A DESCRIPTIVE STUDY OF FRAUDULENT CHECKS: AN INVESTIGATIVE MODEL

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the Faculty of the Institute of Contemporary Corrections
and the Behavioral Sciences

Sam Houston State University

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

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by

Larry D. Schroeder

May, 1976

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A THESIS

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ABSTRACT

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Purpose

The purposes of this study were: (1) to evaluate the respective roles of merchants, banking institutions, and law enforcement agencies in relation to fraudulent check crime; (2) to determine why the consumer is not made aware of the extent and cost of fraudulent check crime; (3) to evaluate the investigative procedures and capabilities of law enforcement agencies assigned the responsibility of investigating fraudulent check crime; (4) to determine if the criminal justice system is organized to respond to this type of crime effectively; and (5) to develop model procedures for the investigation of fraudulent check offenses.

Methods

The major procedures used to gather information in this study were: (1) a field survey was conducted in the metropolitan Houston area with large chain stores, banking facilities, collection agencies and elements of the criminal justice system at city, county and federal levels; (2) letters, requesting bibliographic and departmental information concerning investigative procedures for

fraudulent checks, were sent to the fifty largest police departments based on the population served; (3) an assessment of the information obtained was performed in relation to the individual operations, inter-relationships, weaknesses and strengths of these various organizations; (5) an extensive review of the pertinent literature was conducted, including: (a) the historical development of the check; (b) the banking system established to process check transactions; (c) a review of the Uniform Commercial Code; (d) a review of written studies on check offenders; (e) a review of the economic impact of fraudulent check offenses; and (f) a review of those sections of the Texas Penal Code pertaining to fraudulent check crime. Fraudulent checks are divided into two categories: (a) non-sufficient fund checks and (b) forged or altered checks.

Findings

1. Statistics pertaining to the dollar loss caused by fraudulent checks are controversial and virtually impossible to verify at this time.

2. The fraudulent check offender is a highly mobile individual who migrates within regions and is extremely recidivistic. The few studies of the check offender that exist are very old and need to be replicated to add validity to the findings.

3. In one circumstance, considerable effort has been made, over a period of years, to establish a Uniform

Commercial Code. In the area of penal law every state has established its own criminal statutes coupled with differing prosecution policy.

4. The business community seeks restitution and not prosecution in all but a few instances. Interviews conducted substantiate that forgery offenses are often not reported to the police.

5. The sections of the Texas Penal Code pertaining to fraudulent checks has turned the Harris County District Attorney's Office and the Justices of the Peace into tax supported collection agencies.

6. The criminal justice system is currently not adequately organized or prepared to cope with the fraudulent check problem.

7. The business community will not initiate adequate check cashing policies for its protection if the financial loss incurred is collected by government agencies through restitution procedures. Competition between merchants is too keen to install check cashing policies upon customers unless the public is informed of the fraudulent check problem. The merchants are content to blame the bankers and the bankers to blame the merchants concerning this problem. The business community believes public exposure of the problem will cause a credibility drop with the consumer.

8. Offender identification is compounded by the

ease with which fraudulent identification may be obtained. There is a need for federal and state governments to cross-index birth and death certificates.

9. The contention that a drivers license is not issued for the purpose of identification, but only indicates the priviledge to drive an automobile, is seemingly unrealistic and out-of-date.

10. The federal law enforcement agencies appear to be much more sophisticated in the investigative procedures followed in identifying forgery offenders. There is a need for federal investigative agencies to provide a centralized training program to equip municipal law enforcement with the expertise developed in forgery investigations.

11. The numerous city and county jurisdictions involving local law enforcement are restrictive to thorough investigation of fraudulent check offenses. This problem is increased when there is no means to adequately pool investigative knowledge. Municipal law enforcement lacks written policies and procedures for the investigation of fraudulent check offenders. This is not only true in Harris County but may be found nationwide.

12. The key elements suggested for establishing effective fraudulent check investigation are as follows: (a) exposure of the fraudulent check problem to the consumer; (b) revision of state penal codes; (c) establishing

an adequate form of identification; (d) creation of a check file system, manual and/or computerized; (e) a regional alert notification system; and (f) written procedures and policy pertaining to forgery investigation.

Jerry D. Dowling, J.D.

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TABLE OF CONTENTS

PAGE

ABSTRACT iii

ACKNOWLEDGEMENTS viii

LIST OF TABLES xi

LIST OF FIGURES xii

CHAPTER

I. INTRODUCTION 1

The Problem 5

The Purpose 5

Methods and Procedures 6

Organization of Manuscript 8

Definition of Terms 10

II. REVIEW OF THE LITERATURE 14

III. FRAUDULENT CHECKS: RESTITUTION OR PROSECUTION .. 47

IV. FORGERY INVESTIGATION--STATE OF THE ART 77

V. FINDINGS AND SUGGESTED INVESTIGATIVE MODEL 113

FOOTNOTES 129

BIBLIOGRAPHY 131

APPENDIXES 135

Appendix A. Letter 136

Appendix B. American Bankers Association Routing Numbers (for Large Cities) 138

Appendix C. Jurisdictions Which Have Adopted the Uniform Commercial Code 142

TABLE OF CONTENTS (Con't)

PAGE

Appendix D. Check List for Trial of a Check Case .. 146

Appendix E. Model Questions for Check Case 149

Appendix F. Methods of Operation - Checks 156

Appendix G. The National Fraudulent Check File 163

Appendix H. Social Security Number Index 165

Appendix I. Classification System 168

VITA..... 174

LIST OF TABLES

TABLE		PAGE
1.	Projected Annual Dollar Loss by Bad Checks...	2
2.	Comparison of Forgery and Control Group Data.	30
3.	Average Age With Reference to Recidivism.....	31
4.	The Frequency of Occurrence of Measures of Social Isolation in 29 Cases of Naive Check Forgery, Los Angeles County--1951....	36
5.	Affidavits Received for Bad Checks 1975 Precinct Number One, Position Two, Harris County, Texas.....	73

