



PAYMENTS INSIDER

The inside scoop on payments for businesses of all sizes

Checkmate: Defending Your Business with Positive Pay

In a world where digital payments are quickly becoming the new queen of the board, traditional check payments still play a pivotal role in business transactions. However, this reliance on checks can expose organizations to fraud—a real game of high stakes. Those who frequently rely on checks are at risk of being outmaneuvered by fraudsters, who are always ready to make their next move by producing and passing off counterfeit checks, leading to substantial financial losses.

As a responsible organization, it is imperative to take measures to stay protected from such criminal activities. So, how can your organization help mitigate check fraud? Enter positive pay—a powerful tool that enhances the security of your check transactions.

If you're unfamiliar with positive pay, it is a type of automated fraud detection technology designed to detect and prevent counterfeit checks. By leveraging this service, you can add an extra layer of security to safeguard your organization. To get started, contact your financial institution today to ask if they offer positive pay services!

Positive pay operates through a meticulous examination of checks presented for payment, comparing them against the initial company-issued checks. The system scrutinizes various check features, such as the amount,

check number and payee name, to identify suspicious items or discrepancies.

Several positive pay variations can be employed, even for Automated Clearing House (ACH) transactions. Let's explore some of them:

1. **Positive Pay:** This method automatically matches each check presented against a list of issued checks provided by the organization. If any discrepancies arise, the system alerts the financial institution and the organization.
2. **Payee Positive Pay:** This approach matches the payee names from an issue file to the payee names on the check. If there is any inconsistency, the system raises an alarm.
3. **Reverse Positive Pay:** In this scenario, the financial institution sends a file of presented checks to the organization. The organization then internally compares these checks to the items they have issued, detecting any potentially fraudulent transactions.
4. **ACH Positive Pay:** This service empowers users to block and review all incoming debits or credits before they are authorized to post to an account, providing an additional layer of protection.

To shed light on the benefits of positive

pay, let's explore a couple of real-life scenarios encountered by one of our EPCOR financial institution members:

Experience 1: An ex-employee of a company utilized the account information at the bottom of their payroll check to create fraudulent or counterfeit checks. The ex-employee issued these counterfeit checks to various acquaintances who subsequently cashed them at multiple branches. Unfortunately, the company had not implemented the positive pay system offered by their financial institution, and it took them several months to discover the fraud. Total Company Loss: \$4,872.39

Experience 2: A business client paid a vendor \$2,800 for parts. However, during lunch break, the Accounts Receivable person left the check on their desk, allowing another vendor employee to record the MICR line information from the business client's check. This unscrupulous employee then created counterfeit checks on the business client's account to pay off their personal student loans and car loans. Fortunately, the business client had wisely opted for the positive pay service provided by XYZ Bank. This service not only verified the dollar amount and check number but also cross-referenced the payee names. Consequently, when the counterfeit checks were presented for payment, they were

promptly identified as fraudulent by the positive pay system. XYZ Bank immediately contacted the business, and the counterfeit checks were returned as “counterfeit.”

Total (Potential) Loss: \$400,000

The second example vividly illustrates how implementing positive pay saved the business from significant financial loss. By utilizing positive pay, the business ensured advanced security for its check transactions. Although

check fraud is not uncommon in the United States, organizations that heavily rely on check payments can significantly mitigate risks by leveraging protective services like positive pay.

An organization must maintain accurate records of their check payments to ensure the effectiveness of their positive pay system and prevent or minimize losses. By doing so, they can enhance the security of their bank

transactions and instill peace of mind.

Take proactive steps today by contacting your financial institution to inquire about their positive pay service and determine whether its implementation is right for your organization. Safeguard against check fraud and embrace the perks of positive pay so you can say checkmate to check fraud! 🏁



Electronic Payments Core of Knowledge

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