



Association of Certified Fraud Examiners

**Colorado Chapter**

# **Fast, Furious & Gone - Embezzlement, Cyber Crime and Check Fraud – The New Faces of Fraud**

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# Embezzlement



**11,000  
people**

**were arrested for embezzlement in 2011**

*The Marquet Report On Embezzlement, 2012*

# **Categories of Embezzlement**

**(aka “Occupational Fraud”)**

- **Fraudulent payments/disbursements**
- **Theft of cash (greenbacks)**
- **Theft of property or information**

*Association of Certified Fraud Examiners “Report to the Nations” 2010*

# ALL Industries Are Vulnerable

<u>Industry</u>	<u># Cases</u>	<u>\$ Gross Loss</u>
Financial Services	58	\$86,792,000
Healthcare	49	\$24,679,000
Non-profit	58	\$24,650,000
Food & Agriculture	10	\$20,228,000
Manufacturing	30	\$20,119,000
Real estate	24	\$19,887,000
Government	44	\$18,832,000
Apparel	1	\$16,000,000
Education	18	\$14,607,000
Automotive	10	\$14,305,000
Construction	16	\$13,943,000
Business Services	12	\$8,599,000

## **2009 → 10 Largest Embezzlement Cases**

<b>Name</b>	<b>Victim Organization</b>	<b>Amount</b>
<b>Sujata "Sue" Sachdeva</b>	<b>Koss Corp.</b>	<b>\$31,000,000</b>
<b>Ricardo Figueredo</b>	<b>Bank of America</b>	<b>\$29,592,000</b>
<b>Yolanda Serrano</b>	<b>Southeast Petro Distributors</b>	<b>\$12,700,000</b>
<b>Jerry D. Cash</b>	<b>Quest Resources Corporation</b>	<b>\$10,000,000</b>
<b>Annette C. Yeomans</b>	<b>Quality Woodworks</b>	<b>\$ 9,900,000</b>
<b>Rick Eddleman</b>	<b>Decipher, Inc.</b>	<b>\$ 8,900,000</b>
<b>James T. Hammes</b>	<b>G&amp;J Pepsi-Cola Bottlers</b>	<b>\$ 8,711,000</b>
<b>Thom W. Williams</b>	<b>Verso Paper Co.</b>	<b>\$ 8,710,000</b>
<b>Rev. John Skehan</b>	<b>St. Vincent Ferrer Catholic Church</b>	<b>\$ 8,600,000</b>
<b>Nathan John Mueller</b>	<b>ING Reinsurance Corp.</b>	<b>\$ 8,500,000</b>

# 2010 → 10 Largest Embezzlement Cases

<u>Name</u>	<u>Victim Organization</u>	<u>Amount</u>
Melissa G. King	Sandhogs' Union Local 147	\$42,608,232
Arnold Mullen	Paul and Phyllis Fireman Foundation	\$25,000,000
Nancy Saldana Moreno	Davis-Lynch Inc.	\$15,000,000
Donna White	John W. Stone Oil Distributor LLC	\$12,700,000
Charles Antonucci, Sr.	US TARP Program	\$11,200,000
Terry Scott Welch	Wachovia Bank	\$11,200,000
Douglas Ross Zuber	Harvard Investments, Inc.	\$11,000,000
Bernie D. Metz	Center Valley Federal Credit Union	\$ 8,989,484
Lori Lockman Julian	William C. Webb Co.	\$ 7,345,050
Chris Orsaris	Major Automotive Companies	\$ 7,000,000



# 2011 → 10 Largest Embezzlement Cases

<u>Alleged Perpetrator</u>	<u>Victim Organization</u>	<u>\$ Embezzled</u>
Gary Foster	Citigroup	\$22,000,000
Judy Del Galdo	Hi-Fashion Fabrics Inc.	\$16,000,000
Linda Speaks Tribby	Wachovia Bank	\$14,170,000
Patricia K. Smith Baierl	Acura	\$10,200,000
Susan A. Curtis	Webster Bank & B of A	\$6,200,000
George Todd Powers	Iowa State Bank	\$5,987,000
Stephen Marich	First National Bank of Ely	\$5,900,000
Kinde L. Durkee	Various Calif Democratic Political Campaigns	\$5,844,000
Stephen C. Greb	La Salle University	\$5,600,000
Georgia A. Engelhart	Tanklages Construction	\$4,800,000

# Embezzlement happens when:

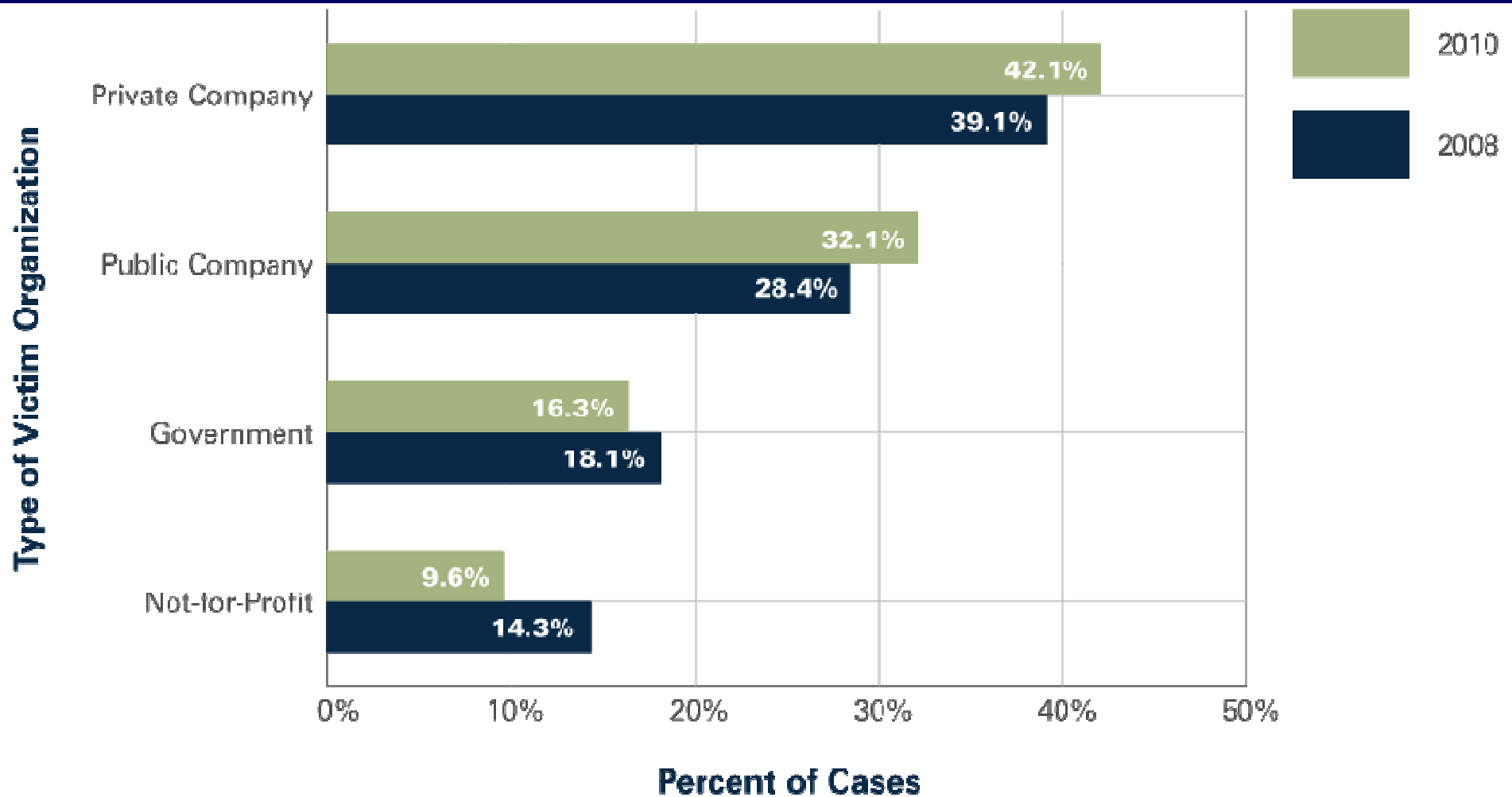
...the “**Fraud Triangle**” is present –

- Motive
- Opportunity
- Rationalization

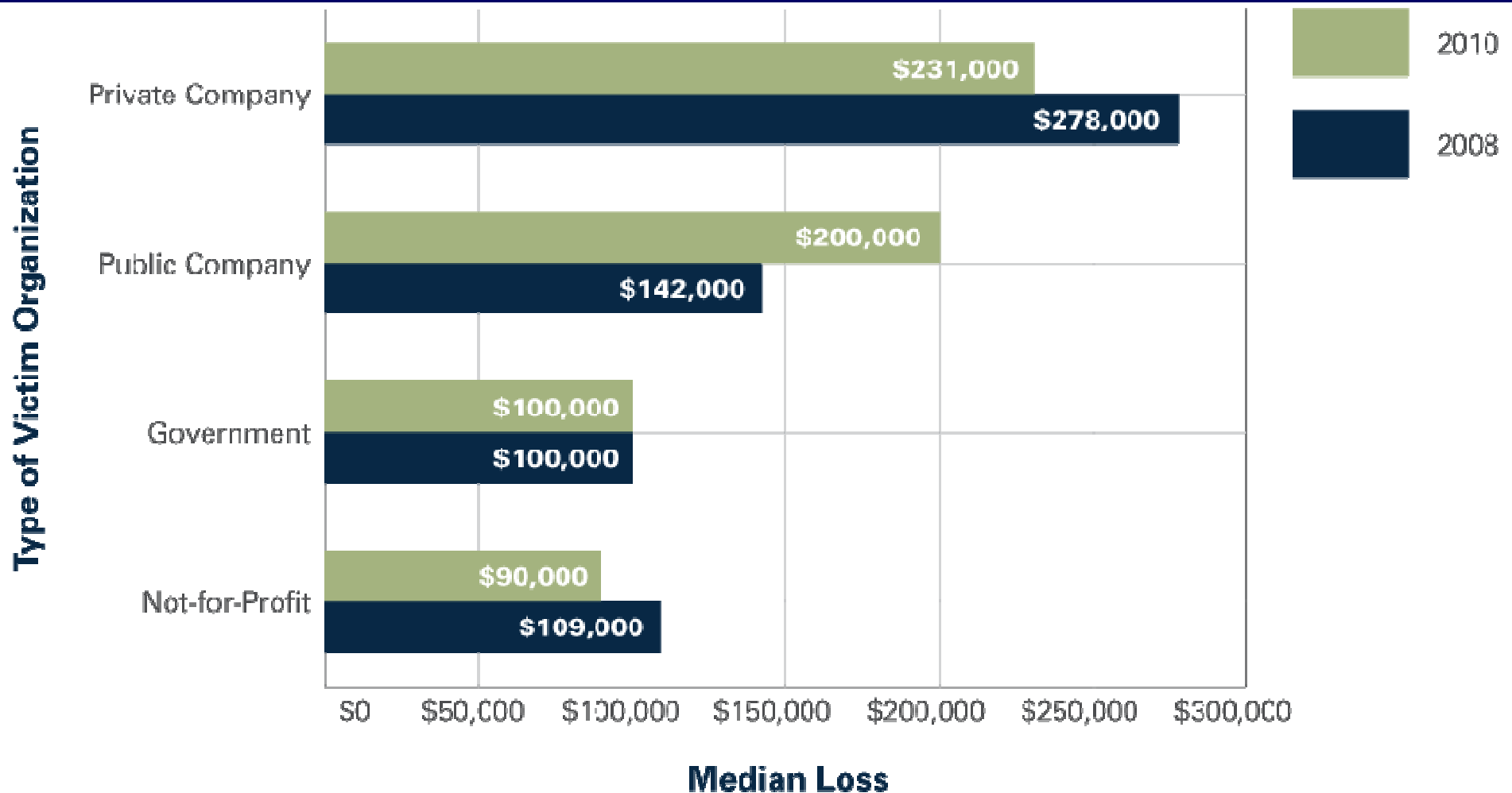
and

Effective controls to prevent fraud are lacking.

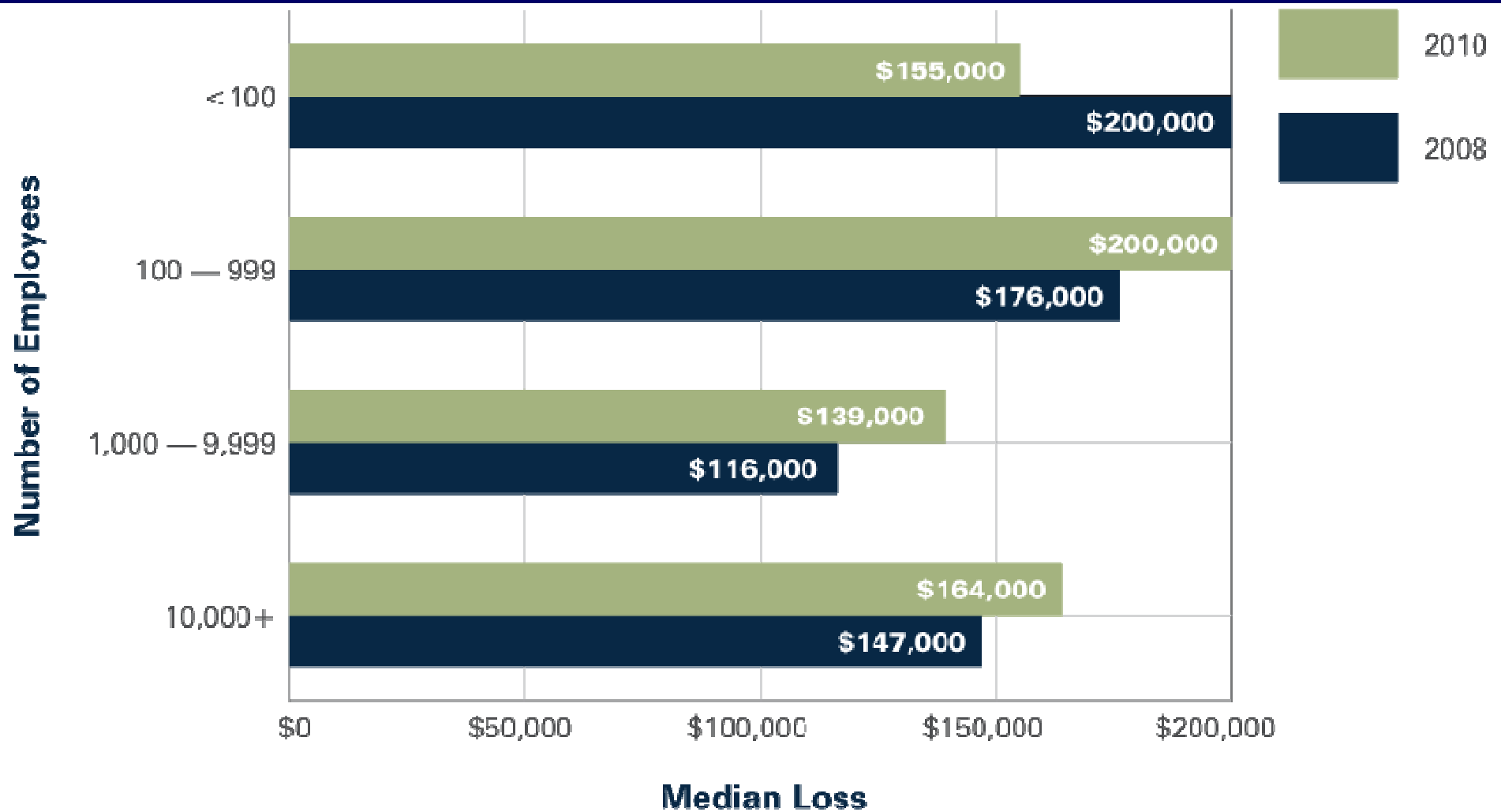
# Type of Organization



# Median Loss by Type of Organization



# Median Loss by Number of Employees



# One Embezzlement Cause

An inappropriate “tone” set by upper management significantly contributes to fraud – overriding established safeguards, unethical behavior or attitudes, pressuring employees to meet unrealistic goals.