LIST OF FIGURES

FIGURE PAGE

1. Types of Checks..... 18
2. Check Facial Information..... 22
3. The Bank Collection System..... 25
4. M.I.E. Criminal Prosecution Notice..... 57
5. Weingarten Criminal Prosecution Notice..... 67
6. Claim Against the United States for the Proceeds of a Government Check or Checks..... 84
7. Handwriting Specimen..... 87
8. Handwriting Specimen..... 89
9. Escritura Manuscrita..... 90
10. Sources of Known Handwriting.....101
11. Affidavit of Forgery.....103
12. Affidavit.....108

CHAPTER I

INTRODUCTION

The amount of business transacted in the United States by check has steadily increased; currently, over ninety percent of such transactions in the United States are made by check (Huet, 1971). This impressive percentage would indicate that the check is vulnerable to misuse and criminal activity. Pursuing this premise one finds the magnitude of estimated dollar loss in this country due to fraudulent checks to be almost beyond comprehension. Glick and Newsom (1974) suggest that estimates by both public and private agencies indicate the probable total loss to be in excess of two billion dollars nationally each year. In spite of this, the publications and information available dealing directly with the problem of fraudulent checks are minimal.

A recent study (How Big Is ..?, 1974) reported that projected annual dollar loss incurred in the United States due to fraudulent checks through the year 1980. The figures reported are listed in Table 1, and were based on the United States Department of Commerce estimated 625 million dollar loss in 1971. The estimated annual increase was compiled by using the projected percentage of the American Bankers Association's annual. The figures after 1971 would probably be low due to the increased crime

rate which was not included in their computation.

TABLE 1

PROJECTED ANNUAL DOLLAR LOSS BY BAD CHECKS

YEAR	DOLLAR VALUE (MILLIONS)	INCREASE OF DOLLAR VALUE OVER PREVIOUS YEAR (MILLIONS)
1971	625.0	
1972	670	45.
1973	718.2	48.2
1974	770.0	51.8
1975	825.4	55.4
1976	884.8	59.4
1977	948.5	63.7
1978	1,016.8	68.3
1979	1,090.0	73.2
1980	1,168.5	78.5

Source: "How Big is the Bad Check Problem?" Security World 7:32, 1974.

The source of dollar loss by fraudulent checks is two-fold: (1) non-sufficient fund checks normally induced by the amateur; (2) forged checks, usually a more sophisticated criminal endeavor. This, in itself, impedes accurate compilation of the actual dollar loss incurred by diversifying the agencies absorbing the loss and the agencies responsible for investigating the source of loss. Thus, merchants, banks, banking institutions, collection agencies and a multitude of criminal justice agencies are involved in dealing with the problem, and therefore, accurate statistics are not available.

A prominent security periodical provides a most feasible explanation of this problem:

(1) The Bank Themselves do not Know.

Bank clearing houses return checks for reasons other than non-collectability. Hence, their total number of returned checks tells us nothing. Further, the check is usually returned from a segment of the banking system that is not at the point where the difficulty is discovered. Ultimate information about the disposition of a returned check is not available to the bank that returns the check. The Federal Reserve System, which might be able to set up procedures for detailed appraisal, processes only about one-third of all checks.

(2) The Police Don't Know.

Estimates of the percent of bad checks eventually reported to the police varies from 20% - 30% to a low of 5%. (It is probable that the higher estimate is close to dollar value, and the lower to actual number of checks.)

(3) The FBI does not know.

There is no single category for bad check crime in the Uniform Crime Report, because the offense can fall under Part II #10, Forgery and counterfeiting, or #11, Fraud. Since the majority of arrests in these two categories are for worthless checks, it is true that the number of crimes reported does furnish an index of trends in check crime. However, since UCR data come from the nation's police departments, and police get only a minimum of reports on check crimes, the data cannot be looked to as conclusive. ["About Bad Check Crime," 1974, p. 135].

Lawrence (1973) contends the greatest financial loss today is caused by the fraudulent check artist. Bank robberies receive bigger headlines, but total losses by robbery and embezzlement are less than the continuous losses perpetrated by the check passer.

Glick and Newson (1974) state the check writer

probably is the greatest existing operating threat to a businessman's financial stability and security today. They believe he surpasses the burglar, robber and the employee merchandise thief in amounts taken and the frequency of incidents.

The aforementioned threat to banking institutions and merchants has been supported by recent events reported by newspapers in the United States. The Washington Post ("Hanging Paper," 1975) reported a survey of 800 firms by the Metropolitan Washington Board of Trade which showed over 585,000 dollars lost due to bad checks in 1974. Nationwide the article reports the U.S. Chamber of Commerce estimates that one billion dollars are lost annually. The Houston Chronicle ("Bouncing Checks Big Headache...," 1975) reported Weingarten's as the only local grocery chain willing to provide a specific figure, reported to be 400,000 dollars during the fiscal year 1975. It was also reported that a conservative estimate of Houston's grocer's losses from hot checks was about two million dollars annually. The New York Times ("Third Man Seized...," 1975) reported the Los Angeles Police arrested an individual for the theft of eighteen checks from the city treasury in March 1974, in an alleged plan to defraud the city treasury of several million dollars through a complicated check-cashing scheme. On February 4, 1975, The New York Times ("4 Bankers Named in Pension Fraud," 1975) stated a New York City broker, four Banker's Trust

Company officials, and four other executives were indicted on federal charges of stealing 912,000 dollars from pension funds; thefts allegedly involving two separate schemes using forged checks.

