

Best Practices In Fraud Prevention

24 ways to protect your company

How well-protected is your company?

No matter what type of business you're in, the risk of fraud is always present. While you can't predict why or when your business becomes a target, there is a lot you can do to reduce the opportunity for fraud.

At TD Commercial Banking, we have collected some of the "Best Practices" that our existing clients have implemented to protect their financial transactions and their dealings with us. We invite you to use this checklist to determine how well-protected your business is, and as a source of ideas to develop a fraud prevention plan. You'll see that many of these practices can be put to work easily and inexpensively.

Our Cash Management Specialists would be pleased to work with you as well. We can help review your needs and provide information on our products and services that are available to help your company prevent fraud.

Reconciliation

1. 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.

2. Positive Pay with Payee Match: 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.

3. Month-End Bank Statements: Review every item on your statement. Let the bank know if you do not receive your statement on the regular date. Notify the bank within 30 days if any item on your statement does not reconcile to your records. Look at your actual cheques or cheque images to see whether payee, cheque endorsement or other important features have been altered.

Cheque Issues

4. Centralize Your Cheque Issuing: Don't leave cheques in the hands of unauthorized staff.

5. Lock Up Cheques: Securely and separately lock up unissued cheques, facsimile signature stamps and any cheque reorder forms.

6. 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.

7. 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 –

- Microprint
- Chemical Protection
- Fluorescent Fibres and Security Ink Message
- Hologram
- Padlock Icon
- Foil Stamping

8. MICR Serial Numbers: Use serial numbers, which are now mandatory, on all cheques clearing TD Canada Trust business accounts.

9. Cheque Printing: When printing and processing cheques –

- Use 10-point type or larger
- Don't leave blank space on payee line
- Avoid using window envelopes

Cheque Alternatives

10. Utility Payments: Complete routine bill payments electronically. Internet banking services can facilitate postdated payments.

11. Tax Payments: Pay GST/HST and other complex tax payments via an Internet-based tax payment and filing service.

12. 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.

13. 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.

14. 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 (EDI).

15. 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.

16. 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.

17. 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

18. Local Deposit Accounts: Eliminate local accounts for remote offices. Direct deposits to a central deposit account, and verify activity daily.

19. 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.

20. Returned Items: Use endorsement stamps that clearly direct returned items to the account of your choice.

21. 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

22. 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.

23. Special Accounts: Open separate accounts to separate such functions as incoming wires and high-volume small-dollar cheques.

24. Security Audit: We recommend a full audit by an accounting professional that includes a complete review of your security procedures.

Remove the opportunity for fraud and you've gone a long way toward preventing it. When you consider the financial losses, business disruption, and harm to customer confidence that can come with fraud, implementing these best practices is a small price to pay. Contact your TD Commercial Banking Relationship Manager today about the many services we can provide your business to help you prevent fraud.

**For more information
on fraud prevention,
please contact your
TD Commercial Banking
Relationship Manager.**

**To find out more about
our Cash Management Services,
visit www.tdcommercialbanking.com
or contact your
TD Commercial Banking
Relationship Manager.**

**For the location of a
TD Commercial Banking Centre
in your area,
call 1-800-450-7311.**

The products and services referred to in this brochure are subject to change without notice and some restrictions and/or fees may apply.

Please refer to our Business Banking and Services Agreements for details of the terms and conditions that govern your banking relationship with us.

This brochure is a general outline of selected best practices in fraud prevention and should not be relied upon as specific advice applicable to your particular needs or circumstances.

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