

**Metro**  
***Administrative Services***  
***Department***

***Check Fraud Protection***

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**January 2000**

A Report by the Office of the Auditor



**METRO**

2000-10518-AUD

**Alexis Dow, CPA**  
**Metro Auditor**

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METRO

## Office of the Auditor

January 13, 2000

To the Metro Council and Executive Officer:

We reviewed Metro's procedures for dealing with counterfeit or altered Metro checks. Our review also included insufficient funds checks written to Metro and altered checks cashed at Metro facilities.

In June and July 1999, Metro experienced 12 counterfeit or altered Metro checks. Metro lost no money as a result of these frauds. However, Metro assumes increased risk of loss if it does not take additional steps to guard against fraud. The recent availability of low-cost, professional-quality technology makes it possible to easily commit check fraud, and more frequent and widespread check fraud is occurring nationally and in the metropolitan area.

We recommend that Metro's Accounting Services Division adopt a Positive Pay system to provide better protection against potential check fraud related to counterfeit and altered Metro checks. Positive pay shifts most fraud detection responsibilities to the bank, it is inexpensive, and it is quickly becoming an industry standard.

Insufficient funds checks are a relatively small problem due to low dollar volume. The risk of loss resulting from altered checks cashed at Metro facilities is mitigated by existing check cashing procedures which employees have been directed to follow.

We reviewed a draft of this report with the Executive Officer. The last section of this report presents his written response.

We appreciate the cooperation and assistance provided by Metro staff as we conducted this review, particularly the staff from the Administrative Services Department.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alexis Dow'. The signature is fluid and cursive, written over a light grey circular watermark of the Metro logo.

Alexis Dow, CPA  
Metro Auditor

Auditor: Leo Kenyon, CPA

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## Executive Summary

In June and July 1999, Metro experienced a rash of 12 counterfeit or altered Metro checks—six times the number reported in the previous 17 years. This is of particular concern because today's technology makes it possible for almost anyone to create such checks. While Metro lost no money as a result of these frauds, losses could occur in the future if Metro's procedures for guarding against fraud are deficient. We therefore conducted a review of Metro's procedures for dealing with check frauds. In addition to the counterfeit or altered Metro checks, our review also included two other groups of checks: insufficient funds (or "bounced") checks written to Metro, and stolen personal checks that had been altered and cashed at Metro facilities.

Insufficient funds checks are a relatively small problem. For the 7 months we reviewed, Metro had 96 such checks out of more than 4,400 checks it received. The 96 checks were for about \$4,500, compared with more than \$57 million for the group as a whole. Metro's Accounting Services Division aggressively attempts to collect on such checks. Similarly, the passing of four stolen and altered personal checks is an isolated incident that has since been addressed.

The more significant issue is the adequacy of measures to protect against counterfeit and altered Metro checks. While two of the 12 forgeries were so poorly done that the bank should not have accepted them, nine of the others skillfully used technology to print authentic-looking checks, and the tenth was a skillful alteration of the name and address on an existing check. The bank did not charge Metro's account in these instances. Metro may not be so fortunate in the future.

We think the best answer is a system called Positive Pay, a bank-supplied service that matches incoming checks against up-to-date electronic records of checks actually issued by the organization. This service identifies fraudulent checks which may otherwise appear legitimate, right down to the authorizing official's signature. Other area jurisdictions, including the City of Portland and Multnomah and Clackamas Counties, use Positive Pay and recommend it.

Metro's Accounting Services Division maintains that existing safeguards are adequate and that Positive Pay is an unnecessary expense and time-consuming. We think the costs are likely to be negligible and the procedures no more burdensome than current ones. In our view, the increased threat of fraud and the potential liability Metro faces make Positive Pay a good idea.

## Introduction and Background

### **Check Fraud Is an Increasing Problem**

In June and July 1999, 12 counterfeit or fraudulent Metro checks totaling over \$8,800 were cashed. None of these frauds resulted from breakdowns in Metro's internal controls. Instead they were the result of new technology readily available to people who want to create fraudulent checks. According to Metro's Accounting Systems Manager prior to these frauds Metro had experienced only 2 others in 17 years – all perpetrated by someone stealing Metro checks that had been paid to vendors, then altering and cashing them.

Check fraud is a growing nationwide problem. Check fraud losses already are more than 15 times greater than combined losses from credit card fraud, ATM card fraud, and bank robberies. It is expected to grow at an annual rate of 12 to 15 percent over the next decade. Less than 15 percent of all check fraud loss is recovered.