# Embezzlement Reasons

- False sense of “entitlement”
- Financial need
- Lavish lifestyle
- Gambling issue
- Shopping addiction
- Substance abuse
- Support a personal business
- Support significant other

# Additional Justifications, Rationalizations

They believe that:

- They must save a family member in dire circumstances
- They are in a desperate financial situation, and “all could be lost”
- No outside or other help exists
- They are only “borrowing” the money
- The consequences of their actions will be minimal
- What they are doing is NOT wrong – “management deserves it” or “everyone does it”



# Profile of an Embezzler

1. No single set of characteristics
2. Corroborating circumstances and “warning signs”
3. They must:
  - a. Hold a position of confidence within the organization
  - b. Be able to recognize an opportunity for fraud
  - c. Possess the technical skills necessary for theft
4. Personal financial need + the ability to rationalize stealing company funds

**“The amount that can be stolen is directly proportionate to the amount of power, responsibility and trust associated with a specific position.”**

# Profile of an Embezzler

(for losses over \$100,000)

## Age

Average Age when Starting: 42 Years Old

Average Age when Arrested: 46 Years Old

Average Length of Duration: 4 Years

Over 50% of all cases are committed by people 31 to 45

The greatest losses come from people over 60

# Profile of an Embezzler

**Position Held:**

**Finance/Accounting = 87%**

**Lone Perpetrator = 83%**

**Conspiracy = 17%**

# Profile of an Embezzler

(Amounts > \$100,000)

- **Women = 65%**
- **Men = 35%** (Men steal 25% more money)
- **85% of perpetrators had never been charged or convicted of a fraud-related offense**

**Over-reliance on background investigations is unwise.**

# Embezzlement Schemes

<u>Scheme</u>	<u>Number</u>	<u>%</u>	<u>Amount</u>
Forged/unauthorized checks	172	38%	\$106,408,000
Unauthorized electronic transfers	60	13%	\$90,442,000
Diversion of cash receipts	92	21%	\$56,296,000
Bogus Vendors	24	5%	\$44,306,000
Payroll shenanigans	39	9%	\$17,578,000
Credit card abuse	29	7%	\$15,488,000
Fraudulent reimbursements	22	5%	\$10,112,000
Bogus loan scheme	7	2%	\$1,969,000
Theft from Tax or Benefit accounts	2	4%	\$973,000
Inventory or equipment theft	1	2%	\$414,000

# Asset Misappropriation Schemes and Duration

Source: Association of Certified Fraud Examiners (ACFE)

Category	Examples	# of Mos.	<u>Median</u> Loss
<b>Fictitious Billing</b>	Employee <b>creates a shell company</b> ; <b>submits invoices</b> for payment.	<b>24</b>	<b>\$128,000</b>
<b>Check Tampering</b>	<ul style="list-style-type: none"><li>-Employee <b>steals blank checks or voids pre-printed checks</b>, and makes payable to self or accomplice.</li><li>- Employee <b>steals outgoing vendor checks</b>, alters and deposits them.</li></ul>	<b>24</b>	<b>\$131,000</b>
<b>Deposit Fraud</b>	<p>Sale is recorded on Company books, but money is stolen/diverted and not deposited.</p> <p><b>Invoices in A/R are offset with Credit Memos.</b></p>	<b>18</b>	<b>\$100,000</b>

# Solutions

Category	Examples	Solutions
Check Tampering	Employee steals checks	<b>Separation of Duties;</b> <b>Timely Reconciliation;</b> <b>On-line review of paid checks</b>
Fictitious Billing	Employee creates a shell company and submits invoices for payment;	New vendors must be reviewed by second person; <b>Separation of Duties</b> <b>Surprise audits</b>
Deposit Fraud	Sale is recorded on Company books, but money is stolen, and deposits are diverted.  <b>Invoice in A/R is offset with a Credit Memo; account is not delinquent</b>	<b><u>Control Incoming Receipts!</u></b> <b>Open mail in dual custody,</b>  <b><u>Use Your Bank's Lockbox Service</u></b>  <b><u>Hire your CPA</u> to audit A/R for credit memos</b>

# **Embezzlement via “shell” Companies**



# Embezzlement via “shell” Companies



**Anita Collins, 67, Charged With Stealing \$1 Million  
From NY Archdiocese**

**The New York Times**  
January 30, 2012



NEW YORK A 67-year-old woman with a criminal record for theft has been charged with siphoning \$1 million in donations while working in a finance office of the Roman Catholic Archdiocese of New York, church officials announced Monday (Jan. 30, 2012).

The archdiocese said it did not conduct a criminal background check when the employee, Anita Collins, was hired in 2003. Church officials were unaware until recently that she had been convicted of grand larceny in one case and pleaded guilty to a misdemeanor in another.

Officials said that over seven years Collins sent fake invoices to the archdiocese, then issued 450 checks on accounts she controlled, all in amounts under the \$2,500 threshold that would have required a supervisor's approval.

# **Embezzlement via Diverted Deposits**

# Use Your Bank's Lockbox Service

**Cost: \$5/day + \$0.25 - 0.30/item**

Lockbox completely eliminates the risk of diverted deposits.

And, you cannot hire someone that inexpensively!

# Warning Signs

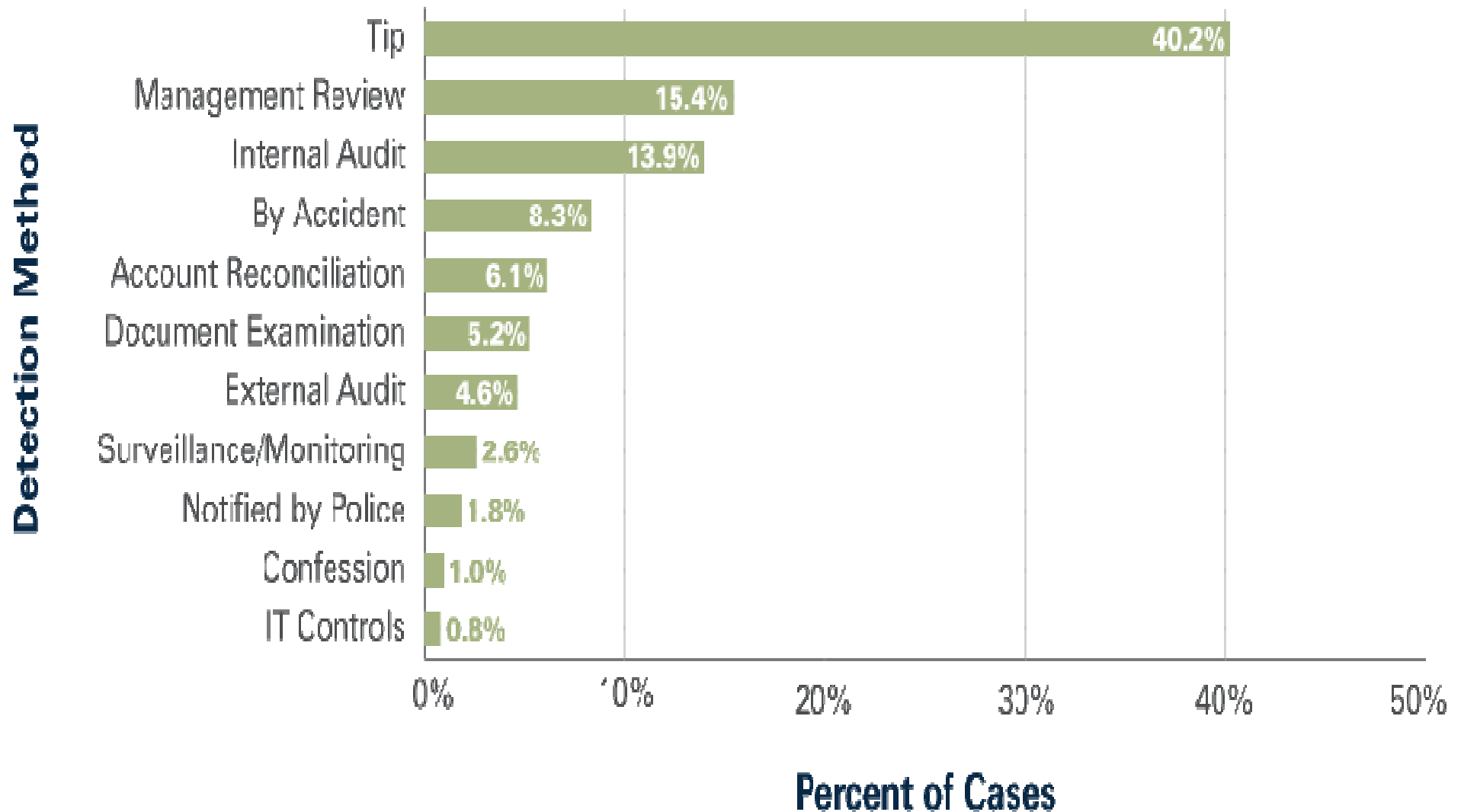
- **Extravagant lifestyle** that seems incongruent with employee compensation
- **Unusual behavior** of key employees, such as depression or mood swings
- **Reluctance** of key employees to take **vacations**
- **Discomfort or unease** when another employee must fill in for them

# Warning Signs

- **First major purchase is usually a new vehicle**
- **Home renovations**
- **Boats**
- **Exotic vacations**
- **Second homes**

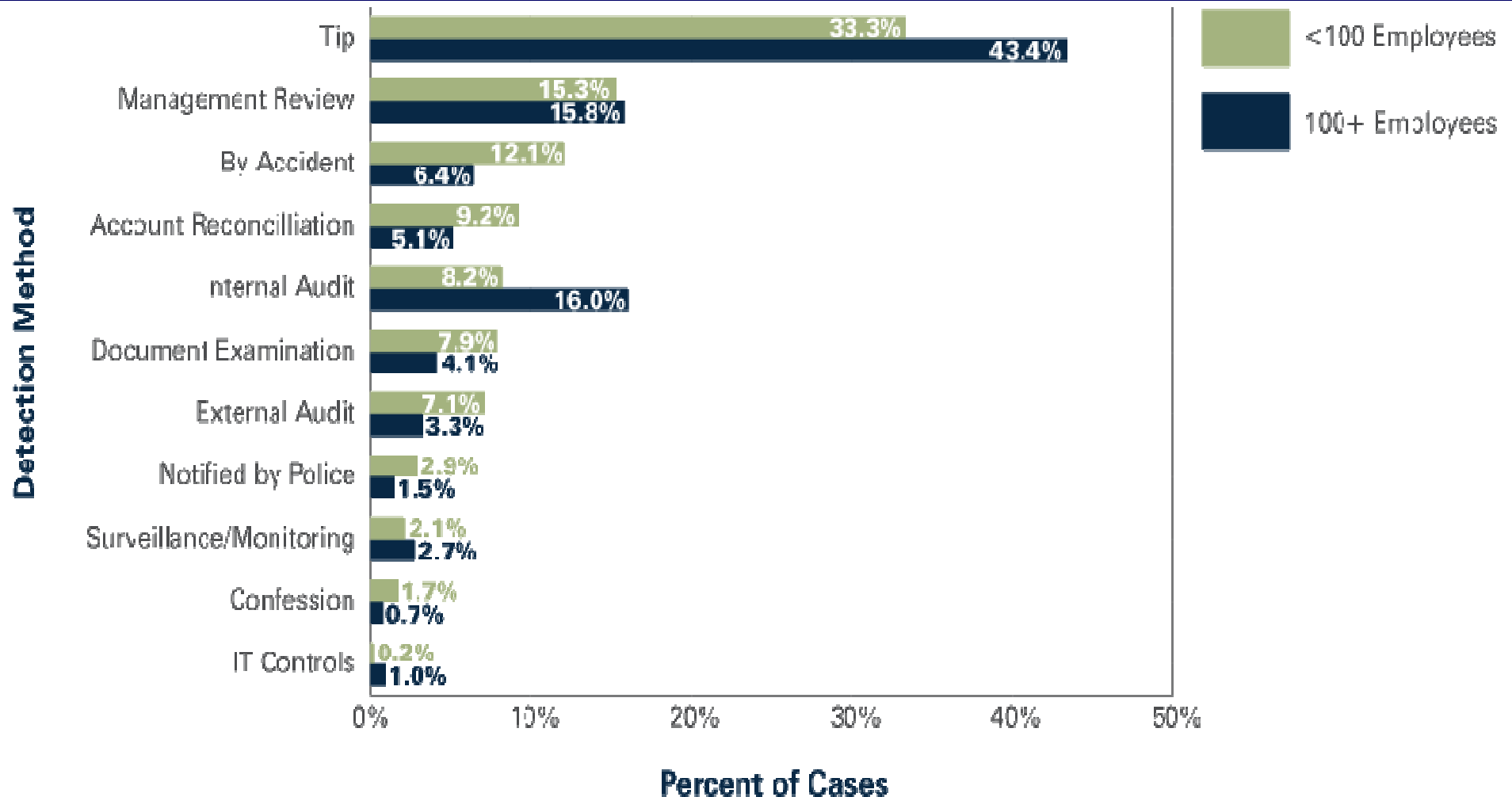
# **Embezzlement Detection**

# Detection of Embezzlement



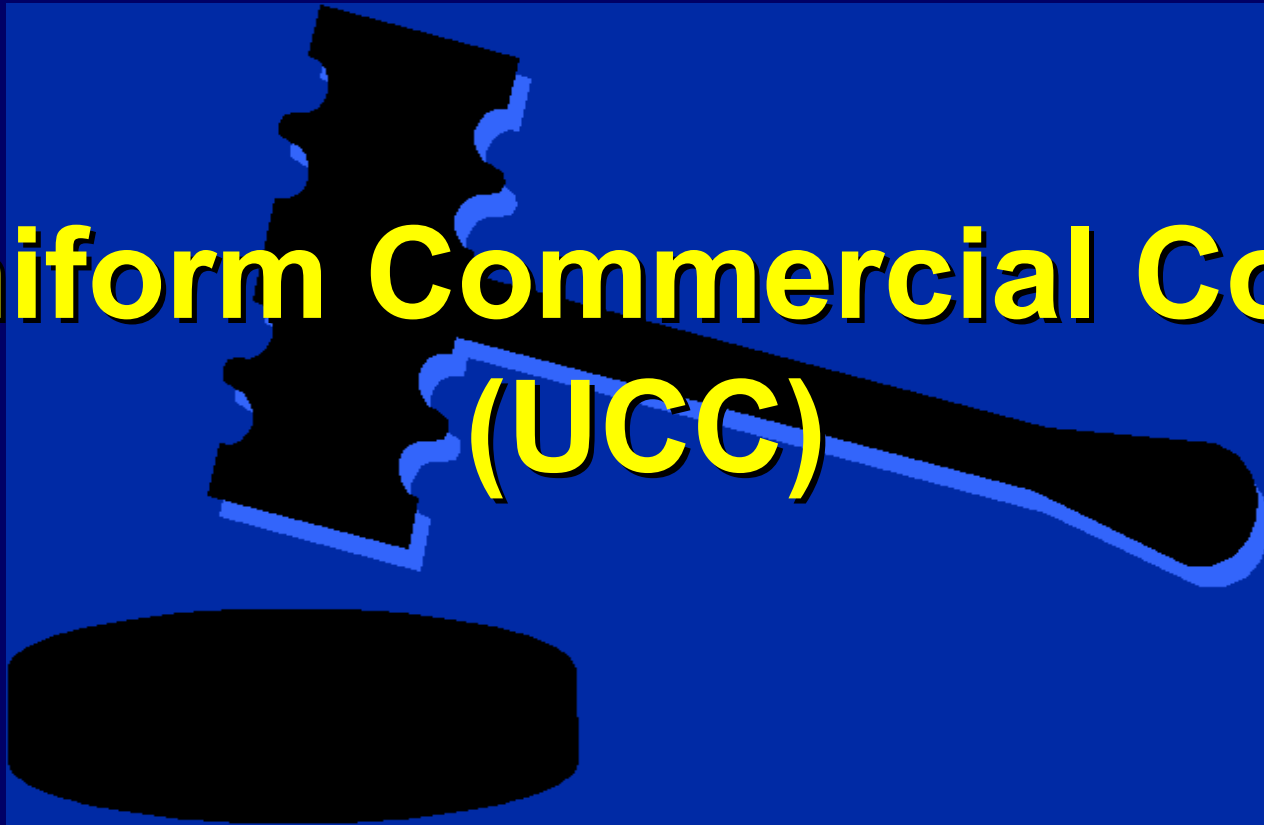


# Detection in Small Business



**Small companies are very susceptible to fraud, due in part to the limited resources they devote to anti-fraud controls.**

# **Uniform Commercial Code (UCC)**



# "Reasonable Employee Rule"

Section 3-405 adopts the principle that the risk of loss for fraudulent endorsements by employees who are entrusted with the responsibility with respect to checks should fall on the employer rather than on the bank that takes the check or pays it, if the bank was not negligent in the transaction.

