



Payment Fraud on the Rise

Organizations need to beware of fraudsters lurking inside and outside of their companies, says a new survey.

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March 14, 2008

Every year fraud detection gets more sophisticated, yet the prevalence of fraud — and the costs — continues to rise.

In its latest survey of payment fraud, the Association for Financial Professionals found that 71 percent of organizations experienced payment fraud in 2007 and a third of them saw more incidents of fraud compared with the previous year. Big companies have also been more tempting targets, the survey found. Of companies with annual revenues totaling more than \$1 billion, 80 percent were victims of payment fraud in 2007. By comparison, 58 percent of companies with revenues of less than \$1 billion faced fraud. The average financial loss was \$13,900.

"The battle against payments fraud requires innovative technical tools and high alert to guard against the new technical capabilities and practices of criminals," says Arlene Chapman, CTP, the AFP's Senior Consultant, Technical Services. "Fortunately, as this survey shows, many organizations are successfully fighting back."

The method of payment most susceptible to fraud also happens to be the simplest. Of the 552 corporate treasury and finance professionals polled, 94 percent said their company experienced attempted or actual check fraud. With that in mind, the AFP suggests using new technology to combat fraud.

The first step to beating fraud is to keep tabs on employees, as 50 percent of companies said members of their own team were caught committing some kind of fraud. One measure includes separating the responsibilities of employees to ensure that different people are entering, keeping track of, and approving payments. This makes sure colleagues are keeping track of one other. Deleting user identifications and passwords from the computers of former employees is also important, as they can cause trouble remotely.

The AFP also recommends that companies use more sophisticated tools to verify such payments as tokens, digital certificates, and smart cards. Electronic payments with debit and credit cards, as well as wire transfers, were found to be much safer than paying with paper.

Fraudsters, of course, also lurk outside of organizations. Just this week, Harvard University acknowledged that computer hackers broke into its servers and stole personal information from 10,000 of last year's applicants. Social Security numbers of 6,600 applicants were exposed.

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