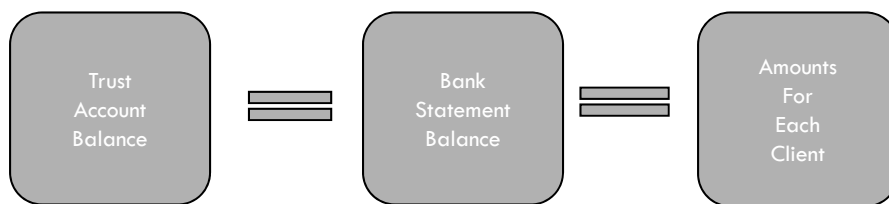


Trust Accounting- 3-way Reconciliation



- Proposed Opinion 2011 FEO 7: Law firm may use on-line banking but only if managing lawyers are regularly educated on security risks and actively maintain end-user security.
- Positive Pay
- Rynoh Live www.rynoh.com

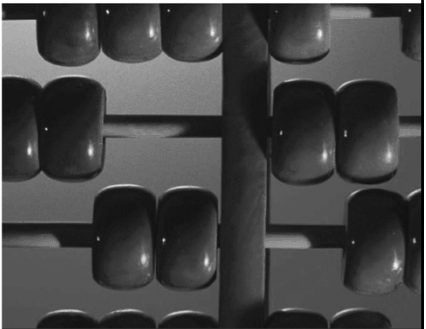
NEW

**2011
Lawyer's
Trust
Account
Handbook**

www.ncbar.gov

Lawyer's Trust Account Handbook

The North Carolina State Bar



A publication designed to aid lawyers in understanding the procedures and guidelines for trust accounts.

Revised 05/2011

What Do We Do About This?

**Reconcile With Precision
Choose Precision
Reconciliation Services**

Special Offers!

All new PRS customers who sign up for our services will receive:

- Waived \$150 set-up fee; mention coupon code: PRS


This service is performed by a dedicated Reconciliation Specialist on the PRS team who will reconcile in your software using secure remote access. Our specialists reconcile, review and prepare monthly three-way reconciliation reports plus a monthly summary report of red flag items. Our specialists are also available to assist with researching and making corrections. We help you keep your escrow accounts clean, current and compliant.

Monthly rates start as low as \$65/month!

Benefits of Using PRS:

- Saves you money! Our service is less expensive, with monthly rates as low as \$65/month.
- Saves you time! Our service reduces the time spent on non-revenue producing activity.
- Reduces the potential for fraud by providing a separation of duties and a third-party perspective and review.
- Complies with Underwriter Quality Assurance/Audit and State Insurance Audit requirements.
- Our flexible format and knowledgeable staff enable us to reconcile in your existing accounting software.
- Escrow Reconciliation Services are currently available nationwide.

To take advantage of this offer or for more information, contact
Kenny Collier at 804.503.2380 or kcollier@prsecrow.com.
Visit us online at: www.prsecrow.com

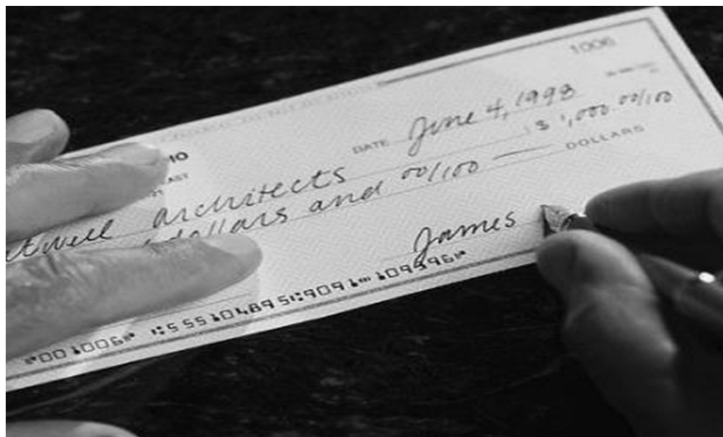


**Do Not be
an easy target!**

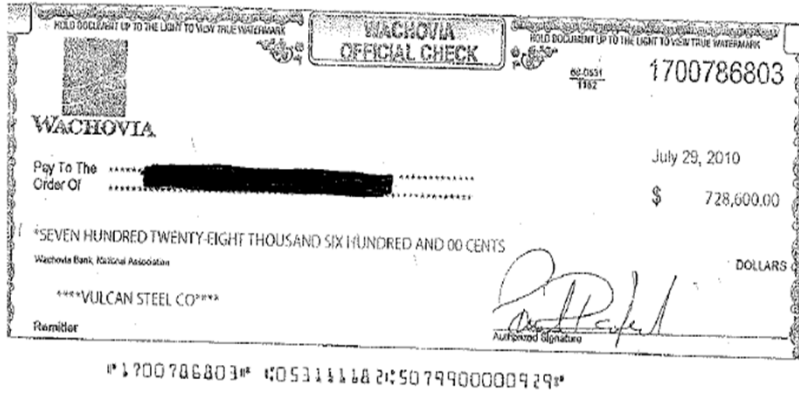


FRAUD #2: Fraudulent Checks

The "Overpayment Scam"