# “Reasonable Employee Rule”

Section 3-405 is based on the belief that the employer is in a far better position to avoid the loss by care and choosing employees, in supervising them, and in adopting other measures to prevent forged endorsements on instruments payable to the employer.

Source: Clark's Bank Deposits and Payments Monthly  
January 1995: Volume 3 #7

# **SOLUTIONS**

# **Embezzlement Prevention Tools and Strategies**

## **Educate Your Employees**

**Employees are the best detection source.  
Educate them about what fraud is, how it  
hurts everyone, and how to report it.**

# **Additional Tools and Strategies**

- **Separation of duties**

**UCC: Company is responsible for acts of its employees**

- **Review bank statements / check images**
- **Bankers: Teach Owners how to access online banking to view check images**



# Additional Tools and Strategies

- Income Statement and Balance Sheet must be current EVERY month
- Examine Income Statement, Balance Sheet, Accounts Payable, Accounts Receivable monthly
- Examine A/R detail for “**credit memos.**”
- Inside A/R, **look at individual customers’ history for credit memos.**
- Bank Reconciliation performed by someone other than the in-house bookkeeper

# **Additional Tools and Strategies**

- **Establish support systems for employees with addiction, emotional or mental issues.**
- **Increase defalcation (embezzlement) insurance coverage**
- **Add Cyber Crime, Check Fraud insurance**

# **Surprise Audits**

**Surprise Audits are an effective psychological deterrent against potential embezzlers.**

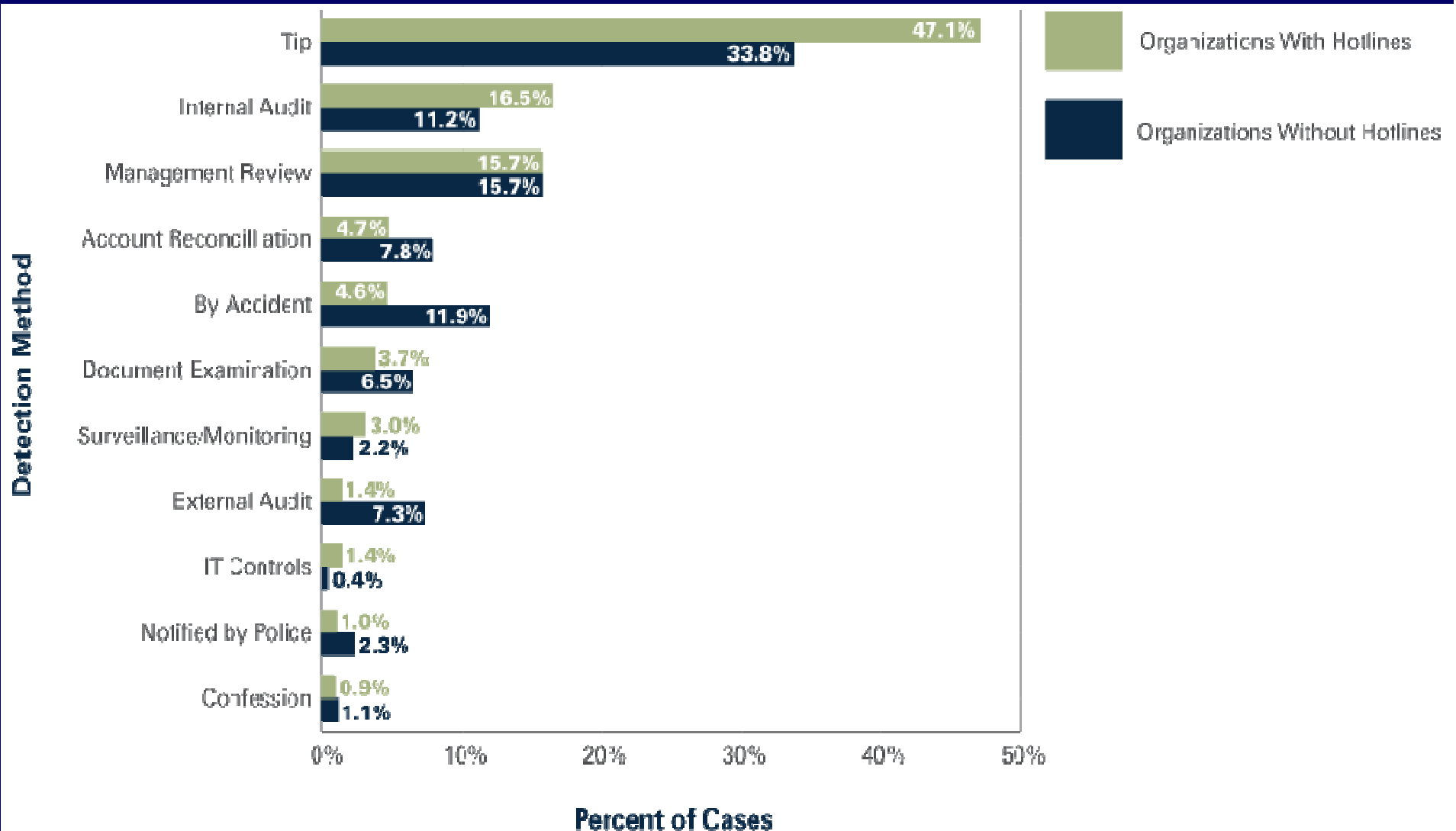
# Tip Hotline

An Anonymous Tip is the #1 method of discovering Embezzlement.

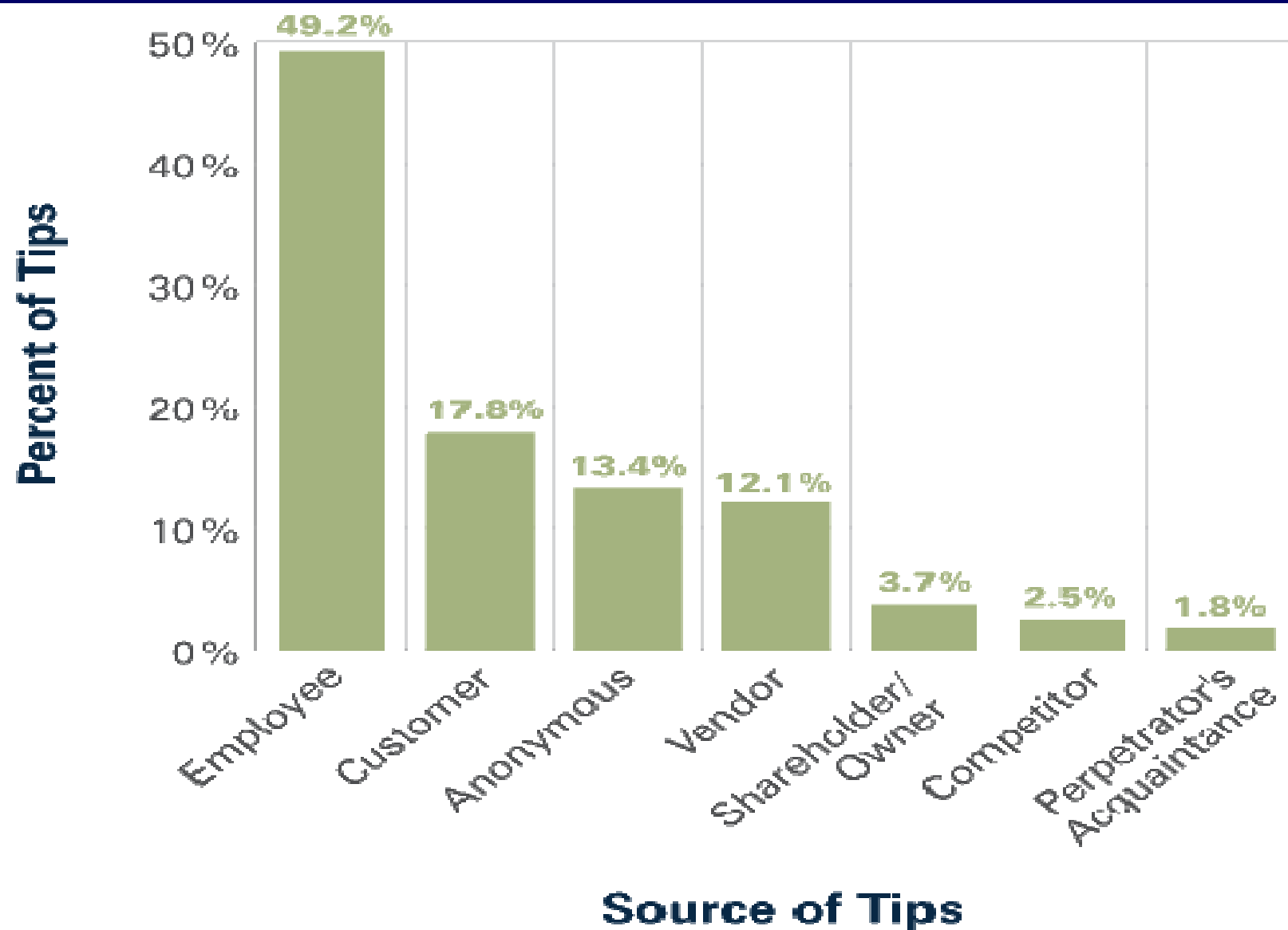
Set up a “**Tip Hotline**” accessible by:

1. Employees
2. Vendors
3. Customers
4. Outsiders

# Impact of Hotlines on Detection



# Source of Tips



**Please review Pages 2 – 3**  
**in the**  
**Abagnale Fraud Bulletin,**  
**Volume 11**  
published by SAFEChecks.



**Cyber Crime**



# Keystroke Logger Virus



**Tracks every keystroke; sends hourly reports to hacker**

**Spreads by:**

- Internet (email, Web sites)
- Infected files on network
- USB drive or CD

# Pharming



Hacker's attack to redirect a legitimate website's traffic to a fraudulent website.

Hacker is paid by the click.

# Trojan Horse



**Trojan Horse** - a malicious program concealed in something innocuous.

Facebook

MySpace

Pictures

Video

Free music downloads

# Phishing



Attackers lure Web users to fake websites by using authentic-looking emails and real logos

Purpose: Steal user names, passwords, personal info, introduce a virus attack

**Target Banks**

**Facebook**

**900 Million Users**

## How a Remote Town in Romania Has Become Cybercrime Central

By Yudhijit Bhattacharjee  
January 31, 2011



## How a Remote Town in Romania Has Become Cybercrime Central

By Yudhijit Bhattacharjee  
January 31, 2011



Expensive cars choke the streets of Râmnicu Vâlcea's bustling city center—top-of-the-line BMWs, Audis, and Mercedes driven by twenty- and thirty-something men sporting gold chains. I ask my cab driver if all these men have high-paying jobs, and he laughs. Then he holds up his hands, palms down, and wiggles his fingers as if typing on a keyboard. “They steal money on the Internet,” he says.

The city of 120,000 has a nickname: Hackerville. It's something of a misnomer; the town is indeed full of online crooks, but only a small percentage of them are actual hackers. Most specialize in e-commerce scams and malware attacks on businesses.

# **“Smishing” – Using a text message to get personal information.**





**“Vishing” –**  
**Using the telephone to get**  
**personal information, using real**  
**names known to the victim.**



# “Physical” Attacks –

“Skimmers” in credit/debit card devices

Infected flash/thumb drives





## **Ramnit Worm Threatens Online Account**

**Facebook Targeted by Fraudsters Seeking Log-in Credentials**

Hi Jeff,

← → ↻ 🏠 🕒 www.facebookk.com

facebook

Email

Password

Login

☐ Keep me logged in

[Forgot your password?](#)

Facebook helps you connect and share with the people in your life.



FAKE URL

### Sign Up

It's free and always will be.

First Name:

Last Name:

Your Email:

Re-enter Email:

New Password:

I am: Select Sex: ▾

Birthday: Month: ▾ Day: ▾ Year: ▾

Why do I need to provide this?

Sign Up




Here



## Privacy ▸ Profile



**Basic** **Contact Information**

Control who can see which sections of your profile. Visit the [Applications page](#) in order to change settings for applications. Visit the [Search Privacy page](#) to make changes to what people can see about you if they search for you.


See how a friend sees your profile:



<b>Profile</b>		<div>Only Friends</div> <div>Everyone</div> <div>My Networks and Friends</div> <div>Friends of Friends</div> <div>Only Friends</div> <div>Customize...</div>	[?]
<b>Basic Info</b>			[?]
<b>Personal Info</b>			[?]

**Status and Links**  Only Friends  [?]



**Photos Tagged of You**  Only Friends  [?]



[Edit Photo Albums Privacy Settings](#)

**Videos Tagged of You**  Only Friends  [?]

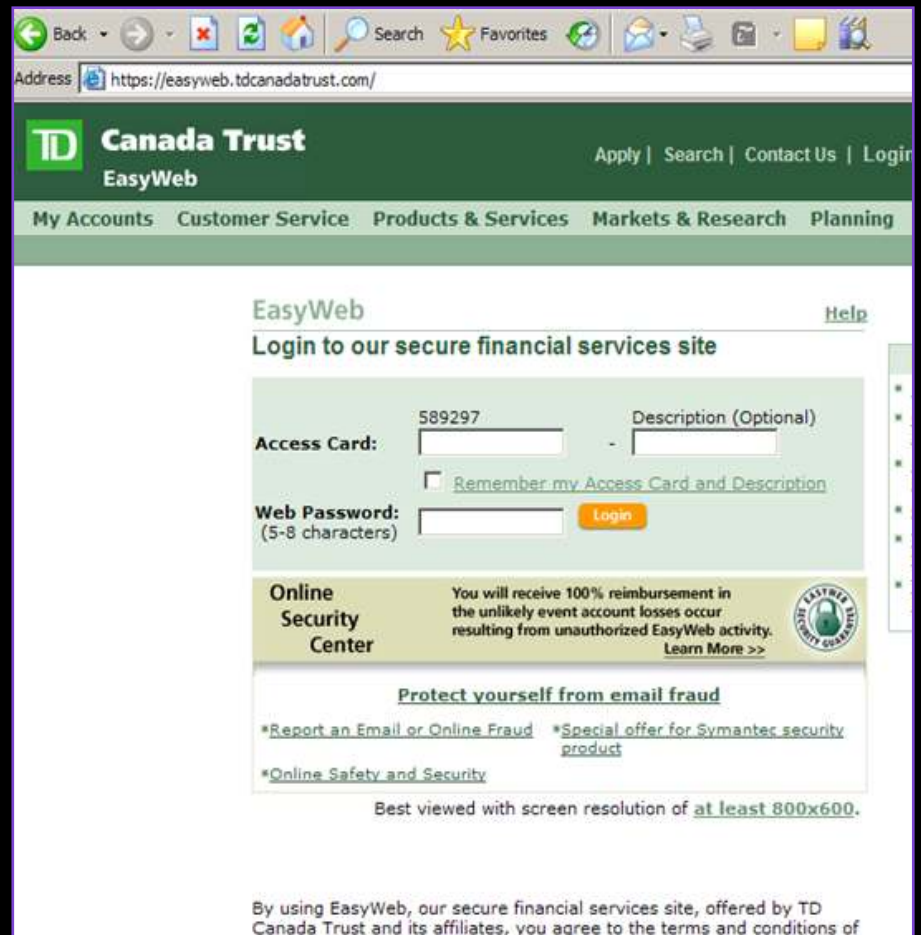
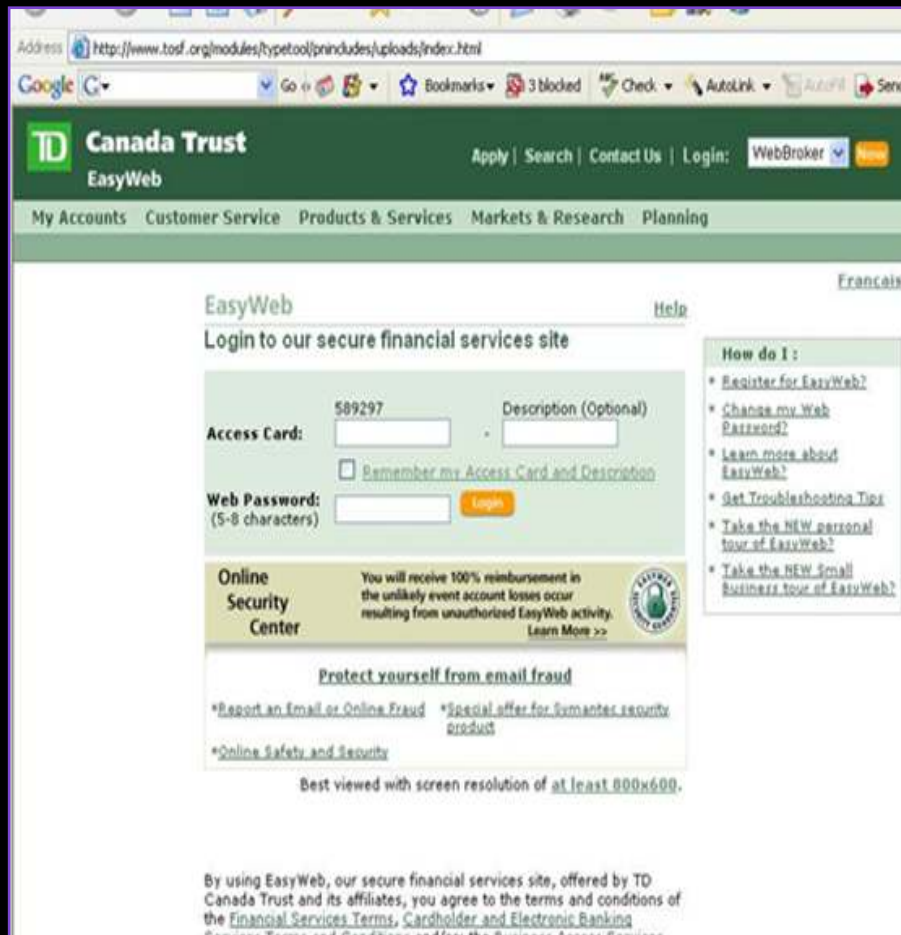
**Friends**  Only Friends  [?]

