



PREVENTING CHECK FRAUD: A RESOURCE FOR BUSINESSES

HOW CAN CHECK FRAUD HAPPEN?

CRIMINALS MAY TRY TO:

- Alter legitimate checks by changing the payee or amount
- Use stolen account information to create counterfeit checks
- Forge the signature of the authorized party on the front of the check
- Steal a check and forge the payee's endorsement on the back of the check

PREVENTING CHECK FRAUD

IMPLEMENT CONTROLS FOR CHECK USAGE



- Use check stock with security features — such as micro-printing and watermarks
- Print checks with a consistent font that is not as easy to duplicate
- Keep check stock in a secure location and maintain security around the fulfillment process
- Use dual controls for issuing and approving checks (a second person approves the check)
- Limit the number of people authorized to access and issue checks
- Separate duties by having different people issue or sign checks and reconcile accounts
- Conduct regular audits and procedure reviews

STAY AWARE OF ACCOUNT ACTIVITY



- Reconcile bank accounts daily
- Monitor transactions via online banking
- Explore fraud prevention services with your financial institution — e.g., Positive Pay check verification services and account / transaction alerts and notifications

ISSUE AND DELIVER CHECKS SECURELY



- Use security envelopes and packages that obscure the check inside
- Use gel ink that is more difficult to wash off
- Avoid leaving outgoing checks in public places, such as unmonitored mailboxes
- Consider alternative payment methods

TRAIN EMPLOYEES



- Train employees on how to identify phishing, scams and other red flags
- Ensure employees know how to identify fraudulent checks and understand the importance of monitoring transactions — for example, identifying duplicate checks
- Empower and educate employees on how to respond to check fraud



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The check fraud mitigation toolkit was developed by the Federal Reserve to help educate the industry about check fraud and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.