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## **Check Tampering-Forged Maker**

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### **The Scenario**

An auditor ran a query/program that extracted checks that were out of sequential order and found that five or six checks were written every month that fit into this category. Also, the auditor noticed the check payments were to a vendor whose address included a P.O. Box.

To determine why the checks were issued out of sequence, the auditor decided to conduct interviews with employees whose duties were related to the preparation of the company's checks. The auditor asked each individual the same questions which were:

- Where are blank checks stored?
- Where is the signature stamp stored?
- How often are employee and vendor addresses compared (This identifies employees who are posing as a vendor used by the agency)?

Through the interviews, the auditor learned that blank checks were stored in an office that was never locked during business hours and the signature stamp was located on a shelf near the stock of blank checks. In addition, employees do not perform procedures to compare employee and vendor addresses.

The auditor presented the suspicious checks to the manager and the manager immediately recognized the vendor's name. The vendor was an employee's painting business, which the manager had used in the past. The employee had stolen blank checks, made them payable to their business, and applied the authorized signature by using the signature stamp. All this was possible because:

- Access to blank checks and the signature stamp was not restricted.
- Employee/Vendor address comparison was not performed.

**General Comments / Lessons Learned.** Check tampering frauds depend on factors such as access to the company checks and the ability to forge signatures on the check. Those who commit check tampering fraud are able to do so by identifying and exploiting weaknesses in an organization's check-writing processes.

In a forged maker scheme, an employee misappropriates a check and fraudulently applies the signature of an authorized maker (person who signs the check). In order to forge a check, an employee must have access to a blank check and be able to produce a convincing forgery of an authorized signature. Blank checks and signature stamps should only be accessible to authorized personnel.

## **FRAUD INDICATORS**

- **Checks issued out of sequence.**
- **Check stock stored in an unsecured location.**
- **Easy access to signature stamps.**
- **A vendor's address contains a P.O. Box.**
- **Employee/Vendor address comparison not performed.**