



David C. Damschen

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Utah State Treasurer

# Treasurer's Update (and) Protecting Against Fraud & Scams

Utah Association of Counties Management Conference  
April 12, 2017

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Utah State Treasurer

# Discussion Outline

- Statewide Cooperative Payments Contract
- PSA: Unclaimed Property
- Money Management Act Amendments
- PTIF update
- Frauds & Scams
- Governance, ethics, & internal controls
- Ideas to mitigate risks

# Unclaimed Property

- Protection of Individual Property Rights
  - Priority 1: Reuniting funds with rightful owner – over \$21MM annually
- Benefit should inure *to the general public*, not the incidental holders of properties
  - Priority 2: Public benefit (\$15MM - \$20MM annually) to the **Uniform School Fund**



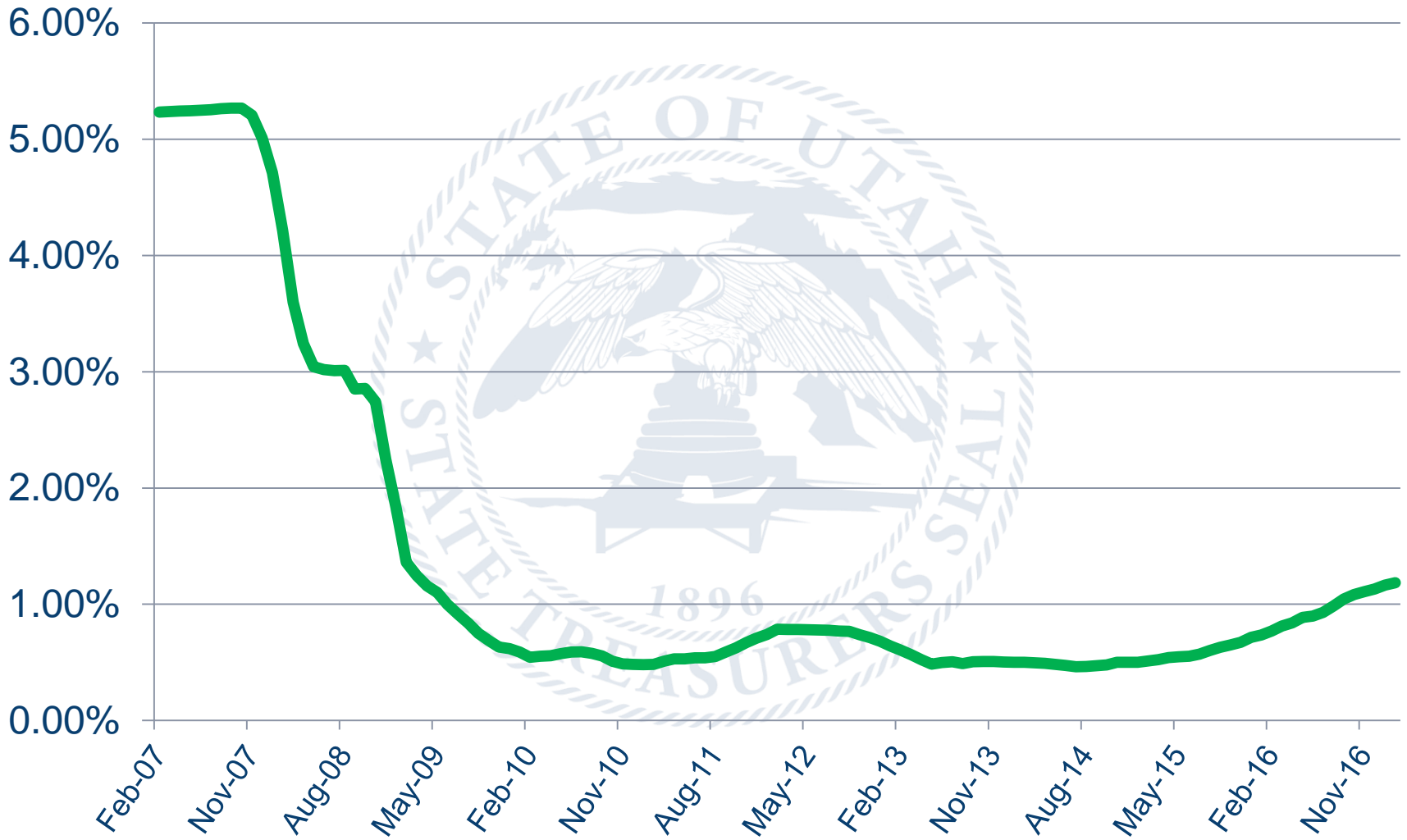


# Money Management Act Amendments

## HB 268 (2017 GS): The 7<sup>th</sup> bill in 8 years

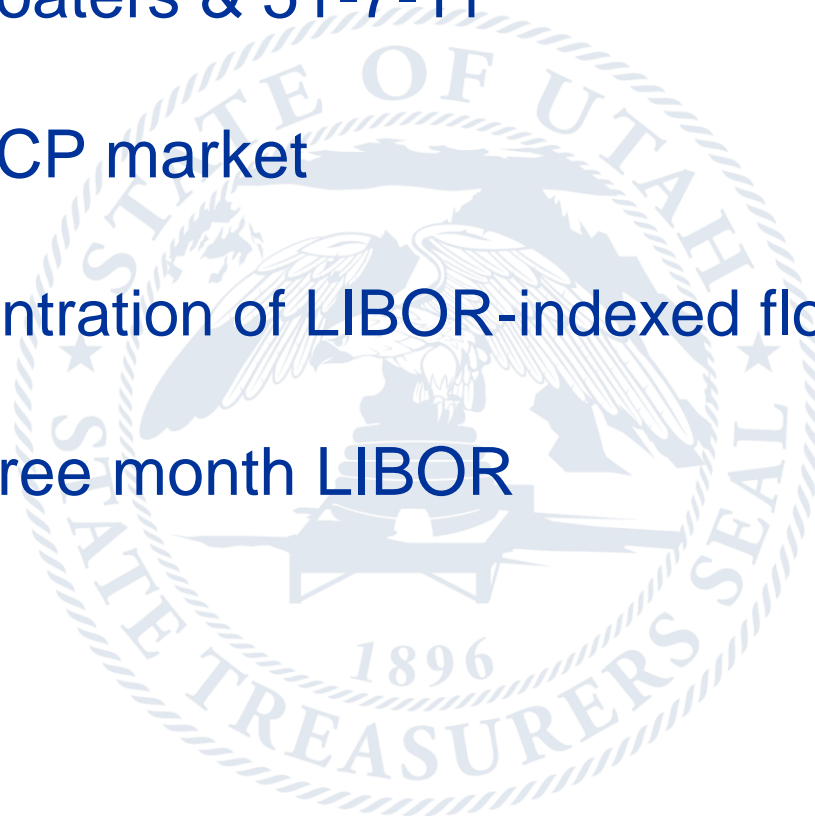
- **Caps on final maturities of treasuries, agencies, Utah munis**
  - 20 years for public agency insurance mutuals
- **Certified investment adviser's dealer list**
  - Subject to rules of the Money Management Council
- **Crime/theft insurance alternative to bond**
- **Council given discretion to authorize exceptions to maturity caps**