The Problem

The statistics presented concerning the dollar loss caused by fraudulent checks are controversial and virtually impossible to verify. Allowing a reasonable degree of error in reported dollar loss per year, the amount of money illegally obtained through the use of fraudulent checks is staggering. Whether the true figure is one billion or two billion dollars, the consumer is paying the price through increased costs reflected in consumer products and services.

Several specific issues need to be addressed:

Why isn't the consumer made aware of the extent and cost of the fraudulent check problem?

What role do merchants and banking institutions have in relation to the fraudulent check problem?

Why isn't such crime being reported to law enforcment agencies?

Is the criminal justice system organized to respond to this type of crime effectively?

The Purpose

The purpose of this study is to evaluate the respective roles of the merchants, banking institutions and

law enforcement agencies in relation to fraudulent check crime. This study also endeavors to answer the questions stated in the problem statement in a concise and meaningful manner. Most important, the evaluation of the investigative procedures and capabilities of law enforcement agencies assigned the responsibility of investigating fraudulent check offenses must be examined. In conclusion, the development of model procedures for the investigation of fraudulent check offenses will be presented.

Methods and Procedures

The research strategy initially divided fraudulent checks into two categories: (1) non-sufficient fund checks and (2) forged or altered checks. The second step was to obtain and evaluate all indexed literature available pertaining to the subject of study. Additionally, letters were sent to the fifty largest police departments, based on the population served, requesting bibliographic and departmental information concerning investigative procedures for fraudulent checks (See Appendix A). Federal agencies were also contacted by letter. At this point it is important to emphasize the request was not a survey, but simply a search for up-to-date information that may not have been otherwise accessable through public sources. The third step was to conduct a field survey in the metropolitan Houston area with large chain stores, banking

facilities, collection agencies and elements of the criminal justice system at city, county and federal levels.

The evaluation of the business community was achieved by interviewing representatives from Weingarten's (Houston area retail grocery chain), Kroger's (national retail grocery chain) and Sears, Roebuck and Company (national department store chain). Interviews with security personnel from First City National Bank of Houston, the Bank of the Southwest and the Houston Clearing House Association provided the necessary input from the banking community. Merchants Information Exchange, Inc. (MIE) provided valuable information and was selected because the majority of the business community utilizes their collection services to some degree. Representatives of the Detective Bureau, Harris County Sheriff's Department; Forgery Detail, Houston Police Department; the United States Secret Service; Federal Bureau of Investigation (FBI); Office of Inspector, United States Postal Service; and the Harris County District Attorney's office were interviewed to obtain information pertaining to their respective responsibilities in the investigation of fraudulent checks.

Finally, an assessment of the information obtained by such procedures was made, as it pertained to the individual operations of various organizations interviewed, as well as their inter-relationships, and their weaknesses and strengths to aid in the development of a model procedure for investigation of fraudulent checks.

Organization of Manuscript

The organization of the remainder of this study will be as follows:

Chapter II - Review of the Literature; - The origin and historical growth of check usage will be portrayed along with the types of checks in use today. The American Banker's Association routing numbers and other significant information provided on checks will be explained in detail. The role of the Uniform Commercial Code and applicable sections will be discussed. Studies pertaining to the personality of the check offender, the economic impact of the offender and their findings will be presented.

Chapter III - Non-Sufficient Funds/Closed Accounts: Restitution or Prosecution; - The applicability of the Texas Penal Code will be presented, followed by the

policy and procedures employed by business, banking, Justices of the Peace and the District Attorney's office.

Chapter IV - Forgery Investigation - State of the Art; - The problem of jurisdiction, number of law enforcement agencies investigating fraudulent check offenses and their investigative procedures and policies will be examined.

Chapter V - Investigative Model; - The measures and necessary steps to be taken in the adoption of adequate procedures to curb the problem of fraudulent checks will be described.

Definition of Terms

Bearer	- Person in possession of a check or draft; person presenting an instrument for payment.
Cashier's Check	- A check drawn by a bank on its own funds and signed by the bank's cashier; drawer and drawee are the same and acceptance is generally automatic.
Certified Check	- A check drawn against a depositor's account for which the bank guarantees payment by setting aside the funds from the depositor; stamped with the notation that the check is certified and signed by a bank official.
Check	- A bill of exchange drawn on a bank which is payable on demand.
Check Protector	- A machine that imprints the monetary amount on a check, used for clarity and to discourage alteration of the amount.
Clearinghouse	- An association where member banks exchange checks and drafts and settle accounts.

Counter Check	- A blank check form, seldom in use today, which allows a maker to use checks without account numbers and to allow the writer to designate the bank on which the check is to be drawn.
Endorsement	- The signature on the back of a check which makes the instrument properly negotiable.
Float	- A sum of money representing the checks that are outstanding.
Forgery	- To alter, make, complete, execute, or authenticate any check so that it purports: (1) to be the act of another who did not authorize the act (2) to have been executed at a time or place or in a numbered sequence other than was in fact the case (3) to be a copy of an original when no such original existed.
Fraudulent check	- Defined to include a forged, non-sufficient fund check or theft by check.