**Wall Posts** ☒ Friends may post to my Wall [?]

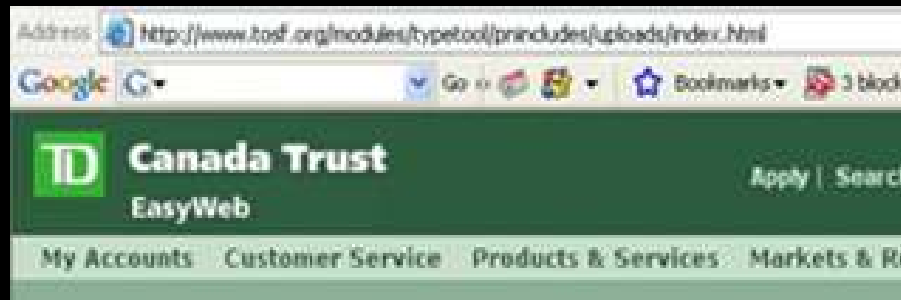
 Only Friends 

**Education Info**  Only Friends  [?]

# Phishing Hosts



# Phishing Hosts



Hard to tell the difference?

**Fake URL address.**

# Lawsuit

**Experi-Metal, Inc.**

**v.**

**Comerica Bank**

**“Phishing” Attack:**

**CFO responds with to email with his login**



# Lawsuit

**Experi-Metal, Inc.**

**82 Wires, \$5,200,000**

**\$560,000 Loss**

**Company sued the bank.**

**Who won the lawsuit?**

**The Customer!**

# WHY did the Bank lose?

1. Bank wired out funds exceeding Customer's Actual Account Balance (OD = \$5MM)  
(This programming error has been remedied!)
2. Five (5) other companies were hit that day
3. Company “won” lawsuit against Comerica, but
4. Was not awarded attorney fees (> \$250K)

# Solutions

**Use a properly configured  
FIREWALL,  
which helps make your computer  
invisible on the Internet.**



# Online Banking

Require 2 different computers  
to move money.

1. Computers #1-99 to "originate"
2. Computer #100 to "release"

# Smartphone & Tablet Security



Free app: [MyLookout.com](http://MyLookout.com)

Anti-virus and Malware Protection  
Lost Device (Locate and scream)  
Data Backup



# Mobile Banking and Deposit Fraud



Scenario: A title insurance company gives John Doe a check at a closing. John Doe deposits check via mobile app, then gives the check back, asking that it be made payable to John Doe and Jane Doe. A Stop Payment is not placed on the first check.

1. If a check leaves your possession and is returned for a replacement, place a stop payment on the returned check.

2. Recipient MUST sign an affidavit stating the check was not “deposited”, and recipient is responsible for all legal fees for an act of fraud.

3. An Affidavit does not provide protection, only a right to sue and collect legal fees.

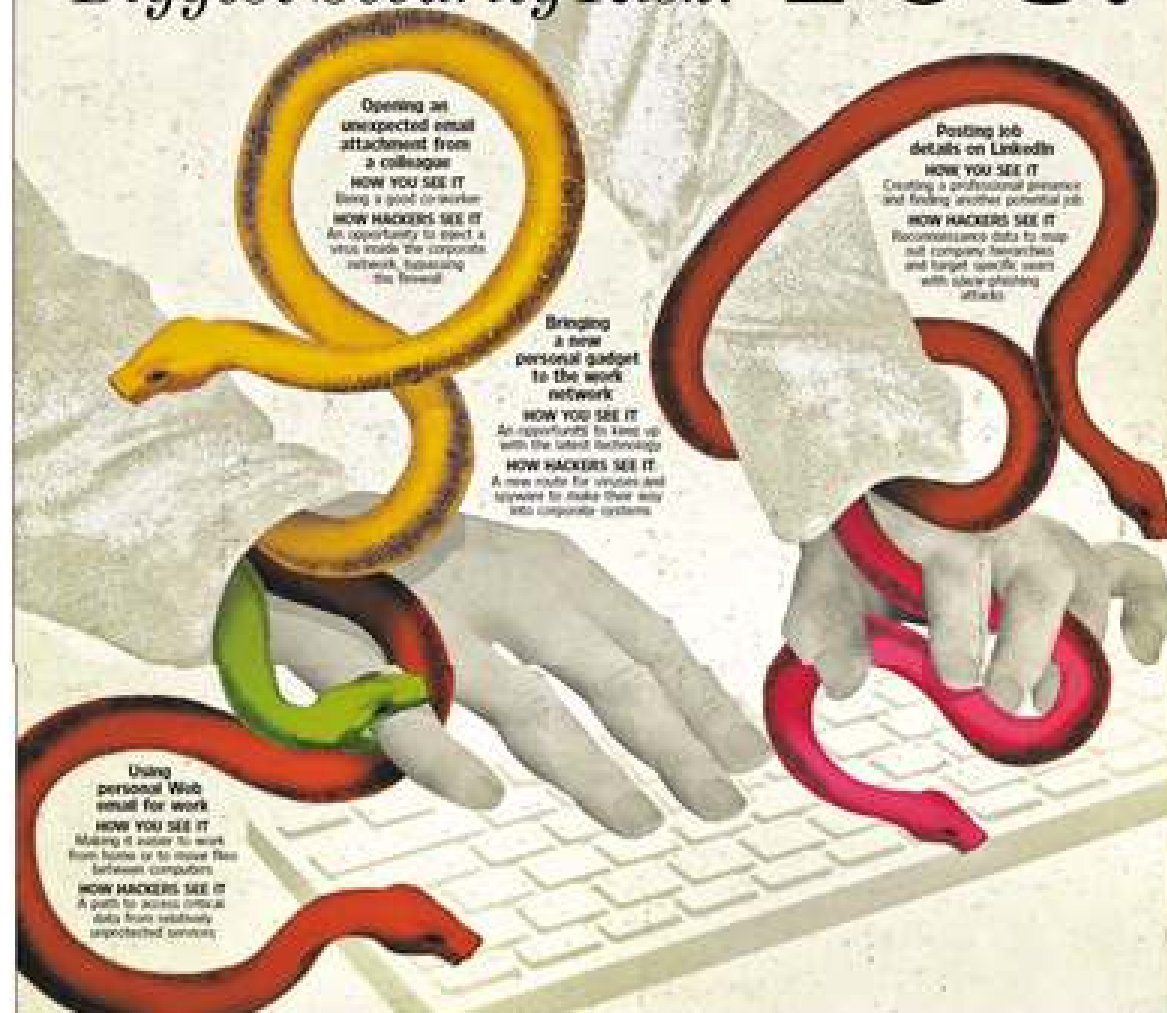
# THE JOURNAL REPORT

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THE WALL STREET JOURNAL

Monday, September 26, 2011 81

## What's a Company's Biggest Security Risk? YOU.



SEPTEMBER 26, 2011

## **What's a Company's Biggest Security Risk? You.**

**Employees don't mean to be the primary entry point for hackers. But they are.**

By GEOFFREY A. FOWLER

We are the weakest link.

Hacking attacks against companies are growing bigger and bolder—witness a string of high-profile breaches this year at Sony Corp., Citigroup Inc. and others. But gone are the days when hackers would simply find holes in corporate networks to steal valuable data. Large companies have grown wise to the threat of hacking, and have spent the past 30 years hardening the perimeters of their networks with upgraded technology.

These days, criminals aren't just hacking networks. They're hacking us, the employees.

"The security gap is end users," says Kevin Mandia, chief executive of security firm Mandiant Corp. The majority of corporate security breaches his firm is currently investigating involve hackers who gained access to company networks by exploiting well-intentioned employees.

Consider what happened in March at EMC Corp.'s RSA security unit, the maker of computer login devices used by thousands of other companies. A hacker sent emails to two small groups of employees that looked innocent enough, including a spreadsheet titled "2011 Recruitment plan." The message was so convincing that one employee retrieved it from the "junk mail" folder and then opened the attachment. Doing so introduced a virus inside RSA's network that eventually gave the hacker access to sensitive company data and enabled later attacks against RSA's customers.



Employees have more opportunities than ever to compromise company information. We not only screw up by clicking on emails from hackers that download viruses, letting them bypass corporate firewalls. We also open a Pandora's Box of security problems by circumventing company tech-support



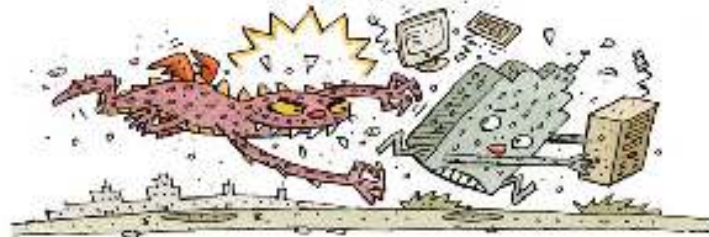
## What to Do if You've Been Hacked

**Among the surprising advice: Don't shut down the computers**

By BEN WORTHEN

It's a nightmare scenario every business fears.

Your tech department has spotted suspicious activity on the company network. Your customers and employees are getting hit with credit-card fraud and identity theft. MasterCard Inc. is on line 1.



The panic sets in: Your company has been hacked!

So, what do you do?

First, take a breath and remember that you're not alone. Last year, 662 organizations publicly disclosed data breaches, according to the nonprofit Identity Theft Resource Center, a figure that includes real-world theft and accidents as well as cyberintrusions. And the actual number is likely much higher than that, since not all hacking incidents get disclosed.

Next, remember that getting hacked doesn't have to be a business-crippling experience. While it will likely set a company back financially, if handled properly it won't have a long-lasting impact.

"The public is forgiving when it's apparent that the company is doing the right thing," says Lori Nugent, a lawyer at Wilson Elser Moskowitz Edelman & Dicker LLP who specializes in breach cases. In fact, if a company is on top of the technological problems and communicates well, it can build loyalty among its customers, she says.

There are a number of small but critical steps businesses need to take when they find out they've been breached. Here's a look at what to do when it happens to you.

## **You May Be Fighting the Wrong Security Battles**

**How IT executives can determine the right amount to spend—and where to spend it**

By LAWRENCE A. GORDON AND MARTIN P. LOEB

A recent wave of information-security breaches at high-profile companies has many executives on heightened alert. They're trying to figure out everything they can do to prevent breaches, limit the damage if one occurs, and be prepared to rebound quickly from whatever harm is done.

As they consider their options, two questions loom large: How much should they spend to protect their companies' information? And how can they get the most for their money?

Our research suggests they should spend substantially less than the expected loss from a breach, and perhaps spend it differently than many might think.



### **The One-Third Mark**

We developed a model to help executives determine the optimal level of investment to protect a given set of information—whether it's customers' personal information, company financial data, strategic-planning documents or something else. The model weighs the potential loss from a security breach, the probability that a loss will occur, and the effectiveness of additional investments in security.

One key finding from the model: The amount a firm should spend to protect information is generally no more than one-third or so of the projected loss from a breach. Above that level, in most cases, each dollar spent will reduce the anticipated loss by less than a dollar.

A second key finding: It doesn't always pay to spend the biggest share of the security budget to protect the information that is most vulnerable to attack, as many companies do. For some highly vulnerable

# **Blocking Email Phishing Attacks and Spam**

# Email Server Protection

(Better protection with more users)

- 7 Million email accounts
- \$50/month
- 40 users, 1 domain, \$.99/ addl user



AppRiver.com



# Anti-Virus, Anti-Spyware Software

Software to identify, neutralize or eliminate malicious code

- Monitors behavior of all programs.



# Utilize Layered Approach for ACH & Wire Transactions

- Dual Authorization
- “Out of Band” Authentication
- Tokens
- Transactional Alerts via Text, E-mail or Voice Calls

# Protect Passwords

1

123456

2

12345

3

123456789

4

Password

5

qwerty

**10 Most  
Popular  
Passwords**

6

trustno1

7

abc123

8

monkey

9

letmein

10

dragon

**10 Most  
Popular  
Passwords**

# Cracking Passwords

The most important single contribution to cracking came in 2009, when an attack against online games service RockYou.com exposed 32 million plaintext passwords used by its members to log in to their accounts. The passcodes were posted online. Overnight, the way hackers cracked passwords changed.

The RockYou.com list confirmed nearly all CAPITAL LETTERS come at the beginning of a password. Almost all NUMBERS and PUNCTUATION show up at the end.

It also revealed a strong tendency to use first names followed by years, such as Julia1984 or Christopher1965.



# Password Assault Figures

**6.5** Average number of passwords for a Web user with 25 accts

**100,000,000+** Passwords posted online in the past year

**8.2 billion** Password combinations per second able to be tried by a PC running a single AMD Radeon HD7970 GPU.

## 5 Years Ago

### The Time it Took a Hacker to Randomly Guess Your Password

Length	lowercase	+ Uppercase	+ numbers and symbols
6 Characters	10 Minutes	10 Hours	18 Days
7 Characters	4 Hours	23 Days	4 Years
8 Characters	4 Days	3 Years	463 Years
9 Characters	4 Months	178 Years	44,530 Years

**Today:**

**It Takes a Hacker 12 Hours  
to Randomly Guess Your Password**

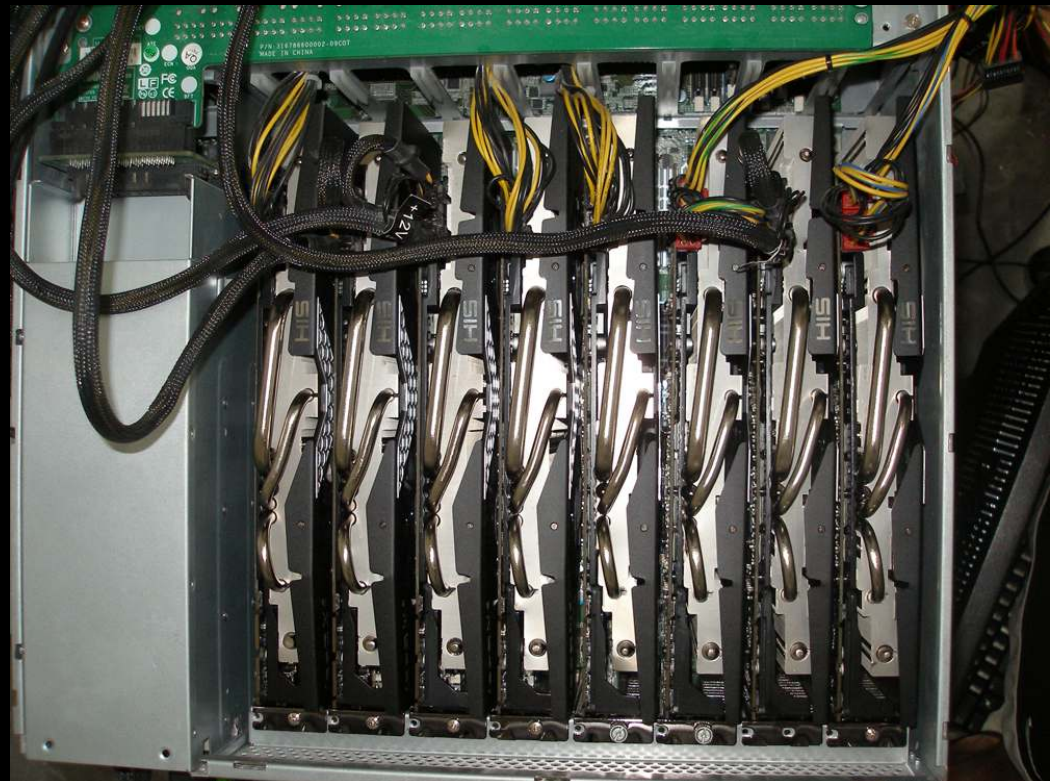
**Length**

Upper + Lower +  
Numbers + symbols

**8 Characters**

**12 Hours**

This \$12,000 computer containing 8 AMD Radeon GPU cards can brute force the entire keyspace for any eight-character password in 12 hours.