Check fraud has increased substantially since 1988, when new banking regulations were introduced to accelerate the availability of check deposits. These new regulations, combined with competitive pressures to accelerate fund availability, have resulted in banks increasingly making funds available for checks before those checks have actually cleared. These conditions, together with inexpensive professional-quality electronic publishing and copying technology, make it easier for criminals to successfully negotiate fraudulent checks.

### **Banks No Longer Shoulder Sole Responsibility for Losses**

Revisions to the Uniform Commercial Code in 1992 changed the long-held assumption that banks were solely responsible for losses resulting from fraudulent checks. Check issuers must now follow "reasonable commercial standards" prevailing in their area and for their industry or business. If negligent in following such standards, the customer may be liable for all or part of the loss. Oregon statutes (ORS 73.0406) likewise provide for the allocation of the loss between the maker and the bank based on the fault of each.

The Uniform Consumer Code also requires that customers exercise timeliness in reconciling bank statements and promptly notifying

the bank if payment has been made on a counterfeit or forged check. As a result of these changes, banks and their customers must establish, follow and closely monitor reasonable measures to prevent or minimize damage from check fraud.

**New Technology  
Aids Counterfeiters  
and Forgers**

Not long ago, the majority of corporate check fraud cases involved “insiders” using checks stock stolen from the company. Now, however, the availability of low-cost, professional-quality electronic publishing and copying technology has made it possible for anyone to easily produce excellent copies of almost any check. For example, a person who obtains a genuine check can use this technology to reproduce high quality images and manipulate everything on the check, changing the payee and dollar amounts. A high-resolution printer or color copier, together with check-quality paper readily available in stores, can be used to create high quality checks.

In the metropolitan Portland area, Metro is not alone in experiencing these increasingly sophisticated attempts at check fraud. All four jurisdictions we contacted—the City of Portland, Multnomah County, Clackamas County and Washington County—reported recent incidents of attempted or successful check fraud.

**New Technology  
Can Also Help  
Minimize Losses  
from Check Fraud**

Technology has also helped banks and their customers develop countermeasures that can be very effective against fraud. No system, feature or program can completely eliminate check fraud. However, specific measures can reduce exposure to check fraud by complicating the criminal’s tasks. And even if criminals are successful in cashing fraudulent checks, the measures are evidence that the customer took care to protect the checks and prevent fraud—a key to reducing the customer’s liability. Several kinds of countermeasures that are relevant to this analysis are described in the following paragraphs.

*Positive Pay* Positive Pay is an automated check matching service offered by the bank. Customers send electronic files of issued-check information to the bank each day checks are issued. The bank then compares in-clearing checks to the files it receives from the customer. If the bank has no in-file match for a presented check, it

will ask the customer if the check is authentic. If the customer indicates the check is not authentic, the bank will return the check unpaid.

To encourage customers to utilize special check security measures such as Positive Pay, banks have begun to insert statements into deposit agreements that absolve the bank from liability when these measures are offered to their customers but are not utilized. A check fraud expert we consulted said that in the near future, if bank customers are not using Positive Pay, they could be liable for losses that occur.

*Safeguards for Laser Printers* Many organizations print their checks on laser printers. Safeguards for minimizing the potential for duplication or alteration of such checks include using “secure” type fonts that make it difficult to alter or remove the dollar amounts on the check without detection and using a chemical coating that makes it difficult to remove the original names and amounts printed on the check.

*Check Stock Security Features* Check stock refers to the paper on which the check is printed. Safeguards include using controlled check stock that is securely distributed and monitored at the printing site, as well as features such as watermarks that make scanning and copying impossible, background designs that show “void” or “copy” on copied or scanned checks, and other features that identify erasures and eradication chemicals.

### **Objectives, Scope and Methodology**

The objectives of our review were as follows:

- evaluate Metro’s vulnerability to check fraud using Metro and MERC (Metropolitan Exposition and Recreation Commission) checks
- study how other local governments protect against check fraud
- determine the best practices of governments and industry to protect against check fraud
- recommend measures to protect against check frauds.

We initially planned for our audit work to address only duplicated or altered Metro checks—the kinds of check fraud that occurred

suddenly in July. However, we added two other types of check problems to our review:

- Insufficient funds (“bounced”) checks. These are checks that Metro receives from others in payment for goods or services such as entrance fees or restaurant charges at the Oregon Zoo. We reviewed such checks received by all Metro departments during a 7-month period ending July 1999. We looked at Metro’s measures to collect on them and its success in doing so.
- Stolen personal checks. We also reviewed frauds using four stolen personal checks that were altered and used to buy goods and services at the Oregon Zoo. We looked into how the payments occurred and the measures taken to keep such incidents from recurring.