# Recession and the PTIF



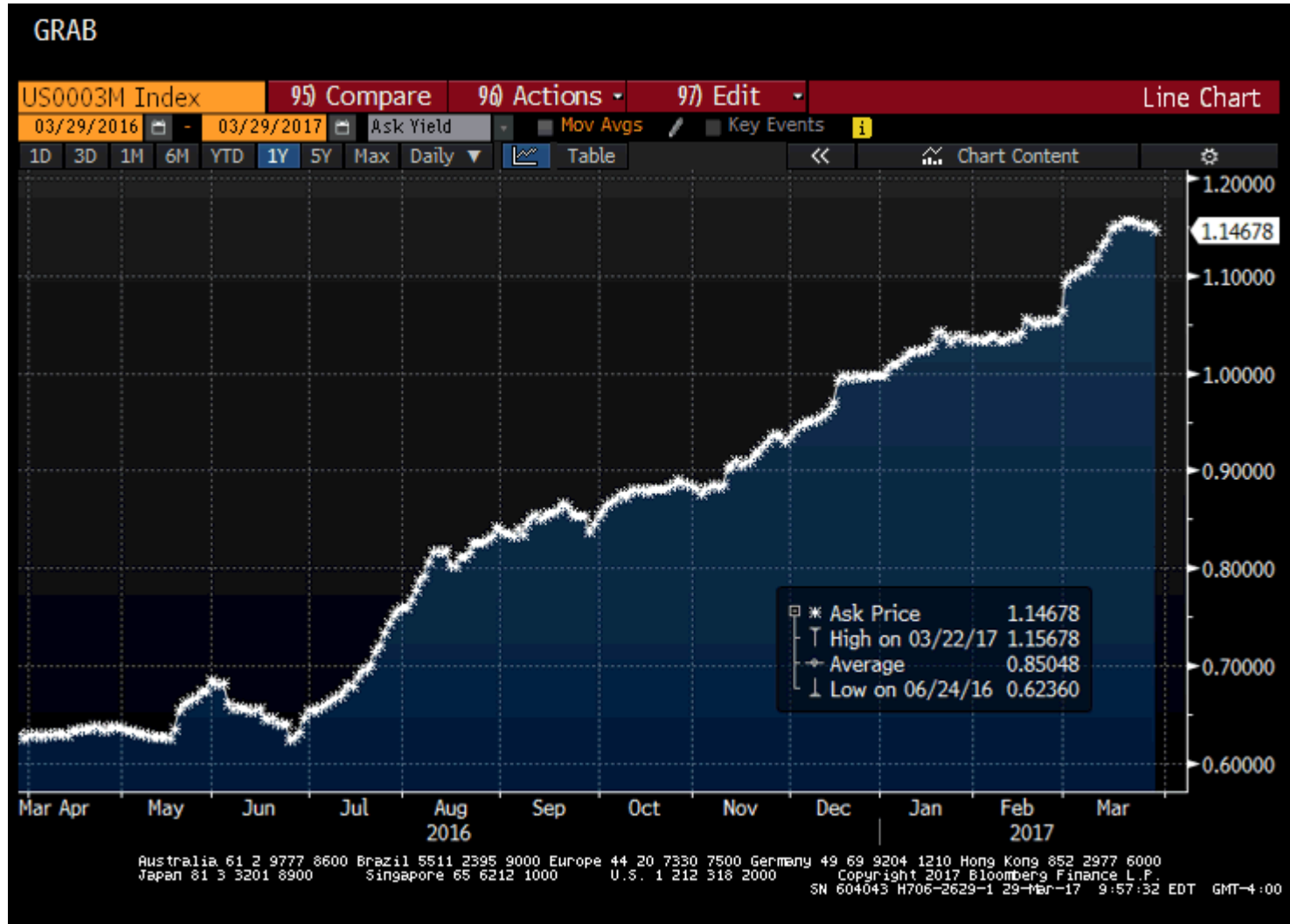
# PTIF - Catalysts

- Corporate floaters & 51-7-11
- Diminished CP market
- ~80% concentration of LIBOR-indexed floaters
- Trends in three month LIBOR





# Three Month LIBOR





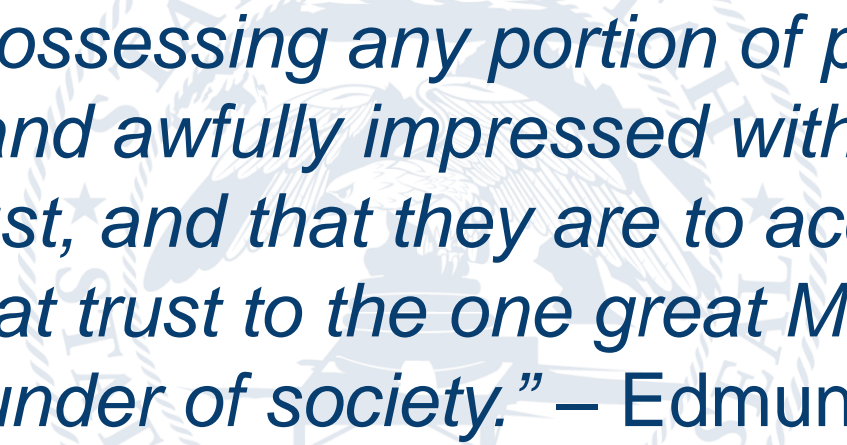
# SEC Rule 2a-7 & MMMF Reform

Effective May 5, 2010	Effective October 14, 2016
WAM 90 days → 60 days	Floating NAV
WAL restricted @ 120 days	Gates
10% one day liquidity	Fees
30% one week liquidity	
Portfolio stress testing	



