

A New Era for Business Check Printing Security

As the number of checks being issued continues to decline, the remaining checks are now of higher value and have legal significance. These checks are also required on timely basis. Interestingly, as many companies shrink their check writing departments, facilities and controls, the real requirement for highly secure and efficient check production is growing.

According to the Association of Financial Professionals *Payments Fraud and Control Survey*, dated March 2005, four out of five of the organizations that experienced fraud in the prior year indicated that their highest dollar fraud resulted from checks.

In an evolving payments landscape, organizations should be vigilant of the growing risks and actively taking steps to prevent check fraud.

Prevention Planning Should Look at all Layers of Security

Successful check fraud prevention requires developing a plan that provides multiple layers of security:

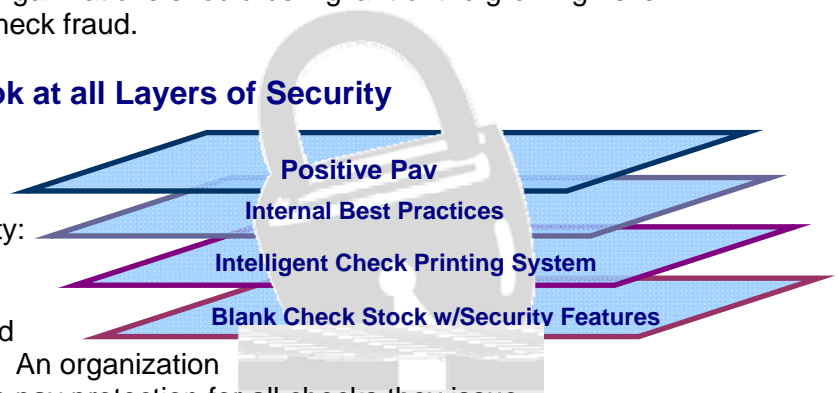
1. Positive Pay

Positive pay has long been considered the best defense against check fraud. An organization should begin by implementing positive pay protection for all checks they issue.

2. Internal Best Practices

Organizations should also use internal best practices and procedures for all check processing:

- ✓ Reconcile your accounts daily for check activity.
- ✓ Use a post no debits on depository or zero balance accounts for deposits.
- ✓ Separate disbursement and reconciliation duties.
- ✓ Change the passwords regardless how much everyone complains and eliminate sticky notes with key passwords and control information.
- ✓ Control access to payments processing areas.
- ✓ Understand the ramifications of the bank's check destruction policies.
- ✓ Understand your bank's imaging system.
- ✓ Make yourself knowledgeable of any changes to check stock security features. There are industry groups are working to find image-survivable features that will be incorporated into security check stock in the future to help prevent fraud in a post-Check 21 world.
- ✓ Be particularly aware of coverage during vacation and turnover.



For more information visit <http://www.stopcheckfraud.com> - a valuable resource for fraud prevention planning.

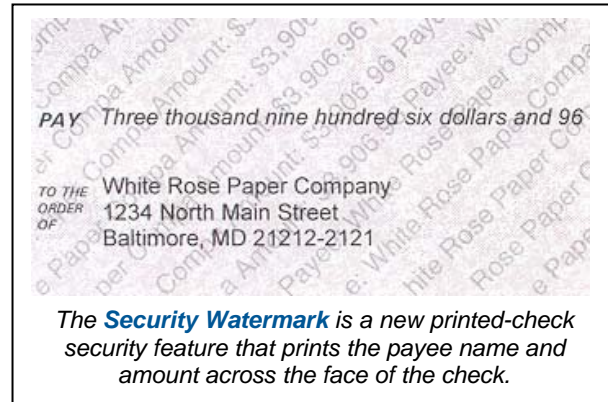
3. Next-Generation Check Printing System Security

Organizations should examine the sophistication of their current check printing system. Preventing attempts at check alteration and fraudulent check production requires an intelligent check printing system that is designed to combat the next-generation of fraud concerns. Today's advanced MICR laser check printing technology, which prints to blank check stock, offers a host of new and powerful features targeted at fraud prevention:

Printed-Check Security Features

Criminals seeking to counterfeit checks or to alter checks, with either chemicals or tape to add fraudulent payee or amount information, will look elsewhere when they see the new **Security Watermark** feature printed using the *SecureCheck* system. Organizations can now print a Check-21 compatible Security Watermark, containing the payee name and amount, across the face of their checks for added security. This watermark is virtually impossible to duplicate or alter. **Reverse**

or Micro Fonts, that print the amount in a second location on the face of the check, are another effective printed-check security feature available from *SecureCheck*.



System-Based Internal Controls

Next-generation check printing systems offer a suite of features developed specifically to meet stringent demands for greater security and SOX section 404 compliance. The internal check-and-balances available for check printing activity have come a long way!

Audit Trails

The system should provide an audit trail - available at the printer or system host PC, or both - that shows all checks printed for administrator review.

Event Logs

An event log should record all user activity for administrator review.

User Permissions

System access should be controlled through user access permissions – providing different users various levels of permissions based on their role within the check printing process.

Email Notifications & Workflow Processing

Organizations are no longer limited to security permissions and audit trails to maintain internal control over check printing activity. Organizations should opt for internal controls such as **post-check-printing Email Notifications** (for all check printing activity) and **pre-check-printing Workflow / Check-Approval Processing** (where specified administrators are emailed an audit for review, can opt to approve, deny, or place a check printing job on hold for printing, and accompany their decision with email notifications).

Electronic Check Image

System capabilities also now allow organizations to keep an exact replica of each printed check in .pdf format and have it attached to their audit record. Archiving electronic images of checks provides an additional security reference and can also eliminate the need to print copies.

4. High-Quality Blank Check Stock with Built-In Security Features

It is also important to use blank check stock (vs. pre-prints) that provides a high-quality paper/toner bond and contains an effective array of high technology features developed to defend documents against chemical alteration, erasure, toner removal, photocopying and counterfeiting. These features include:

- Void Pantograph
- Fluorescent Fibers
- Microprinting
- Warning Borders
- Black and Blue Dye(s)
- Multi-language Brown Stain Void
- Watermark

For more specific information on these security features, visit <http://www.acuprint.com/products/checkstock.html>

As the techniques for fraud continue to grow along with the latest technology, it is important that organizations take the essential measures required for fraud deterrence. An effective fraud prevention plan should address all layers of security described above. Banking clients can receive quick overview of their organization's strengths and weaknesses with regards to check fraud prevention planning by taking the **Check Fraud Risk Assessment** at <http://www.acuprint.com/for/cfra/>

For more information about AP Technology check printing solutions, including the SecureCheck-PRO MICR laser check printing system and TruPrint MICR toner /check stock, contact 800-652-2877 or sales@aptechnology.com .