Asd09871234zxcvvconradfcvg crp3adm3  
xzlkhjhyuiogrdswaglitxscvfdtermnbvFESS  
Muniondesxcbswanhkmnb.com

Asd2071300042 zxcv0713vcxz lkKatieJean jhyuiogreglitster  
Mnbv greg@safechecks.com  
unionbank.com

zxcvbnmjklacapulco

www.logmein.com

qaswdc096524rfvfraves ginaRobinJohnson

fultonhjl8934etonavecanogaparkca91304xcvcb  
info\_SS SAFEVVFGSsjkrobinzxcvbnmalisaelainesjklrobin\_sklejk

\_SSAFE

214598fdseaced02\_101285xcvnm,4037nm,.8400uipohkl185  
hklj5449jkl;0114bnm,779 zxcvcrp3adm3usbank

Asd09871234zxcvvconradfcvg crp3adm3  
xzlkjhyuiogrdswaglitxcvfdtermnbvFESS  
Muniondesxcbswanhkmnb.com

Asd2071300042 zxcv0713vcxz lkKatieJean jhyuiogreglitster  
Mnbv greg@safechecks.com  
unionbank.com

zxcvbnmjklacapulco

www.logmein.com

qaswdc096524rfvfraves ginaRobinJohnson

fultonhjl8934etonavecanogaparkca91304xcvcb  
info\_SSFAEVVFGSsjkrobinzxcvbnmalisaelainesjklrobin\_sklejk

\_SSAFE

214598fdseaced02\_101285xcvnm,4037nm,.8400uipohkl185  
hklj5449jkl;0114bnm,779 zxcvcrp3adm3usbank

# Track Your Kids Keystrokes

# Kids keep 2 Facebook Accounts

(Mom only sees one)


← → ↻ ⬆ www.facebookk.com

**facebook**

Email  Password

☐ Keep me logged in [Forgot your password?](#)

**Facebook helps you connect and share with the people in your life.**



**Sign Up**  
It's free and always will be.

First Name:

Last Name:

Your Email:

Re-enter Email:

New Password:

I am:  Select Sex:

Birthday: Month:  Day:  Year:

[Why do I need to provide this?](#)

# Track Your Kids' Keystrokes

Home and Office

**SPECTOR PRO 2010**

Powerful Monitoring, Extreme Ease of Use

Records Every Exact Detail of Their  
Computer and Internet Activity.



For Windows



For Mac OS

**eBLASTER 2010**

Remote Monitoring Software

Knowing **EVERYTHING** They Do Online  
is as Easy as Checking Your Email.





# Track Your Kids' Keystrokes

**Spector Pro:** Track your child's keystrokes, emails, MySpace, Facebook, IM, websites visited with Spector Pro ([spectorsoft.com](http://spectorsoft.com)).

**eBlaster** forwards incoming and outgoing emails to your email address.

# Spectorsoft.com/mobile

SpectorSoft - eBLASTER | mobile for Android - Home Users - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://www.spectorsoft.com/products/eBlaster-Mobile-Android/index-h.asp?source=HomePage-slider-mob-eBmDroid

Most Visited Getting Started Latest Headlines

msnbc.com - Breakin... x F Book Sales Statistics ~... x RealClearPolitics - Op... x 7 Habits of Highly Fr... x Email & Web Security... x AOL Mail (3428) x SpectorSoft - eBLA... x

## eBLASTER® mobile

For Android™

### Record and Forward Text Messages

REC MESSAGES: (9) New

Product Overview FAQs System Requirements Buy Now!

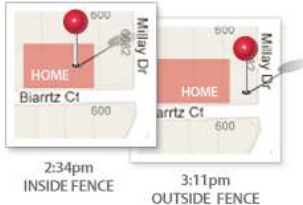
### Protect Your Child with eBLASTER Mobile for Android

Cell Phone Monitoring from SpectorSoft has arrived. Now you can monitor your child's Android phone from anywhere, whether you're in another room at home, at work, across town, or thousands of miles away.

With eBLASTER Mobile, you'll see:

#### If Your Child Is Where They Are Supposed To Be

Set up virtual fences around key locations, such as homes, schools, malls, libraries, sports facilities, friends' houses, work locations ... and be notified when your child enters or leaves these important places.



2:34pm INSIDE FENCE 3:11pm OUTSIDE FENCE


#### Have a Question?

Call Toll-Free 24/7  
**888-598-2788**

SPECIAL OFFER!

Special Offer:  
**\$69<sup>95</sup>** **Buy Now!**

FREE SAMPLE REPORT



Enter your email address to receive a FREE Sample eBLASTER Mobile Activity

#### Live Chat

#### SMS/Text Messages

Get transcripts of text message conversations – every

#### Web History

Review the address of EVERY website your child

# Track Your Employees

## Corporate Solutions

### SPECTOR 360

Company-Wide Monitoring

Know What All Your Employees Are Doing  
Online by Viewing Simple Reports and Charts.



### SPECTOR CNE

Corporate Network Edition

Record, Archive and Review your  
Employees' PC and Internet Activity.



# www.NoSlang.com



## Internet Slang Dictionary & Translator

Confused by net slang? Can't read a text message?  
Translate internet slang and acronyms.

[Slang Translator](#)[Slang Dictionary](#)[Netspeak Guide](#)[Add Slang](#)[FAQ](#)[Search](#)[More](#)

Parents. Want to get up to speed quickly? Start with our [Parent's Guide](#)

### Internet Slang Translator

#### Translate Internet Slang & Online Acronyms:

Enter internet slang or IM acronyms such as idk, afk, blog, or lol and our dictionary will translate ur netspeak. It even handles 133t (just check the box below)

☒ Swear Filter ☐ Translate 133t ☐ Include Rejects?

[Translate Slang](#)

#### Think You Know Slang?

[Slang Quiz Part 1](#)[Slang Quiz Part 2](#)

#### Sites Using NoSlang:

[Text & URL Shortener](#)[Free Text Messages](#)

589 people like this.

#### Quick Links

[Drug Slang](#)[Top 25 for parents](#)[Misspelled Words](#)[Twitter Slang](#)[Sexting Terms](#)[Rejected Slang](#)[Addons & Plugins](#)[Warcraft Slang](#)

#### Text Messaging Dictionary

Search multiple engines for text messaging dictionary

[www.webcrawler.com](http://www.webcrawler.com)

Ads by Google

# Internet Slang Dictionary & Translator

# www.NoSlang.com



## Internet Slang Dictionary & Translator

Confused by net slang? Can't read a text message?  
Translate internet slang and acronyms.

[Slang Translator](#)[Slang Dictionary](#)[Netspeak Guide](#)[Add Slang](#)[FAQ](#)[Search](#)[More ↓](#)

### 25 Internet Slang Terms All Parents Should Know:

Do you know what these terms mean? Your kids do!  
Chances are they're using them online to talk to their friends. Some of them may shock you.  
(sometimes used letters are in parentheses)

Also, make sure you read the [What Every Parent Must Know](#) article.

ASL(R P)	Age Sex Location (Race / Picture)
BF / GF	Boyfriend / Girlfriend
BRB	Be Right Back
CD9	Code 9 - means parents are around
GNOC	Get Naked on Cam (webcam)
GTG	Got to Go
IDK	I don't know
(L)MIRL	(Lets) meet in real life
LOL	Laugh Out Loud
MorF	Male or Female
MOS	Mom Over Shoulder
NIFOC	Naked in Front of Computer
Noob	Newbie - often an insult to somebody who doesn't know much about something.
NMU	Not much, you?
P911	Parent Emergency
PAW	Parents are Watching
PIR	Parent In Room
POS	Parent Over Shoulder
PRON	Porn
PRW	Parents Are Watching
S2R	Send To Recieve (pictures)
TDIM	Talk Dirty To Me

Feel safe &  
sound for  
**\$1 a day.**

[Learn More ▶](#)

Call Now **800-213-8370**

25 Slang Terms Parents Should Know - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://www.noslang.com/top20.pl

Most Visited Getting Started Latest Headlines

Norton



Cards & Log-ins

Done



10 W

prof...

2 M...

2 A...

2 F...

2 M...



6:41 PM



# Sexting Slang Terms

## Common Sexting Slang Terms

**Warning:** some of these terms are vulgar. This list is nowhere close to exhaustive, words can be combined, removed, and invented on the fly.

8  
143  
cu46  
DUM  
GNOC  
GYPO  
GNRN  
FMH  
IWS  
IIT  
Q2C  
RUH  
TDTM  
S2R  
NIFOC  
SorG  
JO  
PAW  
PIR  
POS  
YWS  
WYCM

C  
I  
S  
D  
C  
C  
C  
F  
I  
I  
C  
A  
T  
S  
N  
S  
J  
P  
P  
P  
Y  
V

AdChoices >



### [Slang Dictionary](#)

Word Definitions,  
Translate & More.  
Download Dictionary  
Boss Today!  
[www.DictionaryBoss.com](http://www.DictionaryBoss.com)

### [Parenting Classes Online](#)

Get a Parenting  
Classes Online Your  
Source For Online  
Education.  
[VirtualStudies.com](http://VirtualStudies.com)

### [Is He Cheating On You?](#)

1) Enter His Email  
Address 2) See Hidden  
Pics & Social Profiles  
Now!  
[Spokeo.com/Cheating-Sp...](http://Spokeo.com/Cheating-Sp...)

### [Improve Attention Today](#)

Successful program for  
improving focus,  
attention, and  
communication  
[www.Learn2listen.com](http://www.Learn2listen.com)

# www.NoSlang.com

[Back To The Parent Guide](#)

Please review **Resources**  
listed in the  
Abagnale Fraud Bulletin,  
Volume 11, **Page 11**  
published by SAFEChecks.

# **Check Fraud...**

**Why talk about Check Fraud?**



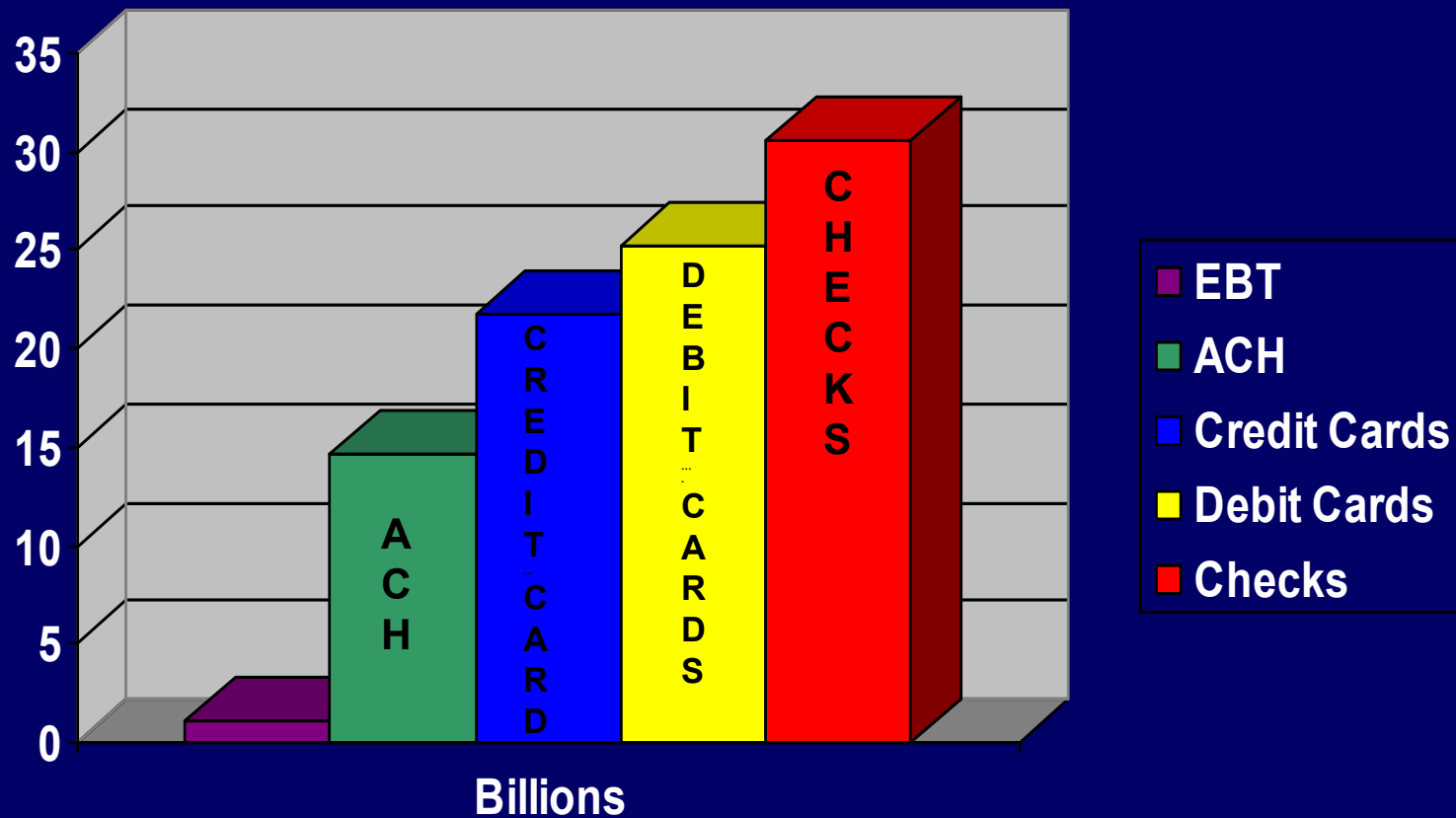
“Despite advances in fraud protection and prevention in recent years, the rate of payment fraud attacks remains stubbornly high.... notwithstanding the precipitous drop in check volume over the last several years, checks continue to be widely used and abused, and fraud via check payments remains the overwhelming threat faced by companies.”

