



## Inspector General Insights

**Background:** What is old is new again, at least in the world of fraud. While we are becoming educated in the increasingly sophisticated techniques used by those committing fraud, we must be wary of the old ways. Have you ever sent a check that was cashed, but the recipient said it never arrived? You may be the victim of “check washing.”

According to the United States Postal Inspection Service, “Check Washing” scams involve changing the payee names and often the dollar amounts on checks and fraudulently depositing them. Occasionally, these checks are stolen from mailboxes and washed in chemicals to remove the ink. Some scammers will even use copiers or scanners to print fake copies of a check. Postal Inspectors recover more than \$1 billion in counterfeit checks and money orders every year, but you can take steps to protect yourself.

**Objective:** To make the public aware of a recent scam involving “check washing”, and to inform the public of best practices when receiving checks or utilizing checks for payment.

**Observations:** Unfortunately, our office recently experienced a similar scam when we sent a payment of over \$20,000.00 to a vendor. An unknown individual(s) intercepted the check, changed the payee's name, and attempted to deposit the check. The Clerk's Finance department worked with the bank involved, and the funds were not lost.

The Clerk's Office of Inspector General began a preliminary review to determine if there was enough information to refer the case to law enforcement. Check fraud has been largely defeated by the introduction of the concept of positive payment. With this technique, the exact parameters of payment are matched against the presentment of the check for payment or deposit. This may include the check number, amount, and payee. If any of these parameters do not match, the check is not honored. Most positive payment processes include the matching of check number and amount, but not all include the payee match. Without a payee match requirement, a check can be intercepted, and the payee altered.

**Recommendations & Actions:** Here are some ways to prevent checks falling into the wrong hands:

- If you are expecting a check and don't receive it, please contact the issuer to verify if the check has been cashed.
- Retrieve your mail frequently and never leave your mail in your mailbox overnight.
- If you are going on vacation, have your mail held at the Post Office or have it picked up by a friend or neighbor.
- Consider getting a residential mailbox with a lock.
- Utilize a black gel ink pen to prevent thieves from “check washing.”
- Utilize the drop boxes within the US Post Office, as a more secure method of mailing checks.
- When in doubt, verify the check's authenticity with the bank that issued it.

**Conclusion:** If you experience check fraud, please contact your banking institution for further assistance and guidance.

Total # Transactions	Amounts Audited or Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
1	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	7

# AN OLD FRAUD WITH A NEW LOOK

## PROTECT YOUR BUSINESS AND YOURSELF FROM MODERN-DAY CHECK FRAUD

It may feel old-fashioned, but check fraud remains a threat thanks to modern-day methods. According to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), between 2021 and 2022, reports of check fraud increased from 350,000 to 680,000. FinCEN says this increase directly coincides with reporting from the U.S. Postal Service (USPS) that mail theft increased 161% from the start of the pandemic through 2021.

Many check fraud schemes are being run by organized crime operations. People are recruited through social media to both steal checks or act as "walkers" by taking stolen and altered checks to the bank to be cashed.

### How am I writing checks?

Use a **black gel ink pen** so that check thieves are not able to use chemicals to wash away the details through a process called **CHECK WASHING**.



### Segregating bank accounts

If you own a business, consider opening separate bank accounts for different uses, such as incoming customer payments, electronic payment disbursements and check disbursements. If thieves gain access to one account with a stolen check, they will not have access to all your company's funds.



### Who am I sending checks to?

Consider using paper checks only for transactions with trusted friends and business associates. If you do not know the person you are making a transaction with, try to use electronic forms of payment instead.

## WHAT TO THINK ABOUT WHEN USING CHECKS

### Overpayment red flag

If someone issues you a check more than the amount agreed upon, this could be a red flag for a fake check. A fraudster could later ask for the overpayment back.



### How am I sending checks?

If you are mailing a check, the USPS recommends not to use public collection mailboxes because thieves are more likely to steal from those.

Instead, place your check directly into a drop box inside the post office.



### Potential for identity theft

If using checks, try to limit the amount of information on them. Checks can be a treasure trove for identity thieves, so be sure not to include excess personal information such as driver's license, social security or phone numbers.

### How am I receiving important mail?

Unless you are using the post office to hold your mail, check your mail regularly so thieves cannot get to it first. Additionally, consider using a residential mailbox with a lock for another layer of security.