

Tustin Chamber of Commerce warns of holiday check fraud

By ALLAN BROWNING
For The Tustin News

IN FOCUS

Check fraud is one of the largest challenges facing businesses and financial institutions. With the advancement of computer technology, it is increasingly easy for criminals, either independently or in organized gangs, to manipulate checks in such a way as to deceive innocent victims expecting value in exchange for their money.

A significant amount of check fraud is due to counterfeiting through desktop publishing and copying to create or duplicate an actual financial document. Chemical alteration, which consists of removing some or all of the information and manipulating it to the benefit of the criminal, is also widely employed. Victims include financial institutions, businesses that accept and issue checks and the consumer.

In most cases for individuals, these crimes begin with the theft of a financial document. It can be perpetrated as easily as someone stealing a blank check from a home or vehicle during a burglary, searching for a canceled or old check in the garbage or removing a check that an individual may have mailed to pay a bill from their mailbox.

For a business, forgery typically takes place when an employee issues a check without proper authorization. Criminals also will steal a check, endorse it and present for payment at a retail location or at the bank teller window, probably using bogus personal identification.

Counterfeiting can either mean wholly fabricating a check by using readily available desktop publishing equipment consisting of a personal computer, scanner, sophisticated software and high-grade laser printer or simply dupli-

cating a check with advanced color photocopiers.

Alteration primarily refers to using chemicals and solvents such as acetone, brake fluid or bleach to remove or modify handwriting and information on the check. When performed on specific locations on the check such as the payee's name or amount, it is called-spot alteration. When an attempt to erase information from the entire check is made, it is called-check washing.

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.

It is clear now that businesses must play a role in ensuring their checks are secure. Recently revised UCC regulations add the onus of shared responsibility for check fraud on the business. For example, if a bank offers its customer check stock that contains security features that could have prevented a specific case of fraud, the bank can claim that the customer was negligent and therefore at least partially liable for the fraud loss. Following are some tips that a business can undertake that could greatly reduce the likelihood of check fraud.

DETECTION TIPS

► **Color** - By fanning through a group of returned checks, a counterfeit may stand out as having a slightly different color than the rest of the checks in the batch.

► **Perforation** - Most checks produced by a legitimate printer are perforated and have at least one rough edge.

However, many companies are now using in-house laser printers with MICR capabilities to generate their own checks from blank stock. These checks may have a micro-perforated edge that is difficult to detect.

► **MICR Line Ink** - Most, but not all, forgers lack the ability to encode with magnetic ink the bank and customer account information on the bottom of a check. They will often substitute regular toner or ink for magnetic ink, which is dull and non-reflective. Real magnetic ink applied by laser printers is the exception and may have a shine or gloss.

If a counterfeits MICR line is printed or altered with non-magnetic ink, the banks sorting equipment will be unable to read the MICR line, thus causing a reject item. Unfortunately, the bank will normally apply a new magnetic strip and process the check. This works to the forgers' advantage because it takes additional time to process the fraudulent check, reducing the time the bank has to return the item. But banks cannot treat every non-MICR check as a fraudulent item because millions of legitimate checks are rejected each day due to unreadable MICR lines.

► **Routing Numbers** - The nine-digit number between the colon brackets on the bottom of a check is the routing number of the bank on which the check is drawn; the first two digits indicate in which of the 12 Federal Reserve Districts the bank is located. It is important that these digits be compared to the location of the bank because a forger will sometimes change the routing number on the check to an incorrect Federal Reserve Bank to buy more time.

BUSINESS PROCESS TIPS

► Make sure that your checks include security features that will help combat counter-

Business fraud seminar Nov. 7

Businesses always look forward to the holiday season because it traditionally is the season that gives the biggest boost to their sales. Unfortunately, it also is a time when check fraud, credit card scams and identity theft also peak.

To help Tustin businesses fight these crimes, as a public service, the Business and Economic Development Council of the Tustin Chamber of Commerce and the Tustin Police Department will present a Business Fraud Seminar from

7 to 9 p.m. Nov. 7 in the Tustin City Council Chambers, 300 Centennial Way, Old Town.

Representatives from the Tustin Police Department, US Secret Service and the Orange County District Attorney's Office will be present information on identity theft, check and credit card fraud, counterfeit currency and the county bad check restitution program. The participants are Fraud Investigator **Clark Galliher** and Community Services Officer **Marilyn Packer** from the Tustin

Police and **Teresa Pape**, community relations officer from the Orange County District Attorney's Office. The name of the Secret Service representative was not available at press time.

This event is open to all Tustin businesses. The topic areas are ones that all businesses that deal with the buying public need to be aware of.

For information, call the Tustin Chamber of Commerce at (714) 544-5341.

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feiting 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.

► 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.

► 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.

► 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.

On Nov. 7, the Business and Economic Development Council of the Tustin Chamber of Commerce, in association with the Tustin Police Department will host a free Business Fraud Seminar titled "How to Avoid Holiday Rip-Offs in Your Business."

This event will provide information and ideas on how to reduce your chance of becoming a victim of these types of crimes.

For information contact the chamber at (714) 544-5341. Or drop by 399 El Camino Real.

CALENDAR

► Nov. 7: Free Business Fraud seminar, 7 to 9 p.m., City Council Chambers, 300 Centennial

Way

► Nov. 13: Chamber Business Breakfast, 7 to 9 a.m., Tustin Ranch Golf Club, 12442 Tustin Ranch Road (Assemblyman Bill Campbell to speak)

► Mondays: Networkers Luncheon, noon, location varies (contact the chamber for current location)

► First Tuesday: Ambassadors' Committee Meeting, 7:30 a.m., Tustin Chamber of Commerce, 399 El Camino Real

► Second Tuesday: Business and Economic Development Council meeting, 7:30 a.m., Tustin Chamber of Commerce, 399 El Camino Real

► Second Wednesday, Chamber Business Breakfast, 7:30 to 9 a.m., Tustin Ranch Golf Club, 12442 Tustin Ranch Road

► Third Wednesday: Chamber Board of Director's meeting, 7:30 a.m., Tustin Chamber of Commerce, 399 El Camino Real

► Education and Workforce Development Council meeting, 7:30 a.m., date varies; contact chamber for current date, Tustin Chamber of Commerce, 399 El Camino Real

► Last Wednesday: Government Affairs Council meeting, 7:30 a.m., Tustin Chamber of Commerce, 399 El Camino Real