Kiting	- The "floating" of checks and deposit between two or more accounts which gives a false representation of funds.
Keybook	- The key to American Bankers Association routing numbers published annually by the A.B.A.
Maker	- The drawer or person who makes and signs a check.
NSF - Non-Sufficient Funds	- A notation on a returned check indicating insufficient funds in an individual account.
Payor	- Maker or drawer who orders the payment of check or draft.
Payee	- Person to whom payment of a check or draft is to be made, usually the bearer.
Stale date	- With banks which follow the Uniform Banking Code, a six month time limit based on the date of the check--after six months, the check is considered to have a stale date and payment of the check rests on the discretion of the bank on which it is drawn.

Stop Payment Order	- An order made by a depositor to a bank to refuse payment of a specified check or series of checks.
Traveler's Checks	- Special checks provided by banks for the use of travelers; these checks are generally accepted because they are pre-paid.
Two-Party Check	- A check which has more than one endorser.

CHAPTER II

REVIEW OF THE LITERATURE

This chapter examines the relevant literature pertaining to the check offender, the offense, and the instrument itself. Literature concerning to fraudulent check investigation is limited, and primarily concerned with document examination, a subject which is beyond the scope of this study. The available literature applicable to fraudulent check investigation is presented in forthcoming chapters to maintain continuity and a more logical presentation of this study.

Initially, this chapter discusses the historical development of the check. This includes the different types of checks currently in use along with the established banking system to process the large volume of transactions. The development of the Uniform Commercial Code (U.C.C.) follows, citing pertinent sections of the code in brief summary. While literature relating directly to fraudulent check investigation is limited, there have been several studies written focusing on the offender. The findings of these studies are discussed, followed by a commentary on the economic impact of the offense.

Historical Background

The check came into use in England during the latter half of the seventeenth century in a quite different format

than is known today. For example, Childs Bank in England possesses a check drawn upon it in the following terms:

> Bolton, 4th March, 1684, At sight hereof pray pay unto Charles Duncombe, Esg. or order, the Sun of four hundred pounds, and place it to the account of
>
> Your assured friend
> Winchester
>
> (Encyclopedia Britannica, Volume 6, 1971, p. 150).

During its inception a check was simply a bill of exchange drawn on a bank and payable on demand. The same basic definition of a check applies today. The term check did not come into general use until the end of the eighteenth century. However, in England, the spelling was changed from "check" to "cheque" toward the middle of the nineteenth century. Prior to the aforementioned period, checks were referred to as a "drawn-note" or "bill" (Encyclopedia Britannica, Volume 6, 1971).

Curtis (1971) states that the first printed check appeared in 1762 and was issued by the House of Child, a London firm still in existence. Huet (1971) affirms that, with the exception of certain elementary colonial institutions, banking in the United States originated in the charter to the Bank of North America in 1781. By 1800 there were 28 banks in North America, increasing to 88 by 1811. Although banking institutions contined to grow, Curtis (1971) contends that checks in this country did not emerge as a significant means of exchange until 1935. He attributes the depression, forcing banks to fight for

survival, as the major impetus to the sudden mass acceptance of the check as a negotiable instrument, and explains the development of the bank check as follows:

> A New York City Banker hit upon the idea of "pay as you go" checks. Customers would pay 10¢ for each check they used and did not have to keep a minimum balance on hand. Instead, the customer would pay the bank every time a check was issued. Though this proposal met with a good deal of opposition, the plan was launched. It was called the "checkmaster plan" and was advertised in New York newspapers as a "free" checking account. The response was overwhelming. People who had never dreamed of possessing a checking account snapped at the idea. In no time the bank had added 40,000 new checking accounts, and, of course, other banks quickly jumped on the bandwagon with similar plans (Curtis, 1971, P. 127).

Currently, Curtis states, there are approximately 15,000 banks in the United States. The periodical Security World, estimated that thirty-five billion checks would be written in 1974 (How Bad Is The Bad Check Problem?, 1974). The use of checks has not grown only in quantity and in the number of institutions who process them, also, the types of checks that are being used today are also varied.

Glick and Newson (1974) indicates that there are two basic categories of negotiable instruments, a promissory note and the bill of exchange. All other forms are variations. A bill of exchange is an unconditional order, in writing, addressed by one person to another person or organization, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at

a fixed or determinable future time, a specific sum of money, to order, or bearer. There are three parties involved: (1) the drawer/maker, (2) the drawee (bank), (3) the payee. A promissory note is an unconditional promise in writing made by one person to another, signed by the person promising (maker), to pay on demand or at some specific date, a certain amount of money to order or bearer. Promissory notes include bonds, money orders, traveler's checks and certificates of deposit.

The Check

There are eight common kinds of checks: (1) personal, (2) two-party, (3) government, (4) payroll, (5) counter, (6) cashier's, (7) certified, and (8) traveler's checks. These types of checks are explained below:[1] (See Figure 1)

1. Personal Check - A check written and signed by the individual offering it. It is made out to an individual or a firm; is said to be "personalized" when the bank has printed the depositor's name and sometimes his address on the face of the check.

2. Two-Party Check - A check issued by one person to a second person who endorses it so it may be cashed by a third person.

