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Cheque Fraud Prevention

BY ROBERT WEINBERG, MBA RCM ACCI

MORE AND MORE, property management companies and their client corporations are the victims of cheque fraud.

The nature of our business is that we can usually only pay utility bills online or by pre-authorized payment. Most other trade payables require at least two signatures (including a condominium board member(s)), and then the cheques are usually placed in the mail.

This article is designed to provide some helpful tips and/or suggestions to safeguard the management company and their client corporations from cheque fraud.

What is Cheque Fraud?

Cheque fraud is one of the biggest fiduciary challenges facing today's businesses and financial institutions. Computer technology has made it increasingly easy for criminals to manipulate cheques.

Much of today's cheque fraud is carried out using desktop publishing and copying to create or dupli-

cate an actual cheque. In addition, some use chemical alteration or "washing," which consists of removing some or all of the information and manipulating it to the benefit of the criminal.

In most cases, cheque fraud begins with the theft of an actual cheque through the mail.

Types of Cheque Fraud

Forgery

Criminals will steal a cheque, endorse it and present it for payment at a cheque cashing company or at the bank, usually using false personal ID.

Counterfeiting and Alteration

Counterfeiting can mean creating a brand new cheque from scratch, using commercially available desktop publishing software, scanners and a high-end colour laser printer. In some cases, cheques are merely duplicated using high-end colour photocopiers.

Alteration generally means using certain chemicals or

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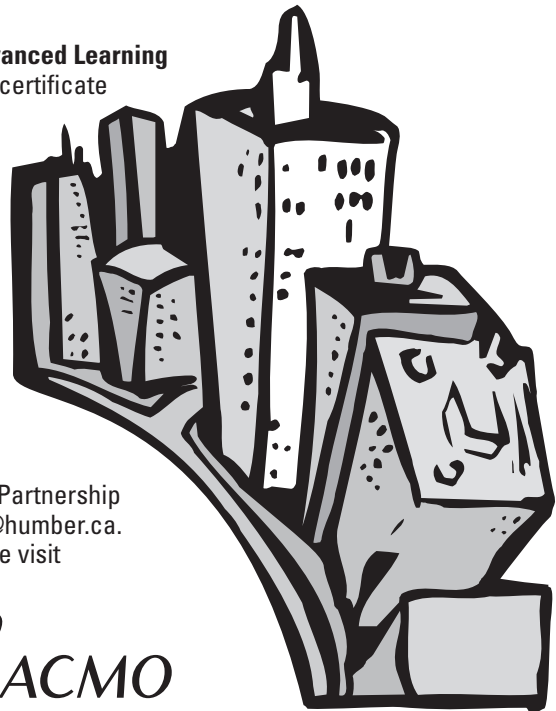
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solvents such as acetone, brake fluid or bleach to remove or change handwritten information on the cheque.

It has been estimated that the annual losses due to cheque fraud are in the billions of dollars and continue to grow steadily as criminals continue to seek ways to earn a living by defrauding others.

Cheque Security Measures

1. Do not use a ballpoint pen to sign cheques, as most ballpoint and marker inks are dye based, which means the pigments are dissolved in the ink and can be washed from the cheque using chemicals. Gel pens, like the Uniball 207, use gel ink that contains tiny particles of colour that are trapped into the paper, making cheque washing a lot more difficult.

2. Don't use pre-printed cheques. Ensure that only blank cheque stock is used and the accounting software prints everything on the cheque. Pre-printed cheques are a known source of cheque fraud as the account numbers and bank information are already in place.

Protect Outgoing Mail

In our business we have to mail most cheques. As an industry, we need to better protect our outgoing mail. Unfortunately, there have been documented cases of mail being stolen or redirected by post office personnel. The only way to prevent that from happening is not to use the mail system for delivering payments.

1. Don't put mail in street mailboxes: The highest rate of mail theft locally is from those big, red postal service mailboxes located on street corners and at other public places.

2. Don't use window envelopes. It may take longer and cost more to address a standard #9 envelope, but the time saved in not having to deal with forged cheques is a net savings.

3. If you use window envelopes, talk to your accounting software provider about creating a mailing page or printing the payee information on another part of the multi-part cheque so it appears to just be a white piece of paper with someone's address, and not a cheque that clearly

says "pay to the order" right in the envelope window.

4. Don't take mail to the mailbox at the same time every day. Criminals watch for patterns. And don't take them at night. It's easier to "dip into" the mailbox and steal the mail without being seen.

5. Set a policy requiring trades to pick up any cheque over a certain dollar value, say \$5,000.

6. Although not foolproof, take all outgoing mail to the post office directly.

Nothing can prevent the theft of monies by those who are determined to find a way to cheat the law-abiding citizen, but the tips detailed above should limit the exposure of the property management company and the condominium corporation. ❖



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