Association for Financial Professionals (AFP) 2011 Payments Fraud and Control Survey

Check Fraud produces more losses  
than all other payment fraud

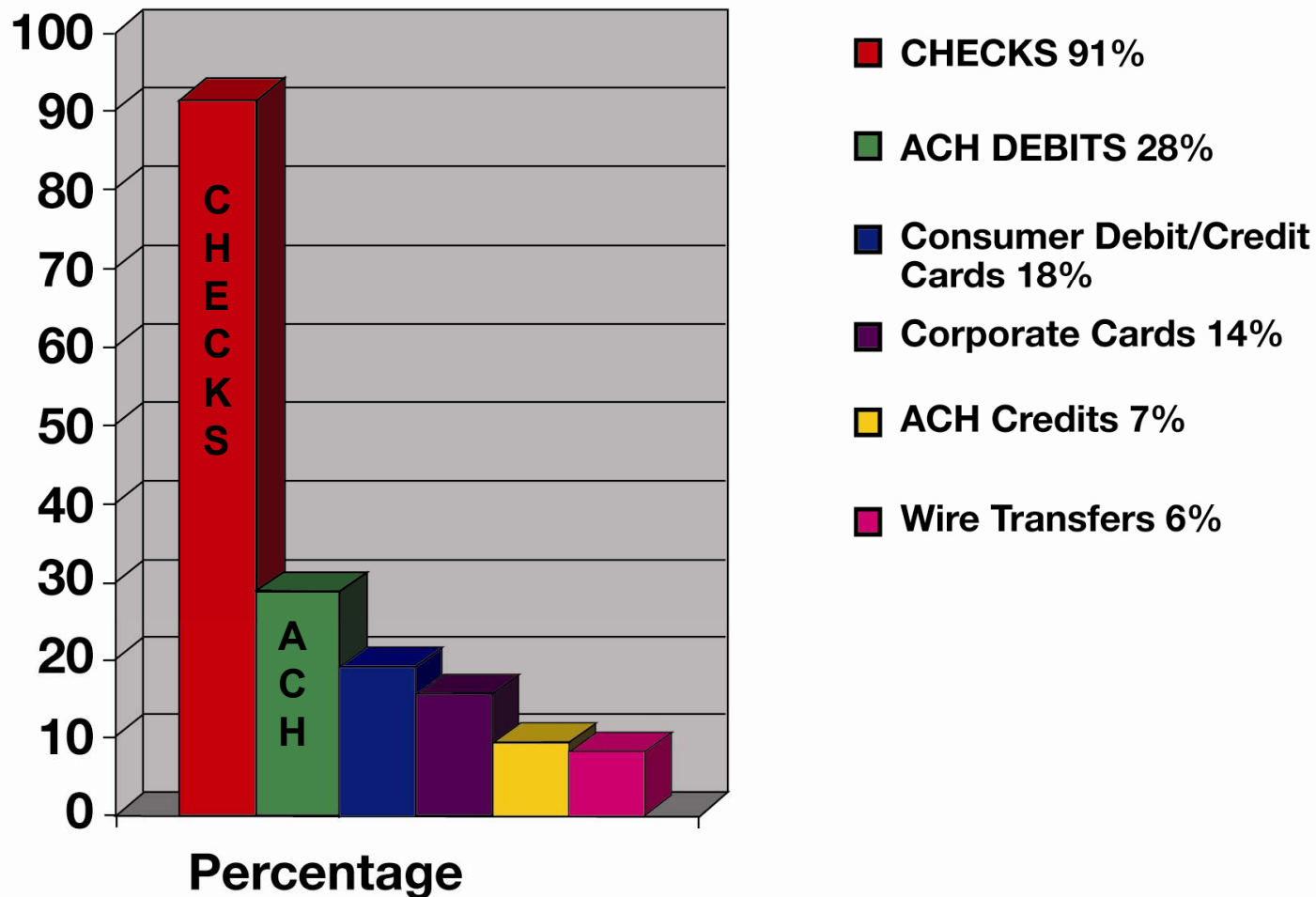
COMBINED!

# Total Non-Cash Payments by Method (Transactions)



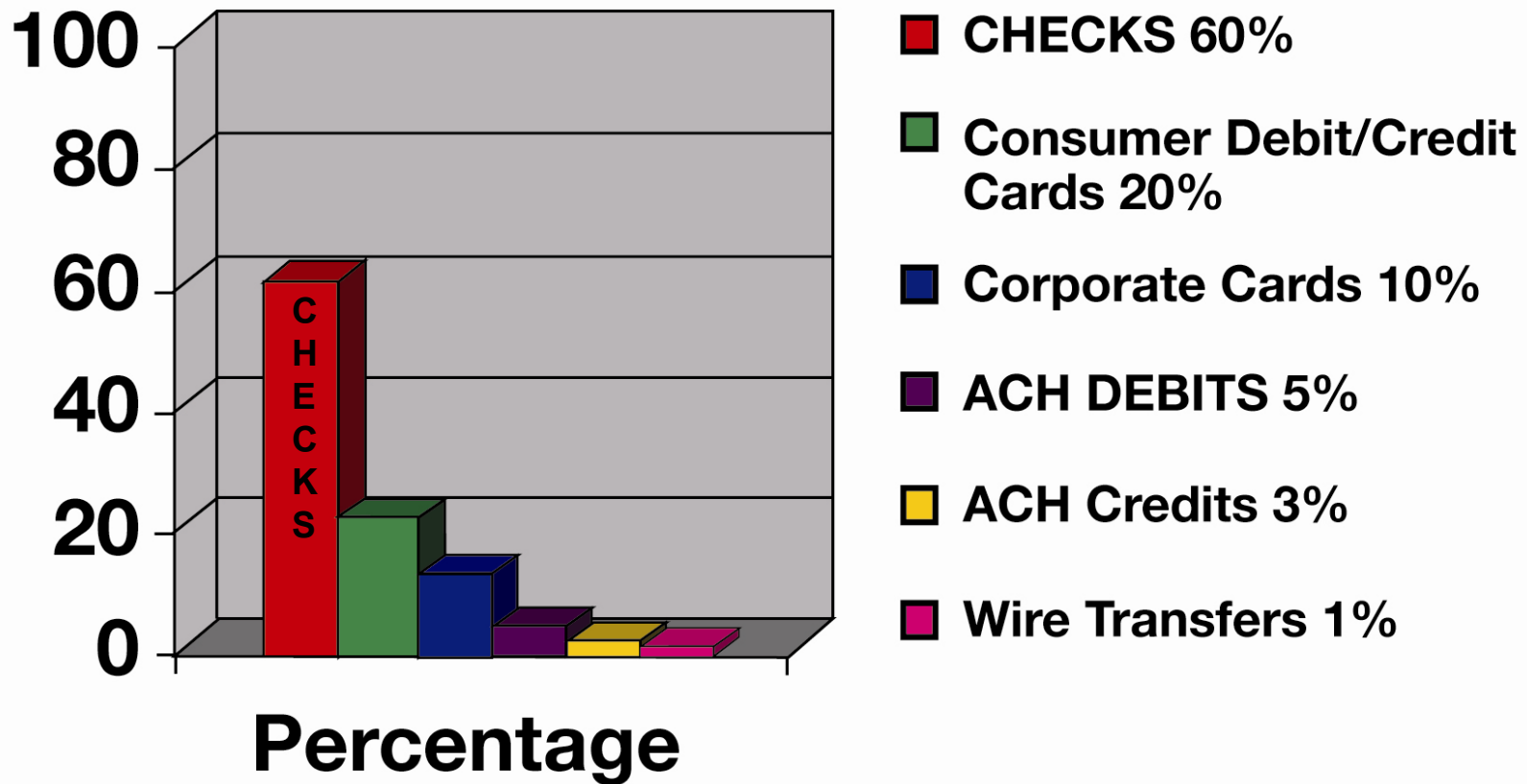
# Fraudulent Payments by Method

(Some Respondents were hit multiple ways; total > 100%)



# Fraud Losses by Method

(How Dollars were actually lost)



# ACH Debit Fraud

- Utilize ACH Debit Filter/Block
- Select “Return All” as your default item instructions for ACH Debit Filter
- Set maximum debit limit for all Approved Vendors
- Stay on the alert for small dollar ACH credits



**Frank Abagnale**

## ***Catch Me If You Can***

**Technology is making Frank Abagnale's  
"gift" achievable by mere mortals**



# **Check Fraud Scams**

**...if it seems too good to be true....**

**It's NOT!**



# Many variations – same scam:

- “You have won...” an online lottery or large prize

## Many variations – same scam:

- You are paid with a check for more than the value of the item you're selling...

## Many variations – same scam:

- You are paid with a bogus Cashier's Check after banking hours so the check cannot be verified...

**The Evolution**  
**of**  
**Check Fraud**  
**and**  
**Banker Solutions**

# **Counterfeit Checks**

**...Banks developed Positive Pay**

# Altered Payees

...Banks developed Payee Positive Pay

# **Added Payee Names**

(Printed 2 lines above the original Name)

**NO BANKER SOLUTION!**

# **Added Payee Names**

**Checks pass right through Payee Pos Pay!**

## **How?**



# Typical Check Layout

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

**SAFE Checks®**  
8934 Eton Avenue  
Canoga Park, CA 91304  
(800) 755-2265

ANY BANK  
MY TOWN, ANY STATE  
USA  
11-77/1222

3/8/2010

PAY TO THE ORDER OF Greg Litster

\$ \*\*89,562.23

Eighty-Nine Thousand Five Hundred Sixty-Two and 23/100\*\*\*\*\* DOLLARS

Greg Litster  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

MEMO

**VOID**

1:9999999999: 1111111111

RUB OR BREATHE ON THE PINK LOCK & KEY ICONS - COLOR WILL FADE AND RETURN ON AN AUTHENTIC CHECK - IF COLOR DOES NOT FADE DO NOT ACCEPT

Open Areas Where Forgers Add A New Payee Name

# Strategies to Prevent Check Fraud

A close-up, high-angle shot of a heavy, grey metal vault door. The door is closed, showing its intricate locking mechanism. A large, circular, silver-colored handle is centered on the door. Several thick, silver-colored locking bolts are visible, extending from the door's edge. The door is surrounded by a thick, grey metal frame. The background is black.

# **#1. Don't Write Checks!**

- **Use Commercial Purchase Cards**
- **Pay electronically (ACH)**

# **Commercial Purchase Card Benefits**

1. Reduces check writing and check fraud risk
2. Does not expose the checking account number
3. Reduces bank per-item fees
4. Increases payment float by 40+ days
5. Reduces interest expense
6. Potential for Rebates or Rewards
7. Terminating a card is easier than closing a checking account.

# **ACH Payment Benefits**

1. Reduces check writing and check fraud risk
2. Does not expose the checking account number
3. Reduces late fees
4. Reduces mailing expense and bank fees
5. Pay 1 invoice at a time, or
6. Pay multiple invoices and email remittance detail

**If you're going to  
write checks...**



# **#1. High Security Checks**

**Check Fraud prevention strategies  
begin with a high security check.**



What makes a check  
secure?

**10+ safety features**

# Abagnale SuperBusinessCheck

## 16 Safety Features

- **Controlled Check Stock**
- True Watermark
- Thermochromatic Ink (Heat)
- UV Ink + UV Fibers
- Copy Void Pantograph
- Chemical-reactive Ink + Paper
- Microprinting
- Inventory Control Number on Back (laser)
- Toner Grip™ Toner Anchorage
- Warning Banner

**Controlled Check Stock** is the first and most important security feature. Controlled check stock has an identifier that is unique to each company.

**Uncontrolled** check stock is off-the-shelf, generic check stock that can be purchased entirely blank by anyone, including fraudsters.

**Uncontrolled check stock** is a major contributor to check fraud.

# Who Sells Blank, Uncontrolled Checks?

- Software Companies
  - Bottom Line, Acom, Payformance, Create-a-Check, et. al.
- Deluxe
- John Harland/Clarke American
- SafeGuard
- Superior Press
- Standard Register
- Moore Wallace
- American Solutions for Business
- Office Depot
- Small Print Brokers / Distributors

# How to Obtain Controlled Checks?

- Custom manufacture with an ORIGINAL design and include at least 10 security features

or

- SuperBusinessCheck designed by Frank Abagnale
  - 16 security features

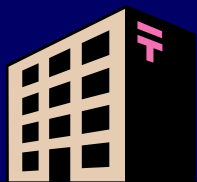
# **#2. Payee Positive Pay**

**Web: [PositivePay.net](http://PositivePay.net)**

**Positive Pay...**

**...a powerful tool!**

①



Company  
Issues Checks

②

Transmit Check Data  
to your Bank Bank







**They Deposit Checks**

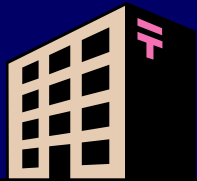
③

**To Employees**

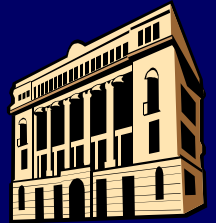
**To Vendors**

**Releases Checks**

①



**Company**



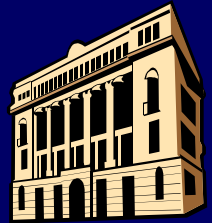
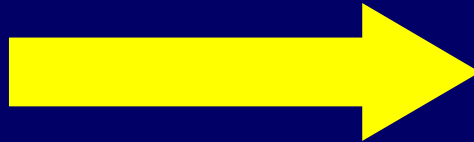
③



Deposit Checks

Other Banks Present Checks to your Bank

④

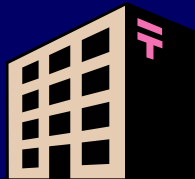


Employees

Vendors

Issues Checks

①



Company

③



Deposit Checks

Other Banks Present Checks to your Bank

⑤

④



your Bank  
Matches  
Checks to  
Issuance  
Data

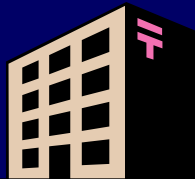


Employees

Vendors

Issues Checks

①



Company

Issued Data

Paid Checks

CK #123 \$50.00

CK #124 \$10.00

CK #124 \$10.00

CK #123 \$50.00

CK # 125 \$150.00

CK #125 \$1500.00

NO CK ON FILE

CK #729 \$200,000

③



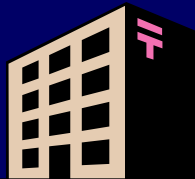
Deposit Checks

Employees

Vendors

Issues Checks

①

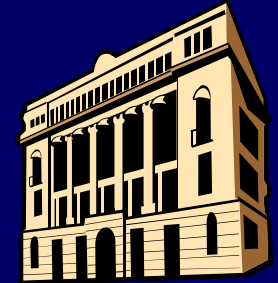


Company

Other Banks Present Checks to your Bank

⑤

④



Issued Data

Paid Checks

CK # 125 \$150.00

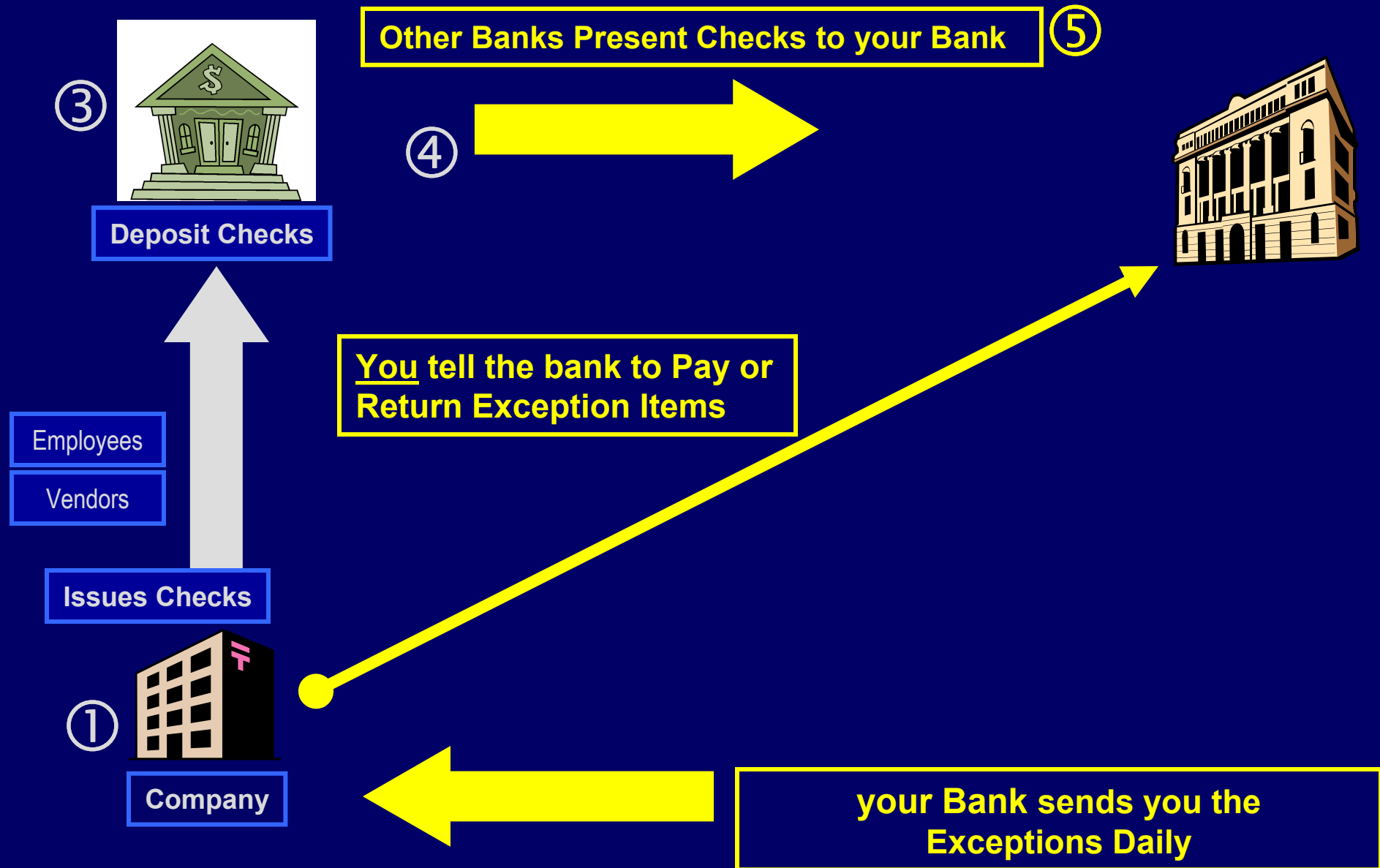
CK #125 \$1500.00

NO CK ON FILE

CK #729 \$200,000

your Bank sends you the  
Exceptions Daily





# **Added or Altered Payee Names**

# Lawsuit

**Cincinnati Insurance Company**

**v.**

**Wachovia Bank**

**\$154,000 Loss** from an **Altered Payee**

**UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA**

**CINCINNATI INSURANCE COMPANY,  
As Subrogee of Todd's Snax, Inc.,  
d/b/a Schultz Foods Company,  
Plaintiff,**

**v.**

**WACHOVIA BANK, NATIONAL ASSOCIATION,  
Defendant.**

**Case No. 08-CV-2734-PJS-JJG**



# Preceding Events

2002: **Two (2) counterfeit checks** paid against Schultz Food's account.