To address these audit objectives we:

- read and analyzed check fraud authority Frank W. Abagnale’s 1999 Check Fraud Bulletin, which we used extensively in developing our audit program and writing the first section of this chapter
- determined the instances of check frauds against Metro
- discussed how the check frauds were perpetrated, by whom and their final resolution with MERC personnel, and Metro personnel in the Administrative Services Department, the Oregon Zoo, and the General Counsel’s Office
- determined the instances of check fraud against other local governments and their measures to protect against it
- conducted an extensive search of the Internet regarding check fraud—its causes, its significance, and the controls and countermeasures available to protect against it.

This review was performed in accordance with generally accepted government auditing standards. Fieldwork was conducted between July and November 1999.

## Recent Check Frauds Indicate a Need for More Effective Countermeasures

Although Metro appears to have only a relatively minor problem with checks returned for lack of sufficient funds, it has recently had more serious problems with stolen personal checks and with duplicated or altered Metro checks. In several instances, these frauds were so amateurish that the checks should never have been accepted. Metro has since improved its procedures to minimize the chance that these less sophisticated frauds will recur, but it may not be adequately prepared to deal with more skillful attempts. In particular, Metro Accounting Services Division has decided not to adopt Positive Pay, a security system in which its bank would be responsible for screening checks to make sure Metro has written them. The Division believes its controls are sufficient and that Positive Pay would be an unnecessary expense and time-consuming. However, the City of Portland, Multnomah County and Clackamas County have all adopted Positive Pay. We think the threat from increasingly sophisticated frauds is sufficient to justify adopting Positive Pay.

### **“Bounced” Checks Are Relatively Few and Are Handled Aggressively**

Metro receives a very small number of “bounced” checks. Most are for small amounts for such things as garbage and hazardous waste disposal at the solid waste transfer stations or purchases of admissions, food and beverages, souvenirs and other items at the Zoo, MERC facilities and parks. From January through July 1999, Metro received 121 checks that initially bounced. In total, they were written for \$23,851. Twenty-five of these checks, totaling \$19,347, were subsequently replaced or otherwise made good by the makers, leaving a total of 96 checks totaling \$4,504, or about \$650 per month. This was out of a total of 4,406 deposits, mostly checks, received from customers during the period. These deposits totaled about \$57 million, or about \$8.2 million per month.

Metro’s Accounting Services Division staff said they aggressively attempt to collect on such checks. Checks for less than \$25 are sent directly to a collection agency for collection. Checks above that amount are turned over to a collection agency if, within 10 days, the check writer does not respond to a Metro letter requesting

reimbursement. Accounting Services Division staff told us they are able to collect at least part of the amount in about 25 percent of the referrals.<sup>1</sup>

**Some Frauds Succeeded Because of Poor Adherence to Procedures**

We identified four instances of fraud that succeeded because procedures were not followed.

Four stolen and altered personal checks were passed at the Oregon Zoo in April 1999. These checks had initially been written by customers of a floral and gift store and made payable to the store. The checks had subsequently been stolen and altered to increase the amount and make it payable to the Zoo. Each check was used to pay for admissions or food, but each was also altered to an amount that was substantially more than the amount owed, so that the two individuals who passed the checks received amounts ranging from about \$100 to \$267 in change. In all, the checks totaled \$869.90. The perpetrators have not been identified.

None of these checks should have been accepted by Zoo cashiers. They were clearly altered by having the original payees' names erased or crossed out and the amounts noticeably changed. They were also written for amounts far above the guidelines contained in the Cashier Operating Procedures Handbook. The handbook states that checks accepted at Zoo locations other than the main gate should be for the amount of purchase only, and for checks at the main gate, the maximum amount above the admission fee is \$20.

The Zoo Security Manager said these problems resulted when young, inexperienced cashiers were overwhelmed by a crowd of customers. Two cashiers and one supervisor were reprimanded. One cashier refunded the amount of the check he had accepted – \$114.95. Zoo management provided additional training for

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<sup>1</sup> At solid waste facilities, procedures are somewhat different: waste disposers who do not pay on time are charged 1.5 percent per month on the past due amount. Disposers with accounts 15 or more days past due may also be placed on a cash-only basis, and those with accounts 30 or more days past due can lose access to the facility.

cashiers and placed a reminder notice in the area where cashiers pick up money for their shifts.

