



Mail Theft and Check Fraud

Incidents of mail theft and subsequently check fraud are on the rise. 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 burden to get the process up and running, but it is certainly worth mitigating 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 current best answer to reduce your risk is to send all funds via electronic transfer.