



Fraud Tips for businesses of all sizes

1) Know as much as you can about credit fraud schemes and their characteristics (i.e. we did a study of 700 frauds over a 5 year period, looking at things like what % were incorporated, age of incorporation, bank balance, bank account age, location type etc) when you fully understand the way these guys operate, you can access your own vulnerabilities. We try to make verifraud.com a knowledge base in a sense by having past articles, interviews, research projects etc available for the public to learn from.

2) These guys have reverse engineered the credit granting process and typically come in with nice looking credit report, older incorporation (from purchasing shell companies or even legitimate, operating companies in order to use their credit rating to do a bust out), 5-figure bank balance, etc so the normal fraud checks don't work. The key is to step outside of the normal credit environment and find innovative ways using the internet and advanced technology to "kick the tires" so to speak by searching for these companies in the actual market place and by seeing if they have operational (and not just "appearance") infrastructure in place. If they claim to be a 7-yr old, \$5mil company, then they should have left the same kind of trail or "operational footprints" that normal companies leave over the years. By searching the internet in creative ways you can see this fairly quickly.

3) Network. Since the thieves operate together, submitting references on each other and working in what would be described as ecosystems in some areas like L.A., NY, FL, companies must also band together to share best practices, tip each other off to frauds uncovered, spot unusual activity across multiple companies that can't be seen by individual companies (i.e. the number one predictor of bust-outs is a huge spike in credit activity, so if you are part of a large group or have a multi-client environment like we have, you can put mechanisms in place to spot these spikes. Finally, being connected allows coordinated prosecution if losses occur. Law enforcement only looks at cases of higher dollar amounts and as a group you can often reach these thresholds easier.

National Association of Credit Management's (NACM) Asset Protection Group www.nacm.org has always been the leading collaborative group and one of my most helpful resources as well, though they outsourced it's management to Verifraud on January 31st (though you can see in my past writings and interviews going back to 2002 that I was a strong proponent of theirs long before we became involved with running their operations)

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