**Banks Accepted  
Fraudulent  
“Metro” Checks**

Two checks that should have raised suspicion were accepted by banks without question. These checks, written on non-Metro paper stock with Metro’s address and the Executive Officer’s forged signature, were passed on July 16 and 19, 1999. Both checks were handwritten (dates, amounts and signature) and did not have the Metro logo. The first, for \$1,356.80, was payable to an individual and was cashed at a Tacoma bank. The second, for \$1,582.32, was payable to a company and was cashed at a north Portland bank.

Metro’s Building Services Supervisor told us that the two checks were so amateurish that, in her opinion, the banks should not have accepted them. We reviewed copies of the checks and concur. The bank did not charge these checks against Metro’s account.

**Other Fraudulent  
Checks Reflect  
Greater  
Sophistication**

In ten instances, the fraudulent checks reflected much greater sophistication. Nine were duplicated payroll checks, while the tenth was a stolen check written to a Metro vendor.

*Duplicated Metro  
Payroll Checks*

On July 22, six fraudulent Metro payroll checks were cashed at various Bank of America branches throughout the Metro area. The next day, three more fraudulent checks were cashed. Eight of the nine checks were payable to one name; the ninth was payable to another name. The person who cashed the eight checks attempted to cash a ninth, but an observant teller asked several questions and the person fled the bank. That person has been identified and police are investigating the case.

Several persons appear to have been involved in creating these checks. They had apparently used a scanner to reproduce an image of a real Metro payroll check. Both the Metro logo and the Executive Officer’s signature appear authentic. Once the original check was apparently scanned into a personal computer, they were able to change the payee information and dollar amounts. The bank quickly identified these checks and absorbed the entire

loss, which totaled \$5,200. None of the other involved persons have been identified.

*Metro Check Stolen from a Metro Vendor*

A check written by Metro to one of its vendors in May 1999 was stolen from the vendor's office. The thief altered the payee's name and address and cashed the check, which totaled \$699.61. Metro's bank did not detect the alteration and cashed the check. Neither the bank nor Metro knew anything was amiss until the vendor called asking for payment. The person involved has not been identified.

Metro's Building Services Supervisor said that the alteration was very good. The perpetrator apparently removed the name and address of the original payee with a chemical. Because only the name and address were altered, this fraud would not have been detected even with Positive Pay, the strongest of the controls available. Metro's bank absorbed the loss.

**Metro's Countermeasures Do Not Include Positive Pay**

We focused our analysis of Metro's countermeasures on the steps taken to prevent duplication of Metro's own checks. Metro's Accounting Services Division writes vendor and payroll checks for both Metro and MERC. On average, Metro writes about 300 vendor checks each week and about 500 paychecks twice a month.<sup>2</sup>

Metro's Accounting Services Division promptly responded to the recent check frauds. Metro already had many recommended check protection measures in use, such as check stock that contains many security features intended to identify and foil alterations or duplication. After the vendor check alteration, Metro consulted with a representative of the manufacturer of the laser printer used in printing the checks. The representative recommended several additional measures to make future alterations more difficult.

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<sup>2</sup> MERC also has two special deposit accounts that are used to settle events for which tickets are sold. A MERC official told us that about 10 checks a month are written on one account and 50 to 100 are written on the other.

Accounting Services Division personnel also met with representatives of Metro's bank, who recommended that Metro adopt Positive Pay. For Metro, Positive Pay would work as follows:

- Metro would provide the bank with check issue information within 24 hours of check issuance.
- The bank would match the check serial numbers and amounts on the checks it received to the check issuance information provided by Metro.
- The bank would report any check posting that did not match the corresponding issue information to Metro by fax, asking Metro to advise them whether to return or pay the check.
- The bank would also send detailed reconciliation reports to Metro at agreed-upon schedules providing information on all checks issued by check number, check amount and date issued and identify those that had been paid and those that were still outstanding.

While Accounting Services Division staff acknowledged the value of Positive Pay, they said they do not intend to adopt it. They stated that they believed their current procedure, called Reverse Positive Pay, is adequate and provides acceptable safety at probably less cost. Under Reverse Positive Pay, the customer—and not the bank—is responsible for verifying that checks are valid. Accounting Services Division staff also said they did not have the staff resources to install and administer the program. They said additional staff resources would be needed to obtain issued check data from the mainframe and transmit that data to the bank, and also to watch for daily faxes and respond to them.