2003: **\$410** check altered to be **\$3,942.68**.

2004: **Fraudulent check** drawn on Schultz Food's account is **deposited in Oklahoma**; no loss.

# Facts

1. Dec. 1, 2005: Schultz Foods issued \$154,000 check payable to Amerada Hess Corporation.
2. Check is stolen; payee name changed to "Kenneth Payton."
3. Kenneth Payton deposited check into TCF Bank; Wachovia pays the check.
4. Kenneth Payton keeps \$3,500; wires balance to Singapore..."to help a refugee South African family..."
5. Money disappears.

# Facts

6. Jan. 13, 2006: Schultz Foods notifies Wachovia and demands repayment; Wachovia demands repayment from TCF Bank.
7. Early 2005, Schultz Foods buys check fraud insurance, but DOES NOT implement Positive Pay.
8. January 2006: Schultz makes claim against Cincinnati Insurance Co.; gets paid.
9. Cincinnati Insurance Co. sues Wachovia Bank.

# Facts

10. Wachovia Bank pursues TCF Bank for \$154,000.
11. TCF Bank hires attorneys to defend TCF.
12. TCF Bank's attorneys take Wachovia's "defense" and act on behalf of Wachovia (UCC § 3-119); Attorneys are paid by TCF.
13. Wachovia's "defense" is its Deposit Agreement.

**Resolution:**

**Wachovia Bank Wins!**

**You can have a great relationship with your bank  
and still lose a lawsuit!**

**UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA**

**COURT ORDER**

**Based on the foregoing and on all of the files, records, and proceedings herein, IT IS HEREBY ORDERED THAT:**

**1. The motion of defendant Wachovia Bank, National Association for summary judgment is GRANTED.**

**2. Plaintiff's complaint is DISMISSED WITH PREJUDICE AND ON THE MERITS.**

**LET JUDGMENT BE ENTERED ACCORDINGLY.**

**Dated: July 14, 2010**

**Patrick J. Schiltz  
United States District Judge**

**If...**

**Snax Foods had used Positive Pay,**

**the check may not have paid, and**

**there may not have been a loss!**

**(Exception: Added Payees)**

**How to Protect Against**  
**Altered or Added**  
**Payee Names**



➤ Frank Abagnale Fraud Bulletin

[www.safechecks.com/services/fraudbulletin.html](http://www.safechecks.com/services/fraudbulletin.html)

➤ Page 7: **A Primer on Laser Printing**

# Preventing Altered Payees

- **High-security checks**
  - Includes "toner anchorage"
- **Use 14 point font for Payee Name**
- **High-quality toner**
- **Hot laser printer**
  - Highest temperature setting available
  - Replace fuser element every 2-3 years
- **Positive Pay with Payee Name Recognition**

**Altered Payee Names**

and

**“Secure Seal” Barcode  
Technology**

# Secure Seal

is an

image-survivable

encrypted barcode

# Typical Check Layout

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

**SAFE Checks®**  
8934 Eton Avenue  
Canoga Park, CA 91304  
(800) 755-2265

ANY BANK  
MY TOWN, ANY STATE  
USA  
11-77/1222

3/8/2010

PAY TO THE ORDER OF Greg Litster

\$ \*\*89,562.23

Eighty-Nine Thousand Five Hundred Sixty-Two and 23/100\*\*\*\*\* DOLLARS

Greg Litster  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

MEMO

**VOID**

1:9999999999: 1111111111

RUB OR BREATHE ON THE PINK LOCK & KEY ICONS - COLOR WILL FADE AND RETURN ON AN AUTHENTIC CHECK - IF COLOR DOES NOT FADE DO NOT ACCEPT

Open Areas Where Forgers Add A New Payee Name

# Identical Check Data, Strengthened by the Printer Driver

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

**SAFE Checks®**  
8934 Eton Avenue  
Canoga Park, CA 91304  
(800) 755-2265 • Fax (800) 615-2265  
safechecks.com • supercheck.NET

Any Bank  
My Town, Any State  
11-777/1222

This Check is Protected By™  
**CheckGuard**

Check Number  
300257

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

**\$89,562.23**  
DOLLAR EIGHT NINE COMMA FIVE SIX TWO PERIOD TWO THREE

PAY  
EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER**  
TO THE ORDER OF  
**GREG LITSTER**  
**SAFEChecks**  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

**NON-NEGOTIABLE**

|| 300257 || || 9999999999 || 1111111111 ||

THIS CHECK CLEARS THROUGH POSITIVE PAY

**Secure Seal barcode**

# Barcode is created by a Printer Driver

For more details, call Greg Litster (800) 949-2265  
or email [greg@safechecks.com](mailto:greg@safechecks.com)

# Barcode contains Payee Positive Pay info:

1. Drawer
2. Payee Name
3. Dollar Amount
4. Issue Date
5. Check Number
6. Account Number
7. Routing/Transit Number
8. X,Y coordinates on the check face of each piece of data
9. Date and Time Check was printed
10. Laser Printer used
11. The employee that ran the job



WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

**SAFE Checks®**  
8934 Eton Avenue  
Canoga Park, CA 91304  
(800) 755-2265 • Fax (800) 615-2265  
safechecks.com • supercheck.NET

Any Bank  
My Town, Any State  
11-777/1222

This Check is Protected By™  
**CheckGuard**

Check Number  
300257

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

**\$89,562.23**  
DOLLAR EIGHT NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

PAY  
EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER**  
TO THE ORDER OF  
**GREG LITSTER**  
**SAFEChecks**  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

**NON-NEGOTIABLE**

⑈ 300257 ⑈ ⑆999999999⑆ 11111111⑈

14 point font

Upper and lower case fonts converted  
into ALL UPPER CASE LETTERS

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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**8934 Eton Avenue**  
**Canoga Park, CA 91304**

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

**NON-NEGOTIABLE**

⑈ 300257 ⑈ ⑆ 9999999999 ⑆ 1111111111 ⑆

**Secure Name Font 18 point**

**14 point font**

**Upper and lower case fonts converted  
 into ALL UPPER CASE LETTERS**



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This Check is Protected By™  
**Cheque Guard**

Check Number  
300257

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

**\$89,562.23**  
DOLLAR EIGHT NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

PAY  
TO THE ORDER OF  
**GREG LITSTER**  
GREG LITSTER  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

**NON-NEGOTIABLE**

THIS CHECK CLEARS THROUGH POSITIVE PAY

300257 9999999999 1111111111

**Secure Name Font 18 point**

**14 point font**

**Upper and lower case fonts converted into ALL UPPER CASE LETTERS**

**Secure Number Font**

**There is no room for Added Payee**

**“Forger-Deterrent” Text**

**“Forger-Deterrent” Text**

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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Any Bank  
My Town, Any State  
11-777/1222

This Check is Protected By™  
ChequeGuard

Check Number  
300257

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

**\$89,562.23**  
DOLLAR EIGHT NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

PAY  
TO THE ORDER OF  
Payee **GREG LITSTER**  
**GREG LITSTER**  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

THIS CHECK CLEARS THROUGH POSITIVE PAY

300257 9999999999 1111111111

**Secure Name Font 18 point**

**14 point font**

**Upper and lower case fonts converted into ALL UPPER CASE LETTERS**

**Secure Number Font**

**Holder in Due Course Text**

Printer driver can also:

1. Accumulate check data for Positive Pay
2. Change Font size
3. Add Barcode, Secure Name & Number fonts
4. Be configured to send formatted Pos Pay files to the bank automatically
5. Reposition Check Placement



Typical Check Layout

Printer Driver can Reposition the Check.





GREG LITSTER  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

Invoice Date	Type	Reference	Gross Amount	Amount Due	Disc. Amount	Amount Paid
						89,562.23

**It is not obvious the envelope contains a check.**

WARNING: DO NOT REFACE THIS CHECK. UNLESS YOU USE BANK-TYPE PAPER WITH AN EMBEDDED SECURITY THREAD, THIS CHECK MAY BE FALSIFIED. ANY PAYEE WHO CASHES THIS CHECK MAY BE FALSIFIED. WHEN CASHING, BEWARE OF ANY PAYEE WHO CASHES THIS CHECK.

**SAFE Checks**  
 8934 Eton Avenue  
 Canoga Park, CA 91304  
 (800) 755-2265 • Fax (800) 615-2265  
 safechecks.com • supercheck.NET

**Any Bank**  
 My Town, Any State

11-77711222

**Check Number**  
 300257

**This Check is Protected By™**  
 (SuperCheck)

**Check Date**  
 3/8/2010

**Check Amount**  
 \$89,562.23

**Payee**  
 GREG LITSTER

**Pay to the Order of**  
 GREG LITSTER  
 8934 Eton Avenue  
 Canoga Park, CA 91304

**NON-NEGOTIABLE**

**⑈300257⑈ ⑆999999999⑆ 111111111⑆**

**Identical data is printed on both checks.  
Which check would forgers prefer to attack?**

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

**SAFE Checks®**  
8934 Eton Avenue  
Canoga Park, CA 91304  
(800) 755-2265

ANY BANK  
MY TOWN, ANY STATE  
USA  
11-777/1222

3/8/2010

PAY TO THE ORDER OF Greg Litster \$ \*\*89,562.23

Eighty-Nine Thousand Five Hundred Sixty-Two and 23/100\*\*\*\*\* DOLLARS

Greg Litster  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

MEMO

**VOID**

⑆999999999⑆ 111111111⑆

RUB OR BREATHE ON THE PINK LOCK & KEY ICONS - COLOR WILL FADE AND RETURN ON AN AUTHENTIC CHECK - IF COLOR DOES NOT FADE DO NOT ACCEPT

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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This Check is Protected By™  
Cheque Guard

Check Number  
300257

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

PAY EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee GREG LITSTER  
TO THE ORDER OF GREG LITSTER  
SAFEChecks  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

**NON-NEGOTIABLE**

⑆300257⑆ ⑆999999999⑆ 111111111⑆

PAYEE NAME ON FILE AT THE BANK

THIS CHECK CLEARS THROUGH POSITIVE PAY



# **#3. Timely Account Reconciliation**

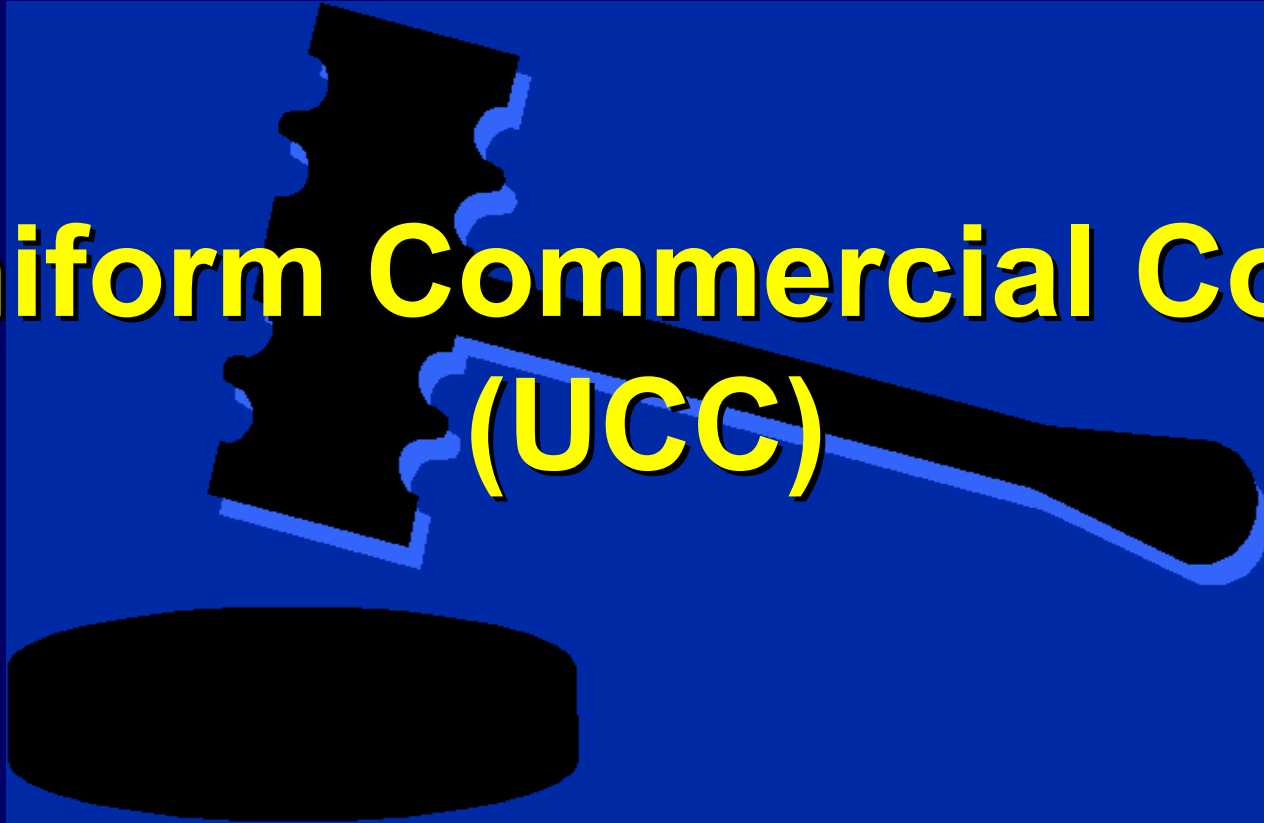


**#4. Tight Internal Controls**

# Tighter Internal Controls

- Secure all check stock (lock and key)
- Restrict employee access to check supply
- Physical inventory of check supply regularly
- **Reconcile accounts immediately** (UCC: 30 days)
- Secure facsimile signature plate (lock and key)
- Never sign a check with a rubber stamp
- **Use a cloth ribbon when typing manual checks**
- **Embezzlement**
  - Separate financial duties

# **Uniform Commercial Code (UCC)**



# Ordinary Care (Bank)

- **Electronic Check Presentment**
- **Check Truncation (Imaging)**
- **Selective Check Inspection**

# Uniform Commercial Code

“...reasonable commercial standards do not require the bank to examine the instrument if the failure to examine does not violate the bank’s prescribed procedures and the bank’s procedures do not vary unreasonably from general banking usage...”

# Ordinary Care (Drawer)

“ ...in the case of a person engaged in business means observance of reasonable commercial standards, prevailing in the area in which the person is located, and with respect to the business in which the person is engaged...”

