

Combatting Paper Based Fraud

Check Fraud Facts

FACT:

According to American Banker, there were \$34 trillion dollars in checks written in 2011. During that time, there were \$1.2 billion dollars in losses due to check fraud.

FACT:

Checks continued to be the dominant payment form targeted by fraudsters, with 85% of affected organizations reporting that their checks were targeted. —2012 AFP Payments Fraud and Control Survey

FACT:

68% of organizations suffering financial losses report that checks resulted in the greatest loss compared to electronic payments.

FACT:

30% of organizations report that check fraud attacks have increased.

FACT:

Over 80% of organizations use Positive Pay or Reverse Positive Pay to help prevent financial loss from check fraud.

Paper-based fraud is a crime of opportunity that can be prevented through the use of anti-fraud services and by implementing tight internal controls. It is important to remember that check fraud continues to grow rapidly and affects companies of every size and type.

Businesses are the primary targets of check fraud professionals, especially by organized crime rings. Additionally, payroll checks remain a favorite target for counterfeiting and alteration although all forms of business checks are targets. Related is the threat of one of the most common forms of internal fraud, "bookkeeper fraud." Bookkeeper fraud arises when a trusted employee has been granted full authority to issue and reconcile payments. As a result, fraud is facilitated by such full access and is often undetected for some time, even years. Bookkeeper fraud represents nearly 85 percent of all fraud targeting businesses and entails either paper-based fraud associated with checks or confidence games such as investment schemes, sales schemes or identity theft.



Best Practices for Preventing Paper-Based Fraud

The following safeguards are recommended to proactively combat check fraud.

1. Convert paper payments to electronic payments using Automated Clearing House (ACH) services or commercial purchasing cards.
2. Utilize Positive Pay services.
3. Review banking activity on a daily basis.
4. Reconcile accounts in a timely manner.
5. Use an online banking service, such as Regions iTreasury, to securely and conveniently access account information and review check images.
6. Establish dual control for check issuance and account reconciliation tasks. Dual control consists of the segregation of duties and is a primary internal control which prevents or decreases the risk of errors, irregularities, and identifies problems. Dual control is achieved when one individual does not have control over all phases of a transaction.
7. Segregate accounts by account type (disbursement or deposit), payment method (ACH, check, wire), and payment type (payroll, operations).

continued

“Despite advances in fraud protection and prevention in recent years, the rate of payment fraud attacks remains stubbornly high... notwithstanding the precipitous drop in check volume over the last several years, checks continue to be widely used and abused, and fraud via check payments remains the overwhelming threat faced by companies.”

—2012 AFP Payments Fraud and Control Survey

8. Purchase check stock only from known vendors and outsource check printing. Use high-security checks that are difficult to forge so that alterations can be more easily detected by third parties like check cashers.
9. Securely store check stock, deposit slips and bank statements.
10. Implement secure destruction practices for all financial and other confidential documents that could be used to facilitate identity theft.
11. If an original check is returned to you by a third party, check your account to see if it has paid and/or place a stop payment on the check since the payee could have electronically deposited the item.
12. Consider including an expiration date on the face of your checks. ▲