**Points in Favor of Adopting Positive Pay Appear Strong**

For several reasons, we do not agree with the position taken by Accounting Services staff. We think Reverse Positive Pay is not a strong enough protection, the cost of Positive Pay does not appear to be substantial, and the burden on staff could be minimized.

*Reverse Positive Pay  
Not a Sufficient  
Deterrent Against  
Loss*

Reverse Positive Pay requires Metro to review copies of paid-check electronic files to ensure that the checks are genuine. Although checks larger than \$2,000 are currently traced to Metro's files on a daily basis, checks smaller than \$2,000 are not. Because of heavy workload, information is uploaded to Metro's paid check files only

about every 3 days. Thus, fraudulent checks for less than \$2,000 may not be identified for several days. This delay increases Metro's risk of loss.

All of the fraudulent checks experienced in July were under \$2,000. Metro's bank, not Metro staff, promptly identified those checks as fraudulent. Current Metro procedures offer no assurance that check verification will be so timely absent bank detection.

Currently, according to Metro's General Counsel, there are no provisions in Metro's agreement with its bank that would absolve the bank of liability if Metro fails to utilize bank-offered security measures such as Positive Pay. However, an indemnity agreement does exist in favor of Metro's bank which entitles the bank to honor all checks if the facsimile signature resembles the specimen provided to the bank. Under this agreement, Metro agrees to indemnify and hold the bank harmless for the payment of any item containing such a signature. Had the duplicated payroll checks described above not been promptly identified by the bank and had Metro taken 2 or 3 days to identify them and advise the bank, Metro's bank could have been held harmless and Metro forced to absorb losses of more than \$5,000.

The authority on check fraud whose work we consulted has concluded that Reverse Positive Pay is not a substitute for Positive Pay in fraud prevention. He stated that Positive Pay is better because the bank is responsible for verifying the check information, and the bank is liable for the losses if it does not detect a bad check and request customer verification. Under Reverse Positive Pay, the customer is responsible for verifying the information and if the customer does not detect a bad check in time, the bank may claim the customer is liable for the losses.

*Cost Does Not Appear  
to Be Substantial*

Accounting Services Division staff reported that additional out-of-pocket costs paid to Metro's bank if Positive Pay were adopted could range from nothing to \$60 a month, or a maximum of \$720 per year. In July 1999, based on the volume of checks written by Metro, the costs would have been about \$34. The cost of the service, therefore, is negligible.

*Computer Program  
Changes Could  
Minimize Burden  
on Staff*

Based on our discussions with other local jurisdictions, we believe that most of the staff costs associated with obtaining and transmitting data to the bank could be avoided with a one-time computer programming change to Metro's check-writing function. This change would allow electronic copies of the check data to be automatically sent to Metro's bank when the checks were being printed. We attempted to determine how much programming would be involved at Metro but were unable to do so. While Positive Pay would require staff to watch for and respond to a time-certain daily fax from the bank identifying aberrant checks, it would also eliminate much of the need to conduct verification activities being done under Reverse Positive Pay.

**Several Other  
Local Jurisdictions  
Have Adopted  
Positive Pay**

We interviewed officials responsible for check writing operations and controls at the City of Portland and at Multnomah, Clackamas and Washington Counties to learn what measures they use to counter check fraud. The first three all use Positive Pay and Washington County officials said they would also like to do so. The three jurisdictions with Positive Pay all recommended that Metro adopt it.

*City of Portland*

The City issues about 9,500 to 10,000 vendor and payroll checks per month, according to the City Treasurer. About 98 percent are written using Positive Pay. This system was effective in detecting recent frauds involving apparently stolen and altered payroll checks. Detection potentially saved the City about \$10,000 in losses. The Treasurer said that the service costs the City about \$3,000 per month for the City's volume of checks, and the service set-up costs were very minor. The cost includes a module that allows daily bank statement reconciliations. The entire conversion to the service was done in a few months, principally by the City's technical services department.

*Multnomah County*

Multnomah County, which writes about 7,000 checks per month, also has Positive Pay. A Treasury Management Specialist said that Positive Pay had helped the County avoid losses in several check frauds during the last year. The County's bank charges \$105 per month for each of the County's three accounts and one cent per check (about \$70, given the County's check volume). The bank also charges \$20 for each tape of check runs that is sent to the bank

(currently about 15 per month), but the County will soon transmit this information on-line, eliminating the need for the tapes.

