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## LSC-OIG HOTLINE ADVISORY

Recent Increase in Check Fraud Scams  
8/25/2021

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The Office of Inspector General (OIG) for the Legal Services Corporation (LSC) is issuing this advisory to alert grantees of the increase in check fraud scams. The OIG has been investigating check fraud scams affecting grantees for nearly a decade. However, of late, these scams have been occurring more frequently and have become more sophisticated.

In 2012, the OIG issued Fraud Alert 12-01-JS to inform LSC programs of issues involving checking account frauds at LSC funded programs. The Fraud Alert addressed preventing and identifying counterfeit and altered check frauds and recommended actions to be taken if such frauds are identified.

Subsequent to the issuance of the 2012 Fraud Alert, grantees continued to report to the OIG check and bank fraud issues that resulted in stolen funds. In response, in 2019, the OIG issued a Fraud Corner Article entitled "Preventing Checking Account Fraud through Bank Reconciliations and Positive Pay." This article reiterated the need for monthly reconciliations and other appropriate financial practices. The OIG recommended leveraging technology to reduce the possibility of fraudulent transactions affecting checking accounts through the use of Positive Pay. Under Positive Pay, a customer provides detailed payment information to the bank, including the check number, date, payee, and dollar amount, related to each specific check. If the information for any negotiated check does not match the information provided to the bank by the customer, the bank will not process payment of that check.

The uptick in fraudulent activity affecting grantees' banking transactions is troubling. It may not be possible to stop all fraudsters from attempting to compromise program banking accounts, but the use of regular bank reconciliations, in conjunction with Positive Pay, can help grantees mitigate such frauds. No one is immune. Grantees should consult with their respective banks regarding the availability and cost of Positive Pay. For additional information regarding the Fraud Corner Article, which contains more detailed information regarding Positive Pay, and a link to Fraud Alert 12-01-JS please click [here](#).

If you have any questions or comments or would like additional information about this post please contact Daniel O'Rourke, OIG Assistant Inspector General for Investigations at (202) 295-1651 or by email [dorourke@oig.lsc.gov](mailto:dorourke@oig.lsc.gov).