

CHECK FRAUD PREVENTION GUIDE

For Business and Personal Bank Account Holders

Check Fraud Prevention Guide

Reduce Your Risk When Sending and Receiving Checks

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Some of the best safety measures you can take today to ensure your check's validity when accepting, transferring or mailing them.

Restrict Access to Sensitive Information

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To reduce the risk of internal or external parties of your organization from accessing sensitive checks and related documents, you must take preventative action.

Maintain Sensitive Account Information

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Follow these guidelines for the most up-to-date ways to protect information systems and secure access to sensitive items and documents.

Use Only Secure Checks

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Ensuring your checks are produced with specific security features is at the very core of any security and check fraud prevention strategy.

Accounting and Bookkeeping

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Secure financial systems are the first step in preventing fraud. Follow these tips to maintain safe accounting and bookkeeping systems and codes of conduct in your organization.

Check Fraud Prevention:

Reduce Your Risk When Sending and Receiving Checks



- Accept checks drawn on a local bank so that you can visit and make sure the check is valid. If visiting is not possible, you can call the bank where the check was purchased, and request verification of its authenticity.



- Carefully inspect and verify checks for particular features such as: Perforations along at least one side of the check; Magnetic numbers along the bottom which may be raised from the surface due to the reflective light duplicating process; Federal Reserve District number along the bottom indicating which of the 12 Federal Reserve Districts the bank is located.



- One way to see if a check has been reproduced on a color printer is to check for magnetic ink. The ink should appear flat and dull when tilted under normal light. Any shine or reflected light on the numbers along the bottom are likely signs of a forgery.
- Do not endorse checks until you are ready to make the deposit. This reduces the risk of an unauthorized party cashing it.



- Never give a cash refund on a purchase made by check, until the funds have cleared.
- If you receive payment via a cashier check, ask the payer of the check to accompany you to the bank to cash it.
- Only accept checks during business banking hours, so if need be, you can ensure they may be verified.



- Have in place a posted check policy.
- Rent a P.O. Box or secure parcel locker e.g. from Fedex or USPS.
- Compare routing number on bottom to fractional number.
- Use a check verification service or check guarantee service. If your business is located in a relatively high-risk area, use inkless fingerprinting as part of the check payment policy and communicate this policy clearly so as to avoid upsetting potential customers.



- Validate ID when possible.
- Do not use unlocked mailboxes when mailing checks or document which has personal or business information in it. This will reduce the risk of a third party accessing it before it is picked up by the postal service.
- If possible, take bill payments directly to post office.
- Use registered mail where possible.

Check Fraud Prevention:

Restrict Access to Sensitive Information



- Make it company policy to change lock combinations and software access codes when staff leave the company or change positions within the company, and at regular intervals throughout the year.



- Do not leave checks unattended in equipment such as the printer, scanner or copier. Similarly, do not leave checkbooks unattended and/or in plain sight.
- Make it company policy not to leave unattended checks, deposit slips, endorsement stamps or bank records.



- Have employees with access bonded.
- Keep the company's official signatures details confidential and treat them as sensitive information.



- Eliminate concealed areas nearby to reduce risk of potential hiding places for thieves.
- Restrict access to the mailbox. If your mail carrier is willing, leave an unlocked lock inside the mailbox for them to lock your box after delivery.

- Use a mail slot instead of a mailbox, if possible.
- Pick up mail promptly after delivery.
- Rent a P.O. box or parcel locker for added security.
- Restrict access to items that expose you to risk.
- Shred or burn all old or unused checks.

Check Fraud Prevention:

Maintain Sensitive Account Information



- When hiring, carry out background checks of anyone that will have access to sensitive information.
- Set up limits on check cashing amounts. Ensure particular accounts with no check issue facilities are flagged with a "Post No Checks" notification.



- Notify the bank immediately to revoke signing entitlements of any employee with signing authority who leaves the company.

- Limit the number of official signatories.
- Put an ACH block on your account if it does not accept ACH.

- Have a minimum of one signatory requirement on large dollar check amounts.

- Review bank account and deposit agreements regularly.



Check Fraud Prevention: Use Only Secure Checks



- Choose your check printer carefully, ensuring credibility, and for adherence to Check 21 as set out by the Federal Reserve Board..
- Check packaging of your new checks carefully upon receiving, for any evidence of tampering.
- To reduce your risk of identity theft, do not include personal information on your checks, eg. social insurance number, phone number or driver's license number.



- When receiving your new checks by mail or delivery, find out the estimated arrival time and follow up immediately on any late or mislaid deliveries, so as to minimise risk of lost or stolen checks.



- Request a 'signature required' delivery.
- Print clearly the number of signatures required, above the signature line.
- Arrange to have your new checkbooks delivered for you to collect directly from your bank, if possible.
- Ensure your check printer uses alteration and tamper-proof packaging and delivery processes
- Ask your check printer about their features for protecting against copying and counterfeiting.



- Ensure your checks are printed with featured warnings and messages evident.
- Use custom check designs which are not available to other companies or individuals, particularly for software with a 'print your own' option.

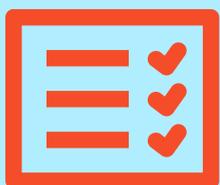
Check Fraud Prevention: Accounting and Bookkeeping



- Ensure your checks have an expiration date by printing an expiration onto the check face.



- Keep a record of the next check number and last check number.
- Always remember to remove checks from copying equipment such as printer, scanner, or copier, when no longer in use.
- Do not leave unattended checks, deposit slips, endorsement stamps or bank records.
- When writing a check manually, use non-erasable ink such as gel pen or fountain pen with durable ink.



- Use only check paper with toner adhesion.
- When using manual checks and checks software, ensure there are no spaces before or after payee name and the amount, so as to reduce the risk of unauthorized editing.



- Print payee name and address using the largest font possible or permissible.
- When possible, use electronic payments instead of checks.
- Always record the number of the last check number used, and store in a secure place which is inaccessible to others.



- Monitor your accounts regularly, checking bank statements for duplicate or unexpected numbers.
- Fan through canceled checks that you receive with your statement.



- Have employees with access bonded.
- If a canceled check has a MICR label, find out the reason why.
- To reduce the risk of your mobile device being used for mobile banking deposit fraud, enable the passcode lock for all mobile devices, and wipe the device clean of any saved codes before reselling or recycling when no longer in use. Consult manufacturer's recommendation for a thorough clean of saved information.



- Subscribe to banking text alerts for large purchases or transactions.
- Carry out random surprise internal audits.
- Systematically check bank statements frequently and reconcile discrepancies promptly.