*Clackamas County* Clackamas County pays 500 to 1,000 checks to vendors each week and about 500 payroll checks every two weeks, according to the County Treasurer. After experiencing a sudden rash of fraudulent checks in July 1999, the County initially had its bank go to an enhanced Reverse Positive Pay system. However, the County has since contracted with its bank to adopt Positive Pay. Positive Pay for accounts payable went on-line in mid-October 1999, and Positive Pay for the payroll account will soon be added.

*Washington County* Washington County pays about 680 vendor checks each week and 370 payroll checks every two weeks—about 3,700 checks a month in all. Because of recent check frauds at the county jail, the County had instituted a Reverse Positive Pay system. The County Treasurer said she would like to institute Positive Pay immediately but cannot do so because the County lacks the necessary information system personnel and backup.

## Conclusions and Recommendations

Check fraud is rampant in the Metro area, and has begun to strike both Metro and city and county governments. The best defense appears to be Positive Pay, a highly regarded and relatively low-cost process that allows banks to screen incoming checks to determine if they are legitimate. This approach is already in place in the City of Portland and in Multnomah and Clackamas Counties.

While Metro's Accounting Services Division staff acknowledge the value of the service, they do not intend to adopt it at this time. They believe the procedures they currently use, while not optimal, are adequate and less costly to staff. We acknowledge that the Division is operating under very strict cost limitations. However, we believe that after one-time computer programming costs, staffing costs would be similar to, or possibly less than, Metro's current costs. What is more important, however, is that Metro's current system is not adequate in today's environment and is still vulnerable to losses because it depends on Metro staff identifying bad checks on a timely basis instead of delegating this function to its bank.

While Metro has not yet lost money on check frauds using alleged Metro checks, we believe the increased sophistication of counterfeiters makes it inevitable that it will happen. Positive Pay is a highly effective deterrent against check fraud that is available to Metro at low cost and would be valuable insurance against losses. We recommend that Metro adopt it.

## **Response to the Report**

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METRO

Date: January 13, 2000

To: Alexis Dow, Metro Auditor

From: Mike Burton, Executive Officer *Mike Burton*

Re: Response to Check Fraud Protection Review

Thank you for the opportunity to review and comment on your Check Fraud Protection Report. I acknowledge the significant time spent by the Auditor's Office in researching this subject.

**Check Fraud Protection Report Recommendations:** *"That Metro adopt the Positive Pay banking service."*

Agreement with Recommendation: While I agree in principle with the concern about check fraud, I believe that the existing procedures provide adequate protection under existing budgetary constraints. Our existing procedure is called Reverse Positive Pay. Both procedures compare the serial number and dollar amount of checks presented for payment with issued check information. Both provide an opportunity to refuse payment of checks, which do not match the issued check data. Both require Metro staff to actively take part in the review process. Our banker advises that our use of Reverse Positive Pay will identify check fraud suspect items just as effectively as their Positive Pay program.

They differ in that Positive Pay will require additional hard dollar and soft dollar expenditures. While the hard dollar expenditure is not great (estimated to be no more than \$60 per month) it faces current budget challenges, which mandate reductions, not increases, in costs of materials and services. The soft dollar cost is in terms of additional staffing time from Information Management Services Division to write and maintain programs creating and converting data to transmittable files. The same budget challenges described earlier mandate reductions, not increases, in costs of personal services.

The report also refers to the elimination of verification activities being done under Reverse Positive Pay, however, these same activities must be continued in any event, since they are an integral part of the Cash Management process.

The report indicates that other jurisdictions have adopted Positive Pay. Each one uses the same dial-up procedure for transmitting data that Metro would employ. Metro, Multnomah County and Clark County use Bank of America as their depository bank. This bank is not yet able to receive the File Transfer Protocol (FTP) which is necessary to allow an automated transmission of data whenever a check is issued. Clark County uses Reverse Positive Pay for its warrant account and Positive Pay for its Sheriff's account.

Proposed Action Plan: I have instructed the accounting staff to upload the paid check file daily. This will allow matching of checks under \$2,000 which enables reverse positive pay for all checks. Positive Pay will be implemented as soon as funding for additional out-of-pocket costs and Information Management Services and Accounting Services staffing resources are available.

Proposed Timetable: Immediately.



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# Metro Auditor Report Evaluation Form

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**Name of Audit Report:** \_\_\_\_\_

Please rate the following elements of this report by checking the appropriate box.

	<b>Too Little</b>	<b>Just Right</b>	<b>Too Much</b>
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: \_\_\_\_\_  
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Suggestions for future studies: \_\_\_\_\_  
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Other comments, ideas, thoughts: \_\_\_\_\_  
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**Thanks for taking the time to help us.**

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