3. Government Check - A check issued by (a political jurisdiction, the federal government, a state, a county, or local government). Such checks cover salaries, tax refunds, pensions, welfare allotments and veterans

GOVERNMENT CHECK

TREASURY
DIVISION OF
WASHINGTON, D.C.
No. 92,956,539
SYMBOL 3000
MAR 19 1971
Treasurer of the United States
PAY TO THE ORDER OF
CAROLYN S LEE
10450 ROSEMARY AVE
FALL CHURCH
VA 20041
DOLLARS 573 CENTS 00
CSA1369437 CSA ANNUITY
⑆0000⑈0051⑆

BUSINESS CHECK

BY ENDORSEMENT THIS CHECK WHEN PAID IS ACCEPTED IN FULL PAYMENT OF THE FOLLOWING ACCOUNT

DATE		AMOUNT	
~~181~~	void		
8/27		181	69
TOTAL		181	69
DISCOUNT			
AMOUNT OF CHECK		181	69

JOE G. MALOOF RECYCLING CENTER
P. O. BOX 1086 PH: 243-2293
ALBUQUERQUE, NEW MEXICO 87103

1462
95-27
1070

9 Sept. 19 74

PAY TO THE ORDER OF Eddie Capleaner $181.69

THE SUM 101 DOLLARS 69 CTS DOLLARS

Main Office
The First National Bank in Albuquerque
Albuquerque, New Mexico 87103

⑆1070⑈0027⑆ 191 133 871⑈

PERSONAL CHECK

118

STEPHEN OR LINDA MERKER
3600 W. 13TH ST., RT. 6, BOX 557 781-7413
JOPLIN, MO. 64801

9-3-74

80-478
1012

PAY TO THE ORDER OF Linda Merker $500.00

Five hundred and no/100 DOLLARS

CITIZENS BANK
CARL JUNCTION, MISSOURI 64834

MEMO

Linda Merker

⑆1012⑈0478⑆ 21 627 41⑈

Figure 1 Checks

Source: Karen Olson, The Ball-Point Rip--Off, Davis Publishing Company, Inc., 1975, p. 17,18.

COUNTER CHECK (OBSELETE)

COURTESY OF Albuquerque CLEARING HOUSE ASSOCIATION

DATE 8-5-1975

PAY TO THE ORDER OF Worth Food Store $15.06

Fifteen and 06/100 DOLLARS

VALUE RECEIVED AND CHARGE TO ACCOUNT OF — WITH EXCHANGE

MY BANK: Albuquerque National Bank

SIGNATURE: Mary Lou Bruce

CITY: Albuquerque

ADDRESS: 1105 Second Street

STATE: New Mexico — BRANCH: Carlisle

PHONE: 1641-2943 — ACCOUNT NUMBER: 35-0604-5

CASHIER'S CHECK

TOLUCA LAKE BRANCH

SECURITY FIRST NATIONAL BANK

255 NORTH PASS AVENUE

Nº 302140

PAY TO THE ORDER OF SPECIMEN BURBANK, CALIF. August 15, 1964 90-241/1222

Mrs. Calvin G. Fairlawn $ 3000.00

EXACTLY $3000 AND 00 CTS DOLLARS

CASHIERS CHECK

Theodore J. Monroe

AUTHORIZED SIGNATURE

TRAVELERS CHECK

Purchaser signs each Cheque here at time of purchase

KEEP UNUSED CHEQUES FOR FUTURE TRIPS AND UNEXPECTED EXPENSES

Good Until Used No Time Limit

WHEN COUNTERSIGNED BELOW WITH THIS SIGNATURE

EA12·345·678

John Traveler

BEFORE CASHING WRITE HERE CITY AND DATE

American Express Company

AT 65 BROADWAY, NEW YORK, N.Y.

Pay this Cheque to the Order of

IN UNITED STATES | IN ALL OTHER COUNTRIES

FIFTY DOLLARS

COUNTERSIGN HERE IN PRESENCE OF PERSON CASHING

PRESIDENT

SPECIMEN NOT NEGOTIABLE

⑆8000⑈0005⑆5⑈0123456780⑈

Purchaser countersigns each Cheque here — WHILE THE PERSON ACCEPTING IT WATCHES.

IN CANADA | IN ALL OTHER COUNTRIES

TWENTY CANADIAN DOLLARS

All Canadian Dollar Travelers Cheques are identical with the U.S. Dollar Travelers Cheques except for the currency designation and the contour of the two areas in which the denomination is shown

Figure 1--(Continued)

benefits, to mention a few examples.

4. Payroll Check - A check issued to an employee for services performed. Usually the name of the employer is printed on it, and it has a sequential number and is signed. In most instances, "payroll" is also printed on the check. The employee's name usually is printed on the check writing machine or typed. The amount of the check may be written by a check protector.

5. Counter Check - A blank faced check which the merchant maintains as a convenience and upon which the customer/maker writes the name of his bank (the drawee) and account identifying information and completes it in the same manner as any other check. Counter checks are also used by banks and issued to depositors when they are withdrawing funds from their accounts.

6. Cashier's Check - A check drawn by a bank on its own funds and signed by the bank's cashier; drawer and drawee are the same and acceptance is generally automatic.

7. Certified Check - A check drawn against a depositor's account for which the bank guarantees payment by setting aside the funds from the depositor; stamped with the notation that the check is certified and signed by a bank official.

