

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. Here are some common frauds to watch out for:

False identification

Contributing to losses from bad checks and credit cards is the use of false identification. To minimize this problem, require at least one primary I.D., preferably backed by at least one secondary I.D.

Primary I.D.s are:

- California driver's license. *Do not accept a temporary license.*
- California identification card.
- Employee identification card with laminated photo (check for alterations).

Secondary I.D.s:

- Check guarantee card. Check expiration date and maximum amount of coverage.

Never accept the following as I.D.:

- Membership cards.
- Library cards.
- Any card or I.D. that appears to be altered.
- Social Security cards.
- Temporary driver's licenses.

Credit card fraud

Do not accept credit cards without proof of identity. Do not accept credit cards without checking a "Hot Sheet" or telephoning issuer for authorization. Watch for these telltale signs of credit fraud:

- The card has been altered, has expired, or is not yet valid.
- Signatures on the card and sales slip don't match.
- The customer makes several purchases in the same department, all under the amount of the floor limit or that which would require an authorization call to the card issuer.

When suspicious

- Call for an authorization from card issuer, indicate your suspicions and follow instructions.

Remember

Always destroy carbons from credit card invoices or offer carbon copies to customers so that credit card numbers and names do not fall into the wrong hands.

Check fraud

There are a number of ways that fraudulent or stolen checks can be forged. Legitimate checks can be altered to show much higher amounts.

Set up check cashing guidelines

- Require two proper I.D.s to cash a check. *Make no exceptions.*
- Only accept local checks.
- Only accept checks with the name and address imprinted on them.
- Only accept payroll or government checks when you know the person or verify the check.
- Consider limiting the check to the purchase amount.
- Do not accept two-or-more party checks.
- Do not accept postdated checks.
- Do not accept checks with alterations.

Fraudulent refunds

Refunding is a courtesy extended by the store and no store is compelled to honor any request. If merchandise is defective, you may refund, exchange, or follow the posted policy. To minimize losses on fraudulent refunds, consider the following:

- Issue cash refunds only to persons who have a receipt verifying the purchase.
- Establish a policy for returning merchandise without a receipt:
 - Refund by check, to be mailed from bookkeeping department.
 - No refund. Exchange only.
 - Always require valid identification, and maintain a file of returns.

Schemes to defraud manufacturers, suppliers or distributors

Schemes to defraud manufacturers, suppliers or distributors can be used by all sorts of dishonest persons on all kinds of businesses. It's a favorite ploy of con artists and organized criminals. Often, they will establish a fake company, buy materials on credit, and vanish. Sometimes they'll set up a company with a name and address almost identical to a well-known, respected company. That way, many suppliers are fooled into granting them credit. Finally, organized crime may buy a legitimate business, and use it (and its credit rating) as a starting point for such schemes.

Sometimes these types of frauds are hard to detect. Watch out for conditions like these:

- A sudden change in your customer's management, without any public notice.
- The customer's payments start to lag behind, and the credit balance starts to climb.
- A new customer suddenly orders unusually large amounts of merchandise on credit.
- Trade references for the customer cannot be verified.
- Suddenly 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 new orders are not filled until a credit check has been completed.

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