# Contributory Negligence

**Bank acts with ORDINARY CARE**

**DRAWER fails to act with ORDINARY CARE  
(i.e. Drawer is negligent)**

**That negligence contributes substantially  
to the forgery...**

**NO LIABILITY TO THE BANK**



# Check 21

“Check Clearing for the  
21st Century Act”

# Check 21

Allows banks to:

- Convert original paper checks into electronic images
- Truncate the original check
- Process the image electronically
- Create “substitute checks” (paper)

# Check 21

Does **NOT** require banks to:

- Create an electronic check image
- Accept an electronic check image

Does **NOT**:

- Give an electronic image the legal equivalence of a paper check

# Check 21

**Gives** legal equivalence to:

- a properly prepared “substitute check”  
(aka “image replacement document” or IRD)

**Does** require banks to:

- Accept substitute checks

# ***Substitute Checks***

A Substitute Check MUST:

- Contain an image of the front and back of original check
- Bear a MICR line consistent with the original MICR line
- Conform to established standards for substitute checks
- Be suitable for automated processing

# Substitute Check Sample

\*098765187\*  
02/14/2006  
3115035506183728

This is a legal copy of your check. You may use it the same way you would use the original check.

[121000374] 02/14/2006  
090804712809781

supercheck.net

**Frank W. Abagnale**  
P.O. Box 8372  
Van Nuys, CA 91409-8372  
(800) 755-2265

0145

February 14, 2006  
DATE

PAY TO THE ORDER OF Substitute Check Sample

Two Hundred Ninety Five and 45/100 DOLLARS

Contains Security Features. Details on Back.

WARNING!  
DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND ON REVERSE SIDE PINK LOCK AND KEY ICONS THAT CHANGE COLOR WHEN WARMED

Your Bank  
Los Angeles, CA

MEMO

*Frank W. Abagnale*

⑆000067894⑆ 12345678⑈ 0145 ⑆0000029545⑆

⑆000067894⑆ 12345678⑈ 0145

⑆0000029545⑆

[www.FraudTips.net](http://www.FraudTips.net)

# Check 21

## Two Warranties:

- Substitute check is properly prepared
- No “double debit”

## Indemnity:

- Converting bank/company is liable for any loss that is directly related to the paying bank receiving a substitute check

## Federal Reserve Board "Final Rule"

A bank "that transfers, presents, or returns a substitute check...shall indemnify the recipient and any subsequent recipient...for any loss incurred by any recipient of a substitute check if that loss occurred due to the receipt of a substitute check instead of the original check."



## Federal Reserve Board example:

“A paying bank makes payment based on a substitute check that was derived from a fraudulent original cashier’s check. The amount and other characteristics of the original cashier’s check are such that, had the original check been presented instead, the paying bank would have inspected the original check for security features and likely would have detected the fraud and returned the original check before its midnight deadline. The security features that the bank would have inspected were security features that did not survive the imaging process. Under these circumstances, the paying bank could assert an indemnity claim against the bank that presented the substitute check.”

# What Triggers the Indemnity?

1. Original check has non-image survivable security features, such as
  - True watermark in paper
  - Thermochromatic ink
  - Ultraviolet (UV) Ink

AND
2. The bank would have physically inspected the check (what are your bank's Sight Review limits?)

# Indemnity Claims

An Indemnity claim can be filed one year from the Cause of Action

- Cause of action begins to run the date the injured party first learns of the loss.
- Claims must be made within 30 days after the person has reason to know or further losses cannot be claimed.
- Comparative negligence still applies

# Remote Deposit Capture aka "eDeposit"

- Technology that streamlines the deposit process
- Company scans, truncates the checks it would send to the bank for deposit
- Transmits the file of check images to bank
- Bank processes file, sends images for collection to their respective banks
- Images presented for payment electronically or as substitute checks

# **Remote Deposit Benefits**

- Eliminates Paper
- Lower Banking Costs
- Faster Funds Availability
- Higher Acct Analysis & Investment Income
- Quicker notification of a Returned Item
- Bank wherever & with whomever you like
  - Clients outside the bank's traditional footprint

## Remote Deposit Risks

- The company that truncates a paper check issues two warranties and one indemnity on every truncated item
  - Truncating party can be held liable for some losses that result from truncating the check
- Statute of limitations is one (1) year from when the injured party discovers the loss.
- One year is minimum, no maximum

“...Remote Deposit Capture is not without financial risk. First, depending on the company’s agreement with its bank, the company may need to store the original check in a secure location for a period of time in case it is needed. Second, because banks are likely to protect themselves from potential losses associated with the Remote Deposit Capture process, a company may be held liable for any Check 21 warranty and indemnity loss. The statute of limitations in the law for these types of losses is one year after the cause of action accrues.”

## Big Regional Bank Remote Deposit Capture Agreement:

“... you will be liable to us to the same extent that we are liable under federal and state law regulation... including... damages, to the maker/drawer of the original check that you imaged and sent to us electronically... if: ...(c) the maker/drawer of a check you imaged and transmit to us suffered a loss that could have been prevented had the original item been presented for clearing and payment. By way of example only... if the dollar amount of the original check was \$10 but was altered to read \$100 before you imaged it and the maker's account was debited for \$100... You will have liability... if (i) the check in its altered state were presented in its original form (not imaged) and (ii) the alteration would have been detected.”

(Nothing about counterfeit checks or 1-year **minimum** timeframe.)



## Small California Bank Remote Deposit Capture Agreement:

### 14. Customer Indemnification.

“Customer will indemnify and hold harmless (Small) Bank for liability and other losses that result from: ... (v) any claim by any recipient of a Substitute Check corresponding to an item processed by Customer... that such recipient incurred a loss due to the receipt of the Substitute Check instead of the Original Check.”

### 16. (Small) Bank's Liability.

“(Small) Bank will not be liable to Customer for any of the following... (iv) any refusal of a Payor Financial Institution to pay the Item or Substitute Check that was allegedly unauthorized, was a counterfeit, had been altered, or had a forged signature.” (Very clear and thorough)

# Remote Deposit Capture

Q: Is this technology bad?

A: NO! But it is not appropriate in every situation, for every company, or for every check

➤ High-dollar checks carry greater risk

- Companies issuing higher-dollar checks often pay up for high security checks with features that will protect it, and trigger the indemnity
- Low dollar checks are safer because very few banks inspect low-dollar checks

# Remote Deposit Capture

Q: How long should paper checks be stored?

A: At least 60 days

- Scenario: Counterfeit or altered check is truncated on 2nd day of a month
- Bank sends customer (injured party) its bank stmt by 5th day of following month-33+ days
- Under the UCC, Injured Party has 30 days to reconcile after bank statement is sent

# **“Informed Consent”**

- Remote Deposit Capture needs full disclosure from the banks
  - Bank agreements must be complete and divulge all the risks
- Customers will decide if benefits outweigh risks, given their business
  - Small dollar vs. high dollar mix

# Two Sides of Check 21

1. Truncating of checks by Bank or Company
  - Risk of indemnity charge-back
  
2. Truncated checks ( corporate or personal)
  - “Injured party” could file indemnity claim if:
    - ❖ Their original check contained security features that did not carry through onto the image, **AND**
    - ❖ Payor bank would have inspected the in-clearing item based upon its dollar value, etc.

# Check 21 Strategies

- Banks recommend high security checks:
  - Good for the bank and good for client
- Control what you can control
  - Use high security checks with non-image survivable features
  - Use Positive Pay w/ Payee Name Recognition
  - Reconcile bank accounts immediately
  - Separate financial duties; background checks
  - Protect incoming and outgoing mail -- stolen!

# Holder in Due Course

Web: [FraudTips.net](http://FraudTips.net)

# Holder in Due Course

- An innocent party who accepts a check for goods or services
- No evidence of alteration or forgery, or knowledge of fraud by recipient
- **Statute of Limitations**
  - 10 years from date of issue
  - Three (3) years from date of return
- A Holder in Due Course can sell his/her rights

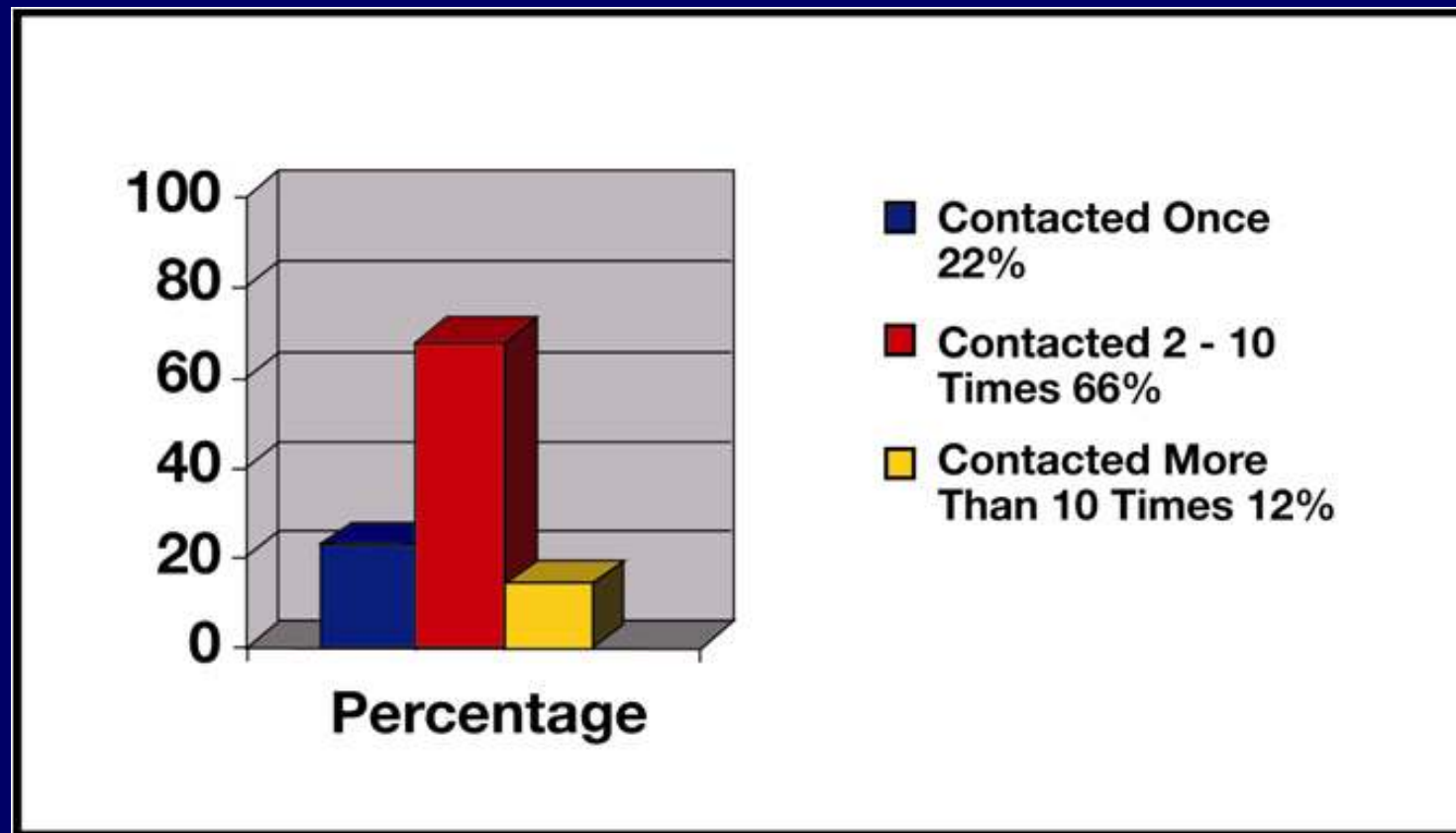


# Holder in Due Course

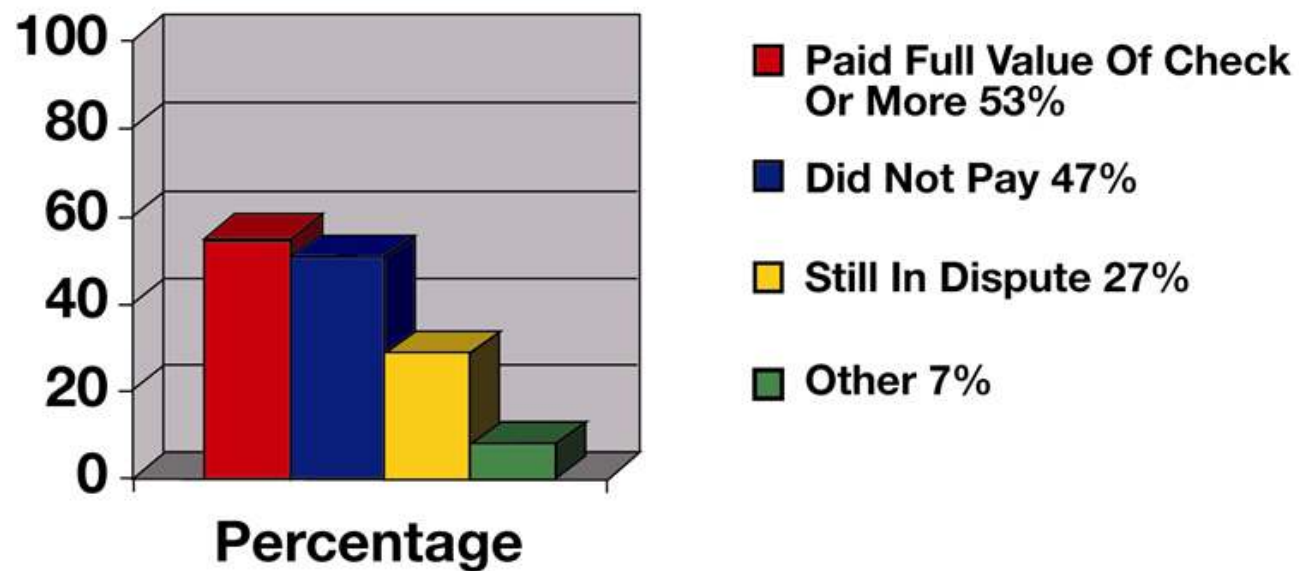
- Trumps Stop Payments
- Trumps Positive Pay

Trump (n.) To get the better of an adversary or competitor by using a crucial, often hidden resource.

# Holder in Due Course



# Holder in Due Course



**Holder in Due Course**

Federal Appellate Court

Lawsuits

# Holder in Due Course #1

## ➤ Robert Triffin v. Cigna Insurance

- Two year old check, payment stopped
- No “expiration date” printed on check
  - UCC rules: 3 years or 10 years
- Print on checks: “This check expires and is void 25 days from issue date”
  - ✓ Don’t re-issue check until first check expires

## Holder in Due Course Text

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

**\$89,562.23**  
DOLLAR EIGHT NINE COMMA FIVE SIX TWO PERIOD TWO THREE

PAY EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER**  
TO THE ORDER OF  
**GREG LITSTER**  
**SAFE Checks**  
8934 Eton Avenue  
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

THIS CHECK CLEARS THROUGH POSITIVE PAY

|| 300257 || : 9999999999 : 1111111111 ||

Holder in Due Course Text

Someone who accepts an  
Expired Instrument

**Has No Legal Standing!**

As a Holder in Due Course

## Holder in Due Course #2

### ➤ Robert Triffin v. Somerset Valley Bank and Hauser Contracting Company

- 80 counterfeit checks on authentic-looking check stock (ADP payroll checks)
- \$25,000
- Hauser Contracting held liable in both Courts because checks looked authentic
- Solution: Use controlled, high security check stock that cannot be purchased blank



# How to Obtain Controlled Checks?

- Custom manufacture with an ORIGINAL design and include at least 10 security features

or

- SuperBusinessCheck designed by Frank Abagnale
  - 16 security features

## Holder in Due Course #3

### ➤ Robert Triffin v. Pomerantz Staffing Services

- Pomerantz used high security checks with
- heat-sensitive ink on back, and
- specific warning banner about authenticating
- Positive Pay (all 18 checks < \$400)

Counterfeits looked authentic on face, but lacked heat-sensitive ink on back

- Triffin **LOST**; check security features won!

If you have a question about this presentation,  
feel free to call or email me:

Greg Litster  
SAFEChecks  
(800) 949-2265  
(818) 383-5996 cell  
[greg@safechecks.com](mailto:greg@safechecks.com)