

# CREDIT UNION JOURNAL

## The Key to Stamping Out Check Fraud? Look No Further than Tellers

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TEMPE, Ariz.-Tellers are the best-and only-line of defense against check fraud at one small credit union here, whereas another small CU relies heavily on a counterfeit alert database.

"Identifying fraudulent checks is solely a result of the training employees receive; we do not use technology" said [David Rindone](#), director of marketing with [Tempe Schools CU](#). "As much as I would hope that technology helps, there is no replacing the eye of a well-trained staff member. It's pretty cool that our staff can do what big institutions do that probably spend tens of thousands of dollars to detect fraud."

Employees at the \$160-million CU "know their members" and are conscientious about checking for "Red Flags" before opening a new account or performing a transaction, [Rindone](#) continued. "We put a great deal of emphasis on our staff training, and due to our size and limited resources, we are not able to purchase big expensive software programs to help detect fraud," he explained.

First Flight FCU of Havelock, N.C., believes even a "trained eye" may be blind to a fraudulent check, said [Brian Dorn](#), VP-risk management at the \$152-million CU. First Flight supplements teller training with a counterfeit alert database. "The checks our tellers receive look legitimate," [Dorn](#) explained. "Fraudsters often create checks using actual check stock that has built-in safety features, such as watermarks."

The problem with relying solely on tellers to fight fraud is that well-trained tellers can up and leave. "Tellers historically have a high turnover rate, so any automated help you can give the front line staff to help detect fraudulent checks is not just needed but greatly appreciated," said [Dorn](#).

First Flight has used TrueChecks, a fraud prevention solution from [Advanced Fraud Solutions \(AFS\)](#) of Greensboro, N.C., for about two years. TrueChecks is a database of national and regional fraudulent account and routing information and names of fraudsters. The system delivers counterfeit alerts-such as "be suspicious" of checks with certain routing numbers-in less than one second, depending on the size of the institution queried.

[Tempe Schools](#) uses Currency Transaction Reports and Suspicious Activity Reports delivered by its core processing system to help identify anomalies in account activity, said [Rindone](#). "These draw attention to an account that is being used differently than usual-excessively."

Tempe Schools CU is evidently successful at preventing check fraud without specialized technology. The CU was one of 12 CUs recognized by the Financial Service Centers Cooperative (FSCC), the shared branching network in

Ontario, Calif., for stopping more than \$1.1-million in fraud during 2009. In fact, none of the CUs recognized seems to use automation to aid in fraud prevention, according to [Rozana Audisho](#), public relations manager, FSCC.

Credit unions are hard put to document the number of attempts at check fraud they've experienced, and numbers that demonstrate check fraud loss at specific CUs are equally hard to come by. "The amount of fraud prevented is hard to nail down," Dorn added. Tempe Schools' "best" estimate is it avoided more than \$18,000 in check fraud loss from October 2009 to February 2010, said Rindone.

First Flight's "conservative" calculation is that the CU has prevented at least \$87,000 in fraud in 2010, said Dorn. The [Federal Reserve](#) has returned more than \$21,000 in large-dollar checks to First Flight this year, he said. "But we've have had no losses on these items thanks to the extended holds placed on these checks, due to information provided by TrueChecks."

AFS charges a fixed subscription fee based on asset size for TrueChecks, "so we have found it very cost-effective to deploy this product throughout our organization," said Dorn.