

September 2005

Best Practices in Fraud Prevention

Reconciliation

- **Daily Reconciliation:** Reconcile your daily business banking transactions every day, including all debits and all credits on all accounts. This data can be effortlessly downloaded to your computer in minutes.
- **Positive Pay:** Transmit a copy of your cheque issue file, including payee details, to the bank. Your daily incoming cheques can be monitored and unmatched items, including altered payee, flagged for immediate action.
- **Month-End Bank Statements:** Look at your actual cheques when you get your statement. Have the payee, cheque endorsement or other important features been altered?

Cheque Issues

- **Centralize Your Cheque Issuing:** Don't leave cheques in the hands of unauthorized staff.
- **Lock Up Cheques:** Securely and separately lock up unissued cheques, facsimile signature stamps and any cheque reorder forms.
- **Enforce Security Procedures:** Maintain control of your cheque stock throughout the entire cheque printing/issuing, signing and dispatch process. Also, audit cheque stock frequently and without warning.
- **Cheque Paper Stock:** The selection of your cheque paper stock is important. Insist on quality cheque stock to enhance your protection against fraud. Our cheque supplier, Davis + Henderson, offers many of the latest security features such as:
 - Chemical Protection
 - Fluorescent Fibres and Security Ink Message Holographic Marker
 - Padlock Icon
 - Foil Stamping
 - Microprint
- **MICR Serial Numbers:** Use serial numbers, which are now mandatory, on all cheques clearing on TD Canada Trust business accounts.
- **Cheque Printing:** When printing and processing cheques –
 - Use 12-point type or larger
 - Don't leave blank space on payee line
 - Avoid using window envelopes

Cheque Alternatives

- **Utility Payments:** Complete routine bill payments electronically. Internet banking services can facilitate postdated payments.
- **Tax Payments:** Pay GST/HST and other complex tax payments via an Internet-based tax payment and filing service.
- **Credit Cards:** Encourage suppliers to accept credit cards as the payment option for anything under \$5,000. You can eliminate small dollar cheques, gain on the float, and, with some cards, accumulate rewards.

- **Payroll Cheques:** Link your in-house computer payroll software to an electronic funds transfer (EFT) service to provide direct deposit to employee accounts. Alternatively, ask us about Ceridian". They can handle the entire payroll and direct deposit function for you.
- **Supplier Payments:** A payables consolidation product can be used for electronic payment to suppliers requiring backup detail of the payment being made by fax, email or electronic data interchange (EDT).
- **Bank Drafts:** Lost bank drafts can be replaced, but the original is still valid.
For payments in U.S. Dollars or other currencies, consider wire transfers instead.
- **Manual Wires:** Fax and telephone instructions are not a secure way of communicating. Instead, use an online wire payment service with security features such as authentication devices and fixed template payees.
- **Pre-Authorized Payment:** By authorizing your creditors to automatically debit your account for payments, you can manage your cash flow by knowing exactly when payments will be made.

Deposit Issues

- **Local Deposit Accounts:** Eliminate local accounts for remote offices. Direct deposits to a central deposit account, and verify activity daily.
- **Lockboxes:** Have your customers mail payments directly to a bank-operated lockbox. This high-security approach usually pays for itself by outsourcing and automating the data input process.
- **Returned Items:** Use endorsement stamps that clearly direct returned items to the account of your choice.
- **Merchant Services:** Be aware that unsigned credit card sales drafts from telephone or Internet sales are not final payments. Contracts or other backup documentation do not count as "signatures" for credit card purchases. At all times, be sure to store sales drafts securely and maintain secure control over point-of-sale equipment, which can also be used fraudulently.

Accounting

- **Separate the Functions:** Different people should be responsible for the writing and signing of cheques, and the reconciliation of the bank statement. Lock up your paid cheques.
- **Special Accounts:** Open separate accounts to segregate such functions as incoming wires and high-volume small-dollar cheques.
- **Security Audit:** We recommend a full au by an accounting professional that includes a complete review of your security procedures.