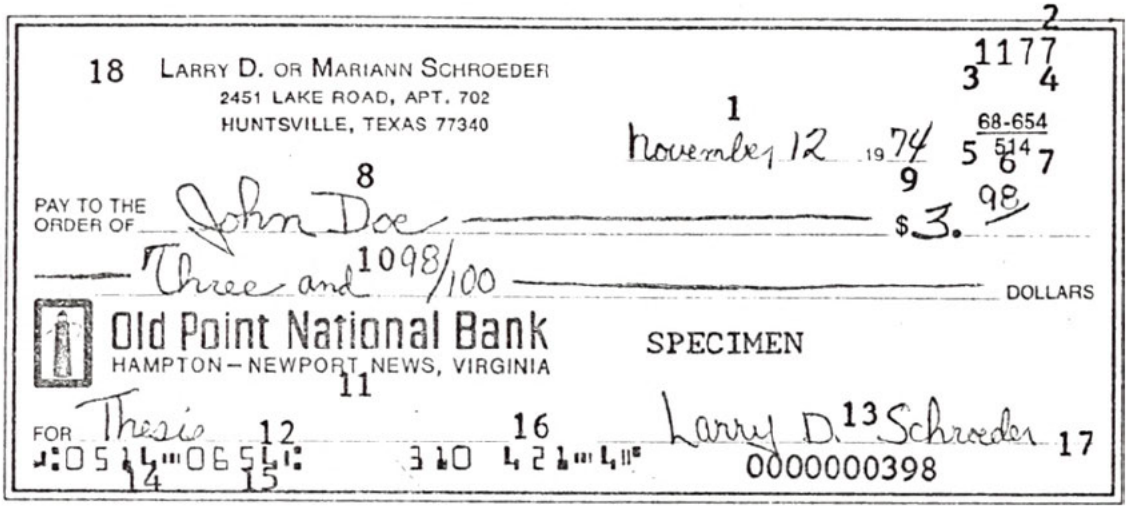
8. Traveler's Check - A check sold with a pre-printed amount (usually in fixed increments and round figures) to travelers who do not wish to carry cash.

The traveler signs the check at the time or purchase and then counter-signs it in the presence of the person who cashes it. A traveler's check is a promissory note rather than a bill of exchange as explained previously.

The personal check is the most common form in use today. The typical personal check, along with an itemized listing of the information appearing on the face of the check is presented at Figure 2.

Item numbers three through seven on Figure 2, printed as a fraction just above the figure amount, is called the American Bankers Association transit number-routing symbol. The American Bankers Association has published a programmed test which defines this numerical system (checks, A Programmed.., 1966). The first number in the numerator (item 3, Figure 2) identified where the bank is located, while the second number (item 4 Figure 2) is the bank's numerical name. Based on the 1910 census, the American Bankers Association assigned prefix numbers from 1 to 49, inclusive, to Federal Reserve Banks in cities by order of their size. Numbers from 50 to 101, inclusive, were assigned to states and territories (See Appendix B). The number in the denominator is the "routing code"; the three digits are identifed in their entirety at Figure 2.

The numbers located at the bottom of the check are the Magnetic Ink Character Recognition (acronym MICR) numbers. These numbers appear on most checks. These numbers



1. Date (Should not be over six months past)
2. Check numbers (usually begin 101)
3. State in which the bank operates (numbered 50-99), or territory (101), or large city (numbered 1-48)
4. Individual bank number
5. Federal Reserve District (1-12)
6. Federal Reserve Office serving drawee bank
7. "O" designates items that are eligible for clearing the same day received. Other than "O", designates state of drawee bank.
8. Payee
9. Amount in numerals
10. Amount written
11. Name of drawee bank
12. Notation
13. Signature of payor (maker)
14. Bank routing symbols as in #5, #6, and #7
15. Drawee bank
16. Payor's (maker) account number
17. Amount of check added when item is processed
18. "Personalized" Information

Figure 2 - Check Facial Information

are printed in magnetic ink so they can be quickly processed by automated machines. The left hand group of Magnetic Ink Character Recognition numbers (item 15, Figure 2) is called the transit number-routing symbol field. The important information found in the American Bankers Association transit number-routing symbol is repeated in this area of field. The middle group of MICR numbers is called the account number filed or the "on us" field. This middle field is reserved for use by the drawee. Usually the account number of the drawer is indicated in this field (item 16, Figure 2). The right-hand group of MICR numbers is called the amount field (item 17, Figure 2). After the check has been cashed or deposited at a bank, the amount of the check may be printed in this space. The decimal point is left out when this is done, so one knows that the last two figures stand for cents and the rest for dollars (Checks, A Programmed.., 1966).

Banking System

The increase in the volume of checks negotiated has placed a tremendous burden on the bank collection system. The "Magnetic Ink Character Recognition" numbers were developed in 1956 by the American Bankers Association (Mayer, 1974). The first electronic check handling machine was used by the Bank of America in 1960 (Curtis, 1971). This combination of the Magnetic Ink Character Recognition Code with the use of the computer provided the banking

system with the capability to process the increasing volume of checks.

The bank collection system allows banks to collect checks quickly and efficiently. Figure 3 shows how checks are typically routed through the bank collection system from the time the payee presents them for deposit or cashing to the time they are returned to the drawer with his statement of account. Checks enter the collection system either by mail or at a teller's window. In most banks, "proof" is accomplished by complex automated equipment; in others, it is accomplished by clerks. Whether the process is manual or mechanical, two basic things are done, proving and sorting. The American Bankers Association defines proving as checking the records of every transaction to insure that no error has been made. Sorting is defined as the process by which checks are separated into various categories and then routed for further processing (Checks, A Programmed.., 1966).

