



Debit Card Fraud

SCENARIO

An HOA board member noticed that the property manager's debit card expenses appeared to be higher than would be expected. Upon investigation, it was discovered that the PM had used the HOA debit card for personal expenses. After the PM was fired for using her HOA debit card to pay for over \$50,000 of personal expenses, the board discovered more than 100 fraudulent construction invoices for work that had never been done. The PM had conspired with a friend who owned a construction company who sent the PM invoices for projects which were never undertaken. The PM then paid the invoices from the HOA's accounts and her friend cashed the checks and split the money with her. The PM subsequently plead guilty to embezzling almost \$500,000. As the PM had lost most of the money gambling, the HOA was unable to recover much of the money..

RISK CONTROL TIP

The board should review monthly bank or charge card statements to discover any potential inappropriate usage, and periodically should review invoices for goods and services to ensure that the HOA received the goods and services and that the correct amounts were paid. Debit cards are particularly dangerous because they do not require dual signatures and the funds come directly from the HOA accounts. Issuing credit cards may be a less risky alternative.



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