Case # 1 - Allegedly Drawn on Wachovia



Case #1 –Florida Agent, Wachovia

CHECK CONTROL NO. 323700

INVOICE

AMT.	\$728,600.00
DATE	29-Jul-10
PAGE	PAGE 1

BILL TO: [REDACTED] SHIP TO: [REDACTED]

ARLAN INVESTMENT CO
481 BUNDERVOORT AVENUE
BROOKLYN, NY, 11222

WEST PALM BEACH, FL, 33409
ATTENTION: [REDACTED]

FORM	CHECK NO.	DATE	RECEIPTS	AMOUNT
0080316-97		29-Jul-10	PAYMENT TO [REDACTED] ON ORDER FROM ARLAN INVESTMENT CO FOR DR ALZEH NAVED	\$728,600.00
TOTAL				\$728,600.00

COPIES: FNUKLV0618857.88

Case #1 - FACTS

- Legitimate looking check arrived in the mail with a transmittal letter.
- Agent called the broker shown on the check who said that he was working with a local realtor and needed to move fast now, and to just deposit the check and cut one back for the difference. The local realtors all had been working on the transaction for awhile but thought it had died.
- Agent Googled the buyer's name, Dr. Alaizi Naved, and found articles on check scam in this Dr.'s name. Apparently the doctor is real, and someone has been using his name.
- Contacted the FBI who said that "it is not a crime to send someone a check" and to submit it to the bank it was drawn on and they would contact them if necessary. Only wanted to work with the bank.
- Called the bank and dropped off the check--they said it was fraudulent.
- Told all parties that the bank had determined that the check was not good.

Case #1 - Same Facts in Another Reported Case

The last check example was dated July 29. Online there is a TV report of the exact same scam in Orlando with a check also drawn on Wachovia, with a water mark and looking real, dated July 26. The attorney who was handling the closing contacted Wachovia, who said that it was fraudulent and they were going to investigate. The realtors had apparently put lots of time into this sale.

Case #2 - KY Agent, HSBC Canada

MAR 17 2011 10:55AM Fax [REDACTED] NO. 4044 P

HSBC US DOLLAR DRAFT (OFFICIAL CHECK) 100979880

REMITTER: Leo Sung DATE: March 07, 2011

PAY EXACT AMOUNT: \$250,000 dols cts

TO THE ORDER OF: 320 Dupont Rd # 100 Louisville, KY 40207-4093

EMD-1422 Mockingbird Valley Green

Payable through HSBC Bank USA, N.A.

Amount: \$250,000.00** US DOLLARS

Drawn: HSBC Bank USA, N.A. TWO SIGNATURES REQUIRED FOR AMOUNT \$10,000 AND ABOVE

Leo Sung
Paul Kiefer

100979880 # 022301253# 713010975#

HSBC Canada
 604-216-8900 - HSBC Canada

Buyer: Leo Sung

Agent: Philip Steton
 www.philipsteton.com
 Real Estate Minkelpiece
 802-724-4484

Notify Thomas Androws once check as been cashed -
 Please send email notification to thomasandrows@account.com
 failure to notify us will render this instrument void

Thomas Androws
 Account Officer
 Tel: 1-647-832-1467

fax - 604-216-2217-3940
Tony 1877-906-4722

Case #3 - KY Agent, Royal Bank of Canada

THIS CHECK GUARANTEES YOUR SECURITY WATERMARK HIDDEN BY ZIP CODE TO VIEW

Wawanesa ROYAL BANK OF CANADA 16788799
 101 BROADWAY WINNIPEG, MB R3C 3V6 DATE: 2011 03 03
 WINNIPEG, MB R3C 3V6

PAYEZ/PAY *** THREE HUNDRED FIFTY THOUSAND AND 00/100 US DOLLARS *** *** 350,000.00USD

A L'ORDRE DE/TO THE ORDER OF [REDACTED] Office Lexington KY 40507

Alan Stent

15788799# 000000003# 00015599#

Wawanesa Memo: Baijaku Nakamura
 101 BROADWAY WINNIPEG, MB R3C 3V6 Purchase of a property

Please notify us once this payment is received:

Scott Rogers
 scottrogers@accountant.com

FACTS

- They get the name of the agent attorney from the realtor. Notice that they want confirmation of receipt to go to _____@accounts.com or _____@accountants.com.
- Maryland reported 2 instances with an Asian buyer, Mr. Sung, who was in a big hurry and pushed to have the checks deposited and any overage cut back ASAP, because a sick relative needed the overage immediately.
- In Tennessee several law firms have received these, one for \$350,000 from a Canadian Bank, an asian buyer's name .
- A Massachusetts law firm agent just received an email and check from Murasaki Shikibu for \$452,000 cash purchase.