There are three basic categories into which checks are sorted; (1) on us checks, (2) other local checks, and (3) out-of-town checks. Checks that are received by a bank and drawn on the same bank (on us checks) are handled easily and quickly. Checks that are drawn on other local banks are either processed through a clearing house or by direct presentment to the drawee bank. There are two considerations that determine the methods a bank uses to

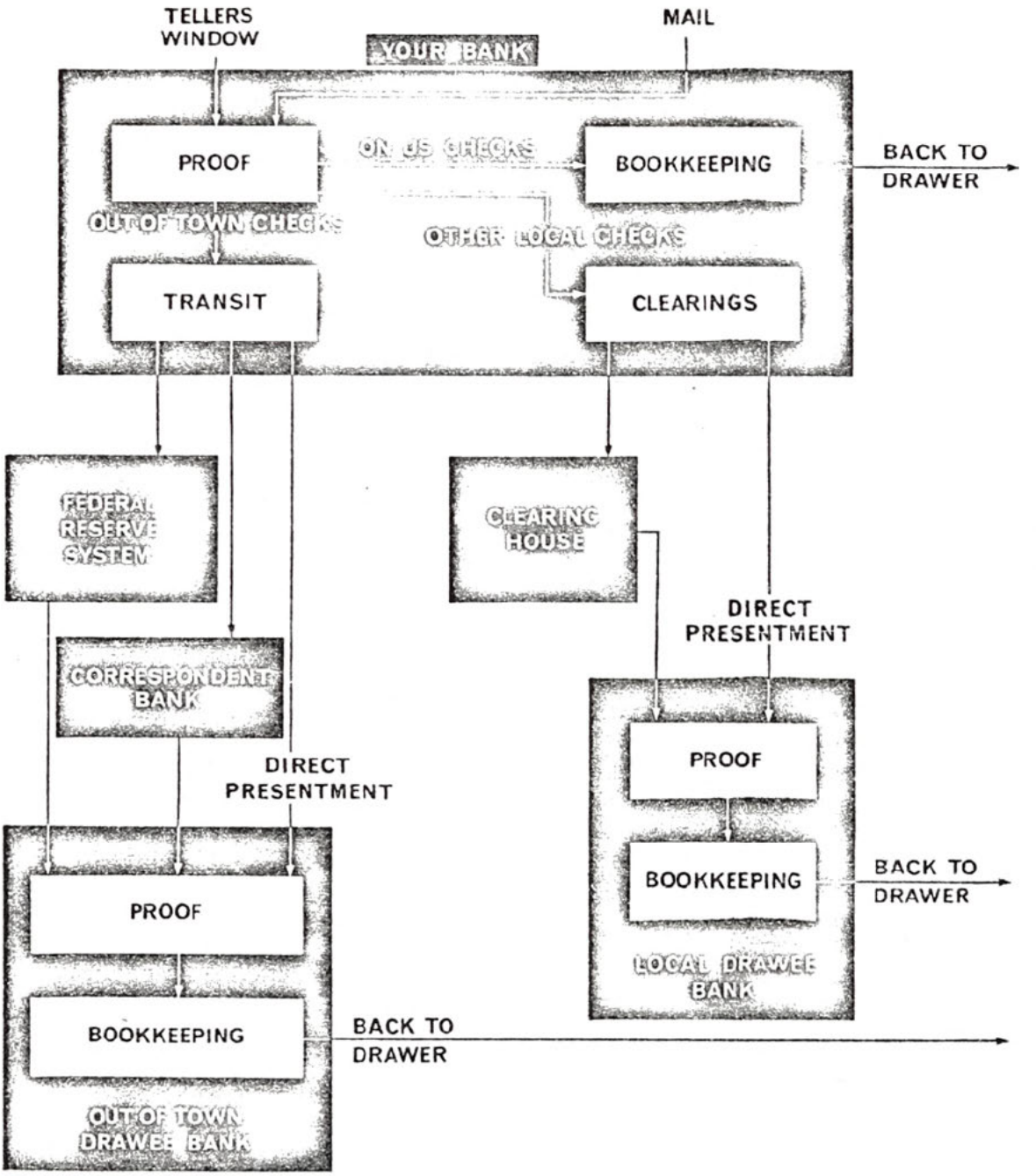


Figure 3 - The Bank Collection System

Source: The American Bankers Association, Checks, A Programed Training Unit, 1966, p. 131.

collect out-of-town checks, speed and cost. Banks make money by putting depositor's money to work in loans and investments. A bank cannot put a deposit to work until the presented checks have been allocated. Figure 3 shows three ways the transit step can collect out-of-town checks: (1) through a correspondent bank, (2) through the Federal Reserve System and (3) by direct presentment. Many banks have special arrangements with banks in other parts of the country to exchange services. These banks often help each other collect out-of-town checks. Banks with this sort of arrangement are called correspondent banks. Direct presentment does not require explanation and is seldom used for out-of-town checks unless large sums of money are involved. Federal Reserve Banks will collect out-of-town checks for other banks, provided both the collecting bank and the drawee have agreed to follow their rules and regulations. The majority of out-of-town checks are handled by the Federal Reserve Banks (Checks, A Programmed.., 1966).

Uniform Commercial Code

The number of banking institutions and their widespread geographical locations necessitate uniform rules and procedures by which to abide. In the United States in 1896, the Commissioners On Uniform State Laws appointed John J. Crawford to draft legislation for submission to the several states for adoption. His draft, the Negotiable Instruments Law (N.I.L.) was a paraphrase of The Bills of

Exchange Act, adopted by the British Parliament in 1882. The Negotiable Instruments Law (N.I.L.) suffered difficulty as the United States grew in size. The act has to pass fifty different legislatures in order to achieve uniformity. Eventually the act was accepted by all fifty states with some changes in text. In 1926, a series of court entanglements threatened the existence of this attempt at uniform law. Judicial problems rose again in 1938 and created speculation concerning the adequacy of the N.I.L.'s content. These challenges to the validity of the Negotiable Instruments Law paved the way to the creation of the Uniform Commerical Code (Encyclopedia Britannica, Volume 6, 1971).

The Encyclopedia Britannica (Volume 6, 1971) lists the origin of the Uniform Commercial Code in 1952 under the auspices of the commissioners on uniform state laws and the American Law Institute. The result of this joint endeavor preserved the clarity of the Negotiable Instruments Law and incorporated the changes that developed out of the state legislatures resolving the majority of conflicting court decisions of the preceeding half century.

