

Preventing Fraud: Check Tampering

By Rollie Dimos



Signing a blank check is a fast and convenient way to allow an employee to make a purchase. However, signed, blank checks can be easily abused. Not only can the checks be written for more than the approved amounts, the checks can be used for entirely different purchases.

In April 2013, an office manager was sentenced to almost three years in prison for embezzling more than \$900,000 from her employer using this scheme. She was able to convince the check signers at the company to sign blank checks under the assumption that they would be used to pay company expenses. Instead, she cashed the checks and used the money for her own personal benefit.

Understanding the Risk

Issuing unauthorized checks or “check tampering” is a common fraud scheme that churches face. Examples of check tampering include an employee:

- (i) Stealing a blank company check and making it out to himself or an accomplice.
- (ii) Obtaining approval to use a signed, blank check, for business purposes but using it for personal purchases instead.
- (iii) Stealing outgoing checks to a vendor and depositing the checks into his own bank account.

A study by Marquet International found issuing or forging unauthorized company checks was the most common embezzlement scheme committed by employees in 2012. Another study by the Association of Certified Fraud Examiners (ACFE) found that check tampering was the second most common fraud scheme perpetrated on religious and charitable organizations. Unfortunately, the ACFE determined the median duration of check tampering schemes lasted around thirty months before being discovered at these religious and charitable organizations.

Evaluate Your Organization

In order to assess the risk of check tampering occurring at your church, ask yourself these questions:

- Do you make it a practice to never sign blank checks? Do exceptions occur? Why?

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- Do you secure blank check stock in a locking cabinet? Who has access to the locking cabinet?
- Do you keep track of pre-numbered check stock and reconcile unused check numbers to the checks already printed? Who performs this reconciliation? How often?
- Do you review supporting documents and match amounts to the checks before signing? Who performs this review? What happens if supporting documents aren't available?
- Do you require original invoices and receipts for payment? What happens if original documents aren't available?
- Do you require properly approved purchase requests or requisition forms before purchases are made? What is the process to get approval? Who has authority to approve purchases?
- Do you review the itemized receipts or invoices for appropriateness and compliance with the organization's policies? Who performs this review? What happens if a purchase doesn't comply with policy?

Best Practices

On the bright side, the ACFE study also found that when organizations implemented internal controls, the occurrence of fraud was reduced, and the median fraud loss and duration was significantly less than at organizations that hadn't implemented controls.

The implication for churches is clear: in order to increase accountability and reduce the risk of fraud in your church or ministry, include key controls over checks and disbursements.

Consider implementing the following controls:

- Maintain a policy to never sign blank checks
- Secure blank check stock in a locked cabinet
- Keep track of check numbers used and reconcile check numbers to remaining blank check stock
- Match supporting documents to each check's amount before signing checks
- Require supporting documents to be original invoices or receipts—not copies, partial documents or estimates
- Use purchase requests or requisition forms to authorize purchases before they occur
- Review itemized receipts or invoices for appropriateness and compliance with the organization's policies

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This article was adapted from Rollie's book, *Integrity at Stake: Safeguarding Your Church's Honor*.