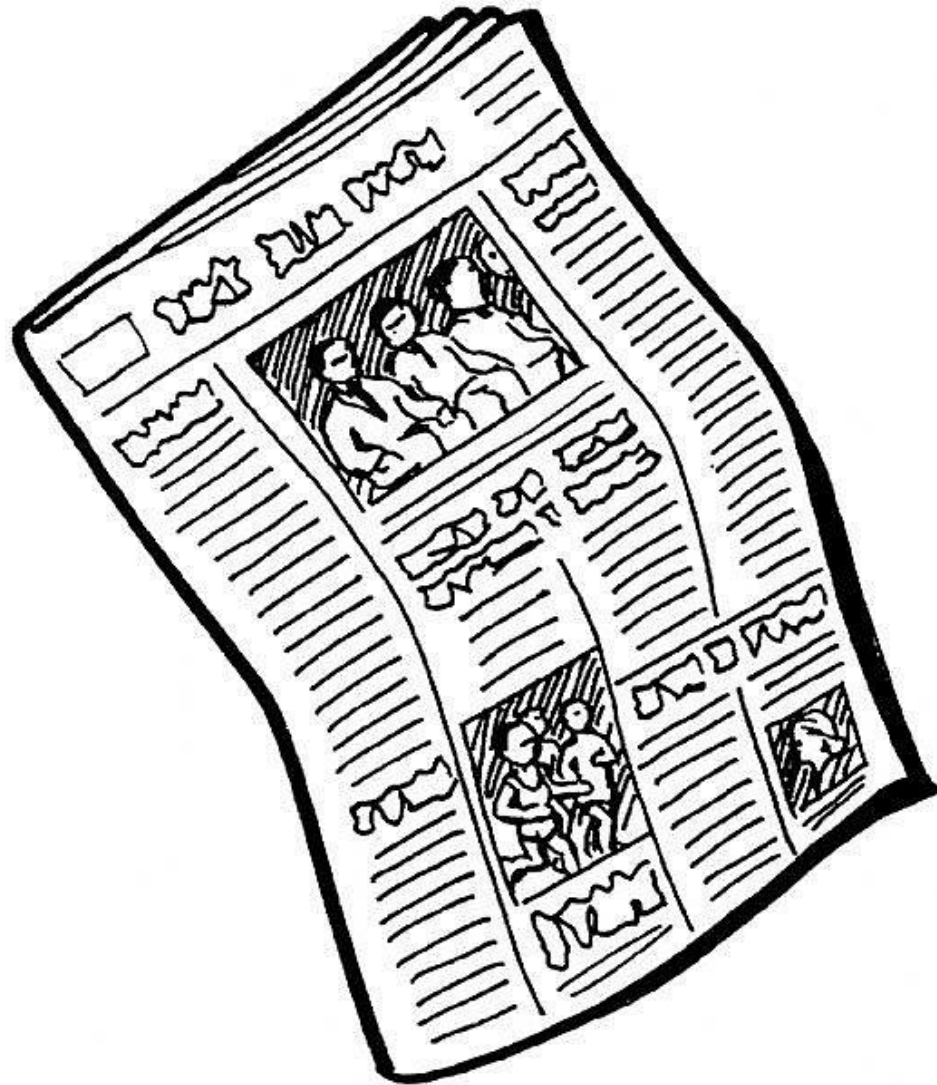
# Implications

- PTIF s/t re-allocation, prime to govy
- Temporary shift in PTIF liquidity
- Nominal yield offset to LIBOR trend
- Forced demand for government securities
- Decreased liquidity in corporates



*“All persons possessing any portion of power ought to be strongly and awfully impressed with an idea that they act in trust, and that they are to account for their conduct in that trust to the one great Master, Author, and Founder of society.” – Edmund Burke*

# 2016 Headlines



# 2016 Headlines

<b>Utah Communications Authority</b>	<ul style="list-style-type: none"><li>• Upwards of \$1MM stolen</li><li>• Corporate credit card</li><li>• Policy in effect but not enforced</li><li>• Transaction review – paper statements</li></ul>
<b>Kane County</b>	<ul style="list-style-type: none"><li>• \$91,000 or more missing</li><li>• Elected treasurer under investigation for misappropriation of funds</li><li>• Transfers to personal accounts</li><li>• Missing cash deposits</li></ul>
<b>School for the Deaf and Blind</b>	<ul style="list-style-type: none"><li>• At least \$67,000 missing</li><li>• Numerous records “missing”</li><li>• Unauthorized credit card use</li></ul>
<b>Emery County</b>	<ul style="list-style-type: none"><li>• \$38,700 BEC Fraud</li></ul>
<b>Public Lands Commission</b>	<ul style="list-style-type: none"><li>• Grand America stays</li><li>• Hefty bar tabs</li></ul>

# Headlines And The Public Trust

- Your reaction?
- What can we gain from it?



# Addressing Fraud And Theft

- Careful study of breaches and their cause(s)
- Finer versus Friedrich
- Cultural foundations
  - The prescriptive benefit of core values
  - Functional role of a code of conduct
- Comprehensive internal review
  - Policies
  - Procedures
  - Roles
  - Separation of duties – critical delineations
  - Compensating controls



# Addressing Fraud And Theft

- Documentation and revision of P&P
- Staff training
- Protocol for ongoing oversight
- Wire transfer authorization protocol
  - Telephone callback procedure?
- Are banking processes optimal & secure?

# Banking Technologies

- Information reporting
- Payment controls
  - Positive Pay/Reverse Positive Pay
  - Purchasing card vs petty cash, MCC restrictions
  - “One cards” only for frequent travelers
  - Use of online reporting & administration
  - ACH block & filter
  - Check block
- Positive pay/reverse positive pay
- Wire transfer authentication

*“There are all kinds of devices invented for the protection and preservation of countries: defensive barriers, forts, trenches, and the like... But prudent minds have as a natural gift one safeguard which is the common possession of all, and this applies especially to the dealings of democracies. What is this safeguard? Skepticism. This you must preserve. This you must retain. If you can keep this, you need fear no harm.” – Demosthenes*



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