Protect Your Organization From Desktop Publishing Fraud

With the advent of desktop publishing, document fraud is an increasing problem. Here are ways to protect your organization.

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Today's managers–of both large and small nonprofit organizations—must be prepared to deal with desktop publishing and document frauds. More than $30 billion is lost annually in forged or altered check scams. Each year, the FBI reports increases in both the number and dollar amounts involved in cases of check forgery.

Most of these crimes are never reported. The victimized organizations don't want to expose themselves to the negative publicity which could surface when the press learns of a fraud. A typical news release informs the public how ineffective was the organization's system of internal controls. This announcement could have a terminal effect on the organization's ability to obtain future donations and bank loans. In addition, such an event may increase scrutiny from national headquarter organizations and is embarrassing to the organization.

What Is Your Risk?

Document fraud is not new, but the ease of desktop publishing has increased the risks facing your organization. Any document of value is a possible target, though check fraud is the most common.

Check fraud is defined as "the intentional negotiation of a check without the account holder's authorization." Check fraud includes altering a check, forging the maker's signature or payee's endorsement, counterfeiting, stop payments, and closed accounts.

The most popular target of fraudsters is the payroll check. These checks can be scanned, their amounts altered, and bank routing numbers changed so the checks are sent to a different Federal Reserve Bank district for processing. Such improper routing delays the discovery of the fraud and provides the forger with valuable check return time. Since most payroll accounts maintain a large balance at payroll periods, your organization won't discover the document fraud until weeks later when the bank notifies you that your account's balance is overdrawn.

The main culprits behind the acceleration in check forgeries are technological—color copiers, image scanners, desktop publishing systems, personal computers, color laser printers, and an abundant supply of check paper. With such equipment, even the most complicated documents and checks can be reproduced.

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What Factors Contribute to the Problem?

Understanding the characteristics of a check fraudster is important. These individuals prey on discovered weaknesses, realizing that the risk of prosecution is slim. Many people see organizations as "deep pockets," and judges and juries often have little sympathy for organizations as

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victims. A case in point is the severity of a criminal sentence for a bank robbery versus a minimal sentence for check fraud for an amount five times the robbery.

What Can You Do?

Use these ideas to reduce your organization's risk of becoming a victim of desktop publishing and document fraud:

• **Review your organization's internal controls.** Make sure you have different people performing the jobs of authorization, access, and recordkeeping. (See "Selected References" for more information on setting up a control system for your organization.)

• **Use preprinted checks** on controlled, non-duplicable security paper stock. This control represents a major step toward proactively reducing document frauds. The related costs to implement such a control represent only pennies per document. This paper is usually available only as a printed document to bona fide customers and is obtainable in only a blank format. If a bank has offered this service to an organization, and the organization has refused to use it, *the organization would probably be responsible for any future losses due to document fraud.*

• **Make sure the edges of your checks are perforated.** Virtually all legitimate checks are perforated. If a check's edges are smooth, more than likely it is a forgery.

• **Use unique designs** for your checks and other important documents.

• **Use the color copier fraud deterrence technique.** With this technique, VOID appears on the check if someone attempts to copy it.

• **Use watermarks** on checks and other important documents to protect them from tampering.

• **Use chemical tamper proofing.**

• **Use positive paycheck protection.** With this method, you send your bank an electronic list of checks and amounts issued each day. When a payroll check is presented to the bank, the bank verifies that it is on the list received from your organization before cashing the payroll check.

• **Ask your bank** for information on these and other prevention techniques. Work with your bank to become partners against fraud.

• **Continue to keep current** on the newest technologies to provide your organization with the best and latest fraud prevention techniques. ■

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