Case #3 - FACTS

- Although they did often work with the realtor, it looked suspicious:
 - 1) It was delivered by regular mail
 - 2) It was a transaction that they were unfamiliar with
 - 3) It was drawn on a Canadian bank
- The attorney contacted the realtor, who they knew personally, and he said he thought the deal was dead, but it must have come back. He had not met Mr. Sung, the buyer, but it all seemed legitimate to him. The attorney asked for a copy of the contract and what the money represented. The realtor was not sure, it seemed to be for much more money than they needed for any earnest money deposit. Attorney had also received a request to represent Mr. Sung.
- Not being comfortable with anything up to that point, the attorney contacted HSBC who told them that the check was fraudulent and they then turned it over to HSBC's fraud department.

Sample Email to Realtor Seeking an Attorney

"I will like to offer \$452,100 MLS # 71289903 because I love the curb appeal of this property, please send me and my wife the contract to sign and return immediately this will be my retirement home and it will be a cash buy , Please forward us a purchase contract agreement in DocuSign format, DocuSign format is an electronic way of signing document, their website is www.docusign.net or any electronic signature, I will put down \$20,000 earnest money, I want home inspection. I would like to close on the November 30th , 2011, I have been in the area so many times. Earnest money will be sent ONLY to an attorney who will represent and disburse funds accordingly, is our tradition in Japanese culture attorney has to represent in any purchase. My legal name is Murasaki Shikibu my wife is Rika Shikibu, 72 Ryerson Avenue, On, Toronto, Ontario M5T2V4, Canada we await the purchase agreement and the attorney information for the earnest money deposit, we are moving due to Earth Quake in Japan.

Best Regard
Murasaki Shikibu"



TUESDAY, JANUARY 24, 2012

At least the email includes the word "spam" in the subject line.

From: Hillary Tiachi.
Subject: ""SPAM"" Re: Divorce Settlement Agreement
Date: January 23, 2012
Reply-To: hillary.tiachi@msn.com

Dear Counsel

My name is Hillary Tiachi. I am contacting your firm in regards to a divorce settlement with my ex husband McConnell Tiachi who resides in your jurisdiction.

I am currently on assignment in South Korea. We had an out of court agreement for him to pay \$496,500.00 plus legal fees. He has only paid me \$183,000.00 since.

I am hereby seeking your firm's assistance in collecting the balance from him or litigate this matter if he fails to pay as promised because He has delayed for too long. If you are in the position to represent me at the moment kindly advice immediately.

Your's Truly,
Hillary Tiachi

Your Fraud Vaccine



- Contact the bank it is drawn on and verify funds, even if the bank is in Canada or further away. You can also check to see if the routing number matches the bank, by looking it up on your wiring website.

- DO NOT deposit funds or accept wired funds thinking that you can just cut back the difference or not pay out at all if something goes wrong. The deposited check may later be rejected AFTER your funds going out have gone through.

Fraud Vaccines



- Request identification to comply with Patriot Act:
 - ▣ 31 CFR 594.202
 - ▣ Office of Foreign Assets Control (OFAC) Specially Designated Nationals (SDN) List
<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>
 - ▣ It is a criminal violation to reveal to any party to the transaction the results of an OFAC search or that an OFAC search has been completed.
 - ▣ Just follow the OFAC procedure
 - ▣ ... *if the fraudster actually gives you the identification at all !!!*

What Can You Do?

- Partner closely with their underwriter staff to submit any required escrow reconciliations promptly, prepare diligently for audits, view the audit process as a way to improve methods, explain any discrepancies in advance, track down every penny every day or every month.
- Keep a good personal credit report. If they are having serious personal and business financial problems they should seek help from business partners, church or synagogue, Bar Assistance groups, mental health professionals, family/friends, seek loans to reimburse the account while cleaning it up.
- Ask the Chicago Title representative for copies of Fidelity's newsletter *Fraud Insights* reporting escrow fraud experiences.
- Do due diligence background checks on anyone who is handling escrow funds, wiring in and out, signatories, preparing checks.
- Manage their reputation, publicize their great track record handling funds and documents.