

# CAPITOLA POLICE DEPARTMENT



## COMMERCIAL SECURITY UNIT

## FRAUDULENT CHECKS





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(831) 462-6138

Time was when a man's word was as good as his bond. However, today even the signatures of many persons are worthless, especially to retailers who are stuck with bad checks.

Debt Counsellors of America estimates that **450 million bad checks are written every year** costing billions of dollars in losses to businesses. These are not bank errors. These are people errors and criminals at work.



Winning the battle of wits against bad-check passers is largely a matter of knowledge and vigilance. You have to know what you're up against, pass the information on to your employees, and be constantly on guard when accepting checks.

### TYPES OF CHECKS

You are apt to come into contact with seven different types of checks: personal, two-party, payroll, Government, blank, starter, and traveller's. Some customers may offer money orders.



A **Personal Check** is written and signed by the individual offering it. The individual makes it out to you or your firm.



A **Two-Party Check** is issued by one person, (the maker) to a second person who endorses it so that it may be cashed by a third person (you). This type of check is susceptible to fraud because the maker can stop payment at the bank.

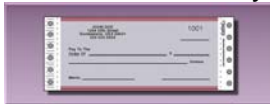


A **Payroll Check** is issued to an employee for wages or salary earned. Usually the name of the employer is printed on it, and it has a number and is signed. In most instances "payroll" is also printed on the check. The employee's name is printed by a check-writing machine or typed. You should not cash a payroll check that is hand printed.



The **Federal Government**, a State, a county, or a local government can issue a Government Check. Such checks cover salaries, tax refunds, pensions, welfare allotments, and veteran's benefits, to mention a few.

- In some areas, such thievery is so great that some banks refuse to cash Social Security, welfare, relief, or income tax checks, unless the customer has an account with the bank.
- You should follow this procedure also.
- In short know your endorser.



A **Blank Check** sometimes known as universal check is no longer acceptable to most banks due to the Federal Reserve board regulations that prohibit standard processing without encoded characters.

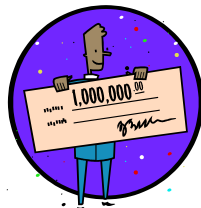
A **Starter Check** is a non-personalized check usually given to a person starting a checking account, be very careful in taking these types of checks, unless you know your endorser, these checks could have been lost, stolen, or found by someone other than the account holder.

A **Traveller's Check** is a check sold with a pre-printed amount (usually in round figures) to travellers who do not want to carry large amounts of cash. The traveller signs the checks at the time of purchase and should counter-sign the check only in the presence of the person who cashes them.

A **Money Order** can be passed as a check.

- A money order is usually sent in the mail.
- Most stores should not accept money orders in face-to face transactions.
- Some small stores sell money orders.
- If yours does, never accept a personal check in payment for money orders. If the purchaser has a valid checking account, why does he or she need a money order?
- The check is possibly no good.

## CHECK ACCEPTANCE POLICY



- It is important that you or your company establish a set policy to be followed by all employees when accepting checks.
- It is vital to stress to your employees the importance of this policy. If your company has set procedures for all customers, then no one customer should have any reason to feel that they are being treated unfairly.
- It is a good idea to have a checklist for all cashiers to follow.

- Review your policy and procedure on check cashing frequently with your employees.
- Remind them of what to look for to spot bad checks.



**Read every check carefully for the following 8 points:**

- **Check that the person's photo ID matches:** The person passing the check and contains the same name, address, and signature as the name pre-printed on the check.
- **Look for a low check number or no pre-printed check number:** Many bad checks are drawn on accounts less than one year old.
- **Check to see that the date on the check is accurate:** This eliminates the possibility of receiving post-dated checks. (A check that is post-dated may be a defence to criminal prosecution under California law.)
- **Look for Irregularities:** You will feel perforations on a least one edge of all legitimate checks (except government checks printed on computer card stock.) Most forgers use a regular paper cutter, leaving all four sides smooth.
- **Transit Routing Number:** The first four digits of the denominator of the fraction in the upper right hand corner of the check should match the first four digits of the numeric strip at the bottom of the check. If it does not, you may have a false instrument
- **The check sequence number:** Is the check number at the bottom of the check (may be located either before or after the customer's account number) should match the check number in the upper right hand corner of the check.
- **Signature:** the check writer should sign the check in your presence.
- **NEVER** accept a check that is pre-signed or from someone other than the account holder.
- **Identification:** Once you are satisfied that the check is okay, the next question to ask is: "Is the person passing the check the right person?" Requiring identification helps you to answer this question. Even if the driver's license number is pre-printed on the check make sure the check writer is the same person.
- In most cases, you accept a check when the customer has met your identification requirements. You want to make the sale.
- Always look to see that the signature and photo on the **ID** match the check writer in front of you. (Hair, eyes can change but not sex and race)



**Primary identification may be:**

- A valid California Drivers License
- A valid California I.D. Card
- A Valid Military I.D. Card
- A Current Employment I.D. with photo

But keep in mind that no identification is foolproof. A crook is a crook no matter what type of identification you ask to see. If the person wants to forge identification, he or she can.

## **NEVER ACCEPT AN EXPIRED LICENSE OR ID CARD AS VALID IDENTIFICATION**

You may ask and note the person's home or work phone number or place of employment on the check. Obtain an inked fingerprint of the check writer on the back of the check.

### **Avoid taking:**

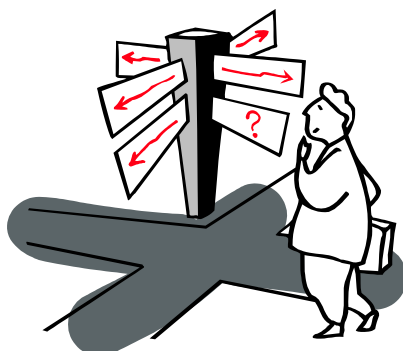
- Non-personalized checks
- Two-party checks
- Out of Area/Out-of-State checks Altered checks
- Income tax checks
- Insurance claim checks
- Money orders in a face-to face transaction for merchandise
- Post-dated or stale-dated checks, always know the current date

### **Payroll or business checks:**

- Payee must be local
- Company should be known
- Payee and maker should not be the same person
- Must be pre-printed with company name and address
- Must be endorsed in your presence, with name exactly as printed on front of check.

## **REFUSING A CHECK**

- You are not obligated to take anyone's check. Even when a stranger presents satisfactory identification, you do not have to accept the check.
- Never discriminate when refusing to take a check. Don't tell a customer that you can't accept a check because he or she is a college student or lives in a bad neighborhood etc. If you do, you may be in violation of a State or Federal law on discrimination.



### **REMEMBER**

- Never accept a check if the person presenting it appears to be intoxicated.
- Never accept a check if the customer acts suspiciously. For example, the customer may try to rush you or your employees while your checking identification or verifying funds with the bank.
- Never accept a check for payment on a dishonored check.

- Use common sense; if in doubt, call the bank and verify that the account is active or there are sufficient funds.
- Weigh the possible loss you may incur against the possible gain.
- Be doubly cautious on weekends and holidays.
- Do not permit yourself to become flustered by the shopper who is in a rush, be courteous, but be careful

For further information, assistance, employee training, or merchant packet please contact the:

SANTA CRUZ COUNTY DISTRICT ATTORNEY  
**CHECK RECOVERY AND RESTITUTION UNIT**  
PO BOX 1159  
SANTA CRUZ CA 95061  
TELEPHONE (831) 454-2233

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**COMMERCIAL SECURITY UNIT**  
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