoedu to enroll.

Note: SFS requests that all Districts commence the enrollment process by September 1, 2023. We will be reaching out to the Superintendent of any district who has not initiated the process by this date. Your cooperation is greatly appreciated.

If you have any questions regarding this bulletin, please feel free to contact Sachiko Enomoto at (562) 922-6191 or via e-mail at Enomoto_Sachiko@lacoedu or Jenny Zermeño at (562) 922-8874 or via e-mail at Zermeno_Jenny@lacoedu.

Approved:
Nkeiurka Benson, Director
Division of School Financial Services

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