The most recent revision of the Uniform Commercial Code took effect 1 January, 1965 (Glick and Newsom, 1974). The states who have adopted the Uniform Commercial Code with the effective date of its adoption may be found at Appendix C. It is beyond the scope of this study to completely examine the Uniform Commercial Code. However,

specific sections which have a significant impact on the subject of study will be addressed. These specific sections were interpreted from Beutal (1970). Under the Uniform Commercial Code, section 3-506, a bank has until midnight of the day it receives the check to settle for it according to clearing house rules, and until midnight of the next business day to pay, return or send notice of dishonor (Sections 4-302, 4-104h). Under ideal circumstances the drawee bank has a maximum of forty-eight hours (excluding weekends and holidays) to accept or reject the check. The Uniform Commercial Code, section 4-302, states that the bank is accountable for the amount of the item if it fails to act within the allotted time. Section 4-403 of the Uniform Commercial Code provides that stop payment orders are not binding upon the bank unless confirmed in writing within fourteen calendar days from issue. Since the bank is absolutely liable in the case of paying forged and raised checks, the customer owes the bank a reasonable duty to notify the bank in case improperly paid checks are contained in the statement. Section 4-406 through 407 of the Uniform Commercial Code allows the maker one year to report forgeries or alterations on the face of the check, and forgeries or alterations of indorsements within three years. Where the sum payable expressed in writing differs from that in figures, section 3-118 (d), states that the writing controls.

A separate study would be required to identify all relevant information pertaining to fraudulent checks under the Uniform Commercial Code. It is significant to acknowledge there are uniform procedures adopted within the United States establishing the liabilities, duties, and responsibilities in the transfer of negotiable instruments.

Check Offenders

Berg (1944) conducted a study titled, "A Comparative Study of Forgery," at the State Prison of Southern Michigan from January 1, 1940 to August 1, 1942. During this period, Berg tabulated all cases of forgery at the Southern Michigan State Prison. A total of 135 cases of forgery were confined during the stated period. The information obtained from the forgery group was compared with a control group of 480 inmates sentenced for all types of crime. The control group was obtained by drawing, at random, inmate data cards for the same period. Berg did not operationally define forgery in this study, but throughout his text, he consistently referred to forged checks. The study is assumed to have the check forger as the primary subject of this study.[2] The study was accomplished to verify the general attitude of the prison inmate population towards the forger as: (1) being more intelligent and (2) invariably recidivistic.

The Bregman Revision of the Army Alpha Examination was used as a measure of intelligence and the Stanford

Achievement Test was used to determine grade placement. Table 2, indicates the group of forgers studied averaged higher in intelligence and in grade placement than the control group. Also, the forgery group was eight years older, on the average, and more than twice as recidivistic when compared to the control group.

TABLE 2

COMPARISON OF FORGERY AND CONTROL GROUP DATA

Number of Cases	Control Group	Forgery Group
1. Mean Age	29.2	37.2
2. Mean Grade Placement	5.2	6.9
3. Mean Alpha I.Q.	89.1	99.4
4. Percent of group with previous prison sentence	29.6	62.2
5. Percent Negro offenders in group	24.4	6.7

Table 2: Comparison of Forgery and Control Group Data (Berg, 1944, p. 233).

Berg's initial data produced the following hypothesis:

> Since the forgery group is older, it might be thought that it would necessarily follow that more of its members would be recidivistic. That is having lived longer, the forgers would have more years in which to commit crimes. If this were true, the forgers who had no previous prison sentences should be significantly younger than those who had been in prisons previously (Berg, 1944, p. 234).

Berg further evaluated his information and found that age did relate to recidivism in the control group. In the case of the forgery group, age was found to be a less important factor in recidivism. (See Table 3)

TABLE 3

AVERAGE AGE WITH REFERENCE TO RECIDIVISM

	Control Group	Forgery Group
1. Without record of Previous Prison Sentence		
Number	339	51
Mean Age	28.2	35.5
2. With record of Previous Prison Sentence		
Number	141	84
Mean Age	31.4	38.2

Table 3: Average Age with Reference to Recidivism (Berg, 1944, p. 234).

The interview of members of the forgery group coupled with a review of court records did reveal a difference between the recidivistic and non-recidivistic forgers. This difference related to the Modus Operandi and the circumstances in which the offense was committed.

The offenses of the fifty-one forgers who had no previous felony convictions were direct and uncomplicated. Berg stated, "These offenders tended simply to forge a name on an otherwise valid check or, less frequently, to forge one or two checks completely" (Berg, 1944, p. 234). Reviewing the eighty-four members of the forgery group who were recidivists revealed over two-thirds made careful preparation in their criminal endeavors. In addition, many checks were usually forged; over a hundred in several instances.

In summary, Berg concluded the following:

> From the standpoint of mental and social equipment, the group of forgers studied may be considered to be better qualified to support themselves in a manner acceptable to society than a random group of inmates of similar size. In fact, many members of the group were superior to many other members of society at large. But hope for rehabilitation of the forgery group members appears to be less than for other inmates in view of the unusually high rate of recidivism among forgers (Berg, 1944, p. 237).

Lemert (1953) conducted a study entitled, "An Isolation and Closure Theory of Naive Check Forgery." He used prior records of 1,023 persons convicted for forgery in Los Angeles County from 1938 through 1939. Lemert restricted his study to check forgery, and defined check forgery to all acts commonly charged as forgery, fictitious checks, issuing checks without sufficient funds, and uttering and passing falsified checks. Lemