

Check, Credit Card & Refund Fraud



Crime and Violence Prevention Center • California Attorney General's Office

What can you do to prevent business fraud? Learn to recognize it before it's too late!

False Identification

False identification contributes to the losses from bad checks and credit cards. To minimize this problem, require at least one primary form of identification when making business transactions.

Primary forms of identification:

- Valid California driver's license.
- Valid California identification card.
- Employee identification card with laminated photo (check for alterations).

Never accept the following cards as identification:

- Membership cards.
- Library cards.
- Social Security Cards.
- Any card or any form of identification that appears to be altered.

False identification cards are easy to obtain and inexpensive to purchase. If you are not certain that the identification is valid, terminate the transaction.

Credit Card Fraud

When accepting credit cards, it is a good practice to ask for a valid form of picture identification. This may assist you in determining if the credit card belongs to the individual making the purchase. Train employees to follow each credit card company's authorization procedures. If the credit card company indicates the card is stolen, explain to the customer that there is a problem getting authorization and that you need to keep the card. Depending on the situation, you may need to call law enforcement. Make sure you establish internal procedures for this kind of incident, and be consistent with enforcing your procedures. Watch for suspicious signs that may lead to credit card fraud:

- The credit card has been altered, has expired or is not yet valid.
- Signatures on the back of the credit card and sales slip don't match.
- The customer makes several purchases in the same department, all under the amount that requires an authorization call to the card issuer or management's approval.

Special Notes:

- When suspicious, call for an authorization from the credit card issuer, indicate your suspicion and follow instructions.
- Remember, your safety is important. If the customer becomes abusive, call law enforcement immediately.
- Always destroy carbon copies from credit card invoices or offer carbon copies to customers so that the credit card numbers and names do not fall into the wrong hands. If you have a credit card invoice printer, make sure that you destroy the merchant roll when you complete bookkeeping transactions.

Check Fraud

There are a number of ways that fraudulent or stolen checks can bounce into your business. Stolen checks can be forged, and legitimate checks can be altered to show much higher amounts. Fraudulent checks generated on home computers are becoming prevalent in the business community. If you are unsure, call the bank to verify that the account number matches the name on the check.

Set up check cashing guidelines - and follow them...

- All checks should follow company guidelines regardless of the amount.
- Require valid identification to cash a check. *Make no exceptions!*
- Require management approval for out-of-area checks
- Only accept checks imprinted with the customer's name, address and bank account number.
- Consider limiting the check to the amount of purchase.
- Consider requiring a thumb print on the check for positive identification.
- Do not accept two-or-more party checks.
- Do not accept postdated checks.
- Do not accept checks with alterations.

Refund Policy

To minimize losses on fraudulent refunds, consider the following:

- Issue cash refunds only to persons who have a receipt verifying the purchase.
- Establish and post a policy for returning non-defective merchandise *without a receipt*:
 - ◆ Refund by check.
 - ◆ Consider no refund - exchange only.
 - ◆ Always require valid identification and maintain a file of returns.

Schemes to defraud manufacturers, suppliers or distributors

These schemes can be used by all sorts of dishonest persons on all kinds of businesses. As a favorite ploy of con artists and organized criminals, they will establish a fake company, buy materials on credit and vanish. Sometimes they will set up a company with a name and address almost identical to a well-known, respected company. That way, suppliers are fooled into granting them credit. Finally, criminals may buy a legitimate business and use it (and its credit rating) as a starting point for such schemes. Sometimes these types of fraud are hard to detect. Question the following conditions:

- A sudden change in your customer's management staff without any prior notice.
- The customer's payments start to lag behind, and the credit balance starts to climb.
- A new customer suddenly orders an unusually large amount of merchandise - on credit.
- Business references for the customer cannot be verified.
- Suddenly a company increases its orders; sales become "too easy."

If you notice these signs, take action. Get to know the new management of a company. Do a careful credit check on the customer. Make sure that the new orders are not filled until a credit check has been completed.

If you are a victim of any type of fraud, notify law enforcement immediately. Remember to save business invoices, notes, letters and any relevant documents.

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