



## **Mail Theft and Check Fraud**

The Council recently had several issues with mail theft and subsequent check fraud. Multiple incidents occurred in early May of 2023, whereby checks never made it to the Council office. Checks were sent from several Centers across the state as well as the Fund office. The common denominator is that they were all sent to the same place via the same service. There are at least six stolen member checks that the Fund knows about because they were attempted to be cashed in various states around the country. Three were successful.

An article published the Associated Press (AP) in mid-June, confirmed that the issue was widespread. Not only widespread but also rampant. Reports of check fraud in 2022 were double what they were in 2021 (680k vs. 350k). Meanwhile, complaints of mail fraud were also double up in 2022 (300k vs. 150k in 2021). <https://apnews.com/article/check-fraud-banks-organized-crime-5f033b93bd87e2cbeb82b4ab4865a916>

The most common scheme is called check washing. The fraudsters steal the paper checks out of the mail, then change the payee using fairly sophisticated techniques. Sometimes, they even change the amount slightly if they know they can get certain amounts past bank tellers and other internal controls. The fraudsters have a network of individuals throughout the country to cash the check for them, who then take a cut of the deposited funds. They have bank accounts at various banks nationwide. They're often more successful by taking the check out of state because the tellers are less likely to be familiar with the business and therefore ask less questions (surprising, right?!).

The best action businesses and individuals can take is to simply not send checks. There are a myriad of inexpensive options to transfer funds nowadays. Sure, it might take a little administrative effort to get the process up and running, but it is certainly worth implementing to mitigate the risk.

Of course, there are other internal controls that can be put into place. For example, getting a lock box, better internal controls, including documenting the checks better or multi-layer reviews and/or approvals. There are many options, but in this modern age, the best answer to reduce your risk by sending all funds via electronic transfer.