

# **Check Fraud Tips for Businesses**

## **Businesses as Check Fraud Victims**

It is widely believed that businesses are the primary targets of check fraud professionals - especially by organized rings of criminals. As far as counterfeiting and alteration, payroll checks appear to be a favorite although all forms of business checks are targets from time to time and all forms of fraud techniques are practiced as well.

## **Check Fraud Tips**

A combination of precautions that a business might undertake could greatly reduce the likelihood of check fraud. Poor internal controls may lead to collusion between employees or third parties who copy, steal, alter and forge checks.

## **Order checks and deposit slips wisely**

- Use an established, respectable source, especially those recommended by your bank, to ensure your checks will process easily through the bank's clearing system.
- Make sure that your checks include Security Features that will help combat counterfeiting and alteration.
- Make sure you notify your check supplier (and financial institution, if necessary) if a new check order has not been received within a reasonable amount of time after you ordered them.

## **Maintain adequate physical security of your checks, deposit slips, etc.**

- Secure all reserve supplies of checks, deposit slips and other banking documents in a locked facility. Keep blank checks locked up at all times and limit the number of people with access to your checks. If your checks fall into the possession of unscrupulous employees, you could be liable for substantial losses.
- Change the locks on your facility when an employee leaves your employ
- Never leave checks or bank records unattended in order to assist customers

## Issuing and reconciling checks

- **Assign accounts payable functions to more than one person and make each one responsible for different payment areas. This division of responsibility makes it more difficult for employees to tamper with checks and payments.**
- **Limit the number of official signers. The fewer check signers you have, the lower your chances are of being defrauded.**
- **Require more than one signature on large dollar check amounts. In this way, any losses you may incur will be low denominations only.**
- **Immediately notify the bank of any change to your accounts payable process and personnel. You don't want former employees who may have secreted some checks from your business to retain authorization to sign them after they have left your employ.**
- **Separate the check writing and account reconciliation functions. Try not to have the same person who balanced the bank statement issue checks. This provides greater safeguards against an employee writing fraudulent checks and covering it up. The reconciler would be able to prevent the crime unless the employees are in collusion.**
- **Reconcile your account promptly and regularly -- quick fraud detection increases the likelihood of recovery. Businesses and personal consumers who do not balance their accounts monthly and don't find the discrepancies until months have passed, can become liable for losses.**

## Employee relations policies

- **Make sure you know who you are hiring to handle your money. Diligent reference and background investigations on all prospective employees are important so you know that you are not hiring someone with a past record of financial abuse.**
- **Conduct random audits and enforce vacation policies.**
- **Have your employees bonded.**