What Every Business Should Know:

Preventing Check Fraud in Today’s Payments Landscape
Foreword

Businesses continue to initiate the majority of payments by check. Checks remain the payment instrument of choice, accounting for the highest dollar volume of transactions. The popularity of the paper check is sustained in part by the reliability of established bank fraud prevention measures, such as positive pay, and the fact that businesses have clear and trusted process for tying check payments to invoices.

Despite the high security check fraud prevention tactics available today, criminals still attempt to victimize businesses through check fraud. Check-related fraud remains to be a serious concern for companies big and small, according to banks, industry groups, and fraud experts alike:

- Industry check-related losses amounted to an estimated $1.024 billion in 2008, up slightly from the $969 million in 2006. The number of fraud cases also increased.
  American Banker's Association

- Nine out of ten organizations that experienced actual or attempted payments fraud in 2009 were victims of check fraud.
  AFP Payments Fraud Survey

- US Organizations lose about 7% of their revenues to fraud.
  Fighting Fraud. Online Security Management and Fraud Prevention, White Paper, Bank of America Merrill Lynch

- Checks are still the most widely used payment method for business to business payments.
  AFP Payments Fraud Survey

- Check fraud ranks second, behind embezzlement, on the list of crimes that most hurt America’s top 1,000 companies.
  American Payroll Association
Preventing Check Fraud

Fraud Prevention Best Practices

Difficult economic times require increased vigilance toward fraud prevention. End users are commonly the first point of attack for fraudsters, making a company’s employees the front line defense. Operations-based fraud prevention practices are simple and economic ways to minimize your risk for check fraud. Business best practices offer several approaches to securing your payment issuances process, including:

• Daily account reconciliation
• Knowledge of your bank’s check destruction policy, imaging system, and check fraud detection practices
• Knowledge of check stock security features, including developments in the area of image-survivable features
• Awareness of payment procedures and security risks during employee vacations and turnover
• Employee hotlines where workers can anonymously report abuse or fraud attempts
• Post No Debit flags on zero balance or depository accounts
• Employee training through fraud prevention education
• Controlled access to company payments areas and systems
• Segregation of duties related to financial activities
• Consistent system password updates
• Utilizing blank instead of preprinted check stock
• Conducting surprise audits
• Enforcement of mandatory employee vacations

Oftentimes, businesses don’t take aggressive fraud prevention measures until it’s too late and they’ve already been hit with a fraud attack. Losses are not only financial; victimized organizations also experience reputational damage once confidential customer and employee information has been exposed.

Along with considering the aforementioned best practices, perform an inventory of your current practices and internal controls by taking the Check Fraud Risk Assessment Survey at http://www.aptechnology.com/for/cfra

Evaluating Your Fraud Risk: Key Questions to Consider

- How is fraud prevention education is taught and enforced within your organization?
- Does account reconciliation take place daily?
- Is only one individual responsible for check printing and account maintenance?
- How often are passwords changed and secured?
- Do you have a check fraud plan in place?
- What policies are in place for security access codes, and control of keys?
- How often are surprise audits conducted?

Learn more online: http://www.aptechnology.com/for/cfra
Implement High-Security Check Printing
Organizations of any size should consider utilizing the best fraud prevention technology available to disburse payments. Through high-security check printing software systems, your checks can be protected by the advanced technologies available today. These systems print to blank check stock, eliminating the risk of sensitive account information being stolen directly from preprinted stock, and print to a single printer, multiple printers across a network, or checks printed to remote locations.

Secure Laser Check Printing
Today’s leading MICR check printing systems, offer a wide range of internal controls for fraud prevention that can be securely managed from a host server: audit trails, event logs, user permissions, email notifications for check printing activities, electronic check-image archiving, and more. Systems such as SecureCheck-Pro 7 from AP Technology offer double login features for added security control and automation for process enhancement. The SecureCheck-Pro system also offers printed-check security features, such as security fonts or a Check 21-compatible security-watermark.

Remote Check Printing
Staffing companies, professional employer organizations, construction companies, commercial banks, title companies, title attorneys, mortgage lenders, or any organization that manages multiple checking accounts and issues checks for distribution at a number of locations will see the security and productivity advantages of implementing a secure remote-check-printing process. The APSecure-RCP solution from AP Technology delivers check files securely over the Internet for printing to blank stock at remote sites. This web-based solution immediately eliminates the significant security risks - and costs - associated with standard mail or express delivery of volume check runs.

On-Demand Check Printing at Remote Locations
Some organizations require the capability to write or print checks as needed at remote locations. Manual processes in these situations are open to inaccuracies and fraud. An on-demand check printing system enables checks, including checks for vendors and refunds, to be printed on-demand at any remote location with centralized process management and real-time data reporting. With on-demand systems, such as APSecure-ODC from AP Technology, organizations can enable their remote locations to conveniently print checks on site using an intuitive web interface, while ensuring optimal fraud control and efficiencies.

“Our laser check printing software has improved our check printing because it is without a doubt a faster, simpler process. Everything is done in one step. The security features in SecureCheck make it much harder for anyone to falsify a check, especially combined with the high-security check stock.”

John Lewis, Associate Vice President for Business and Finance, Lynchburg College
During challenging economic times, defense against check fraud criminals is more essential than ever. The most successful check fraud prevention plans combine top-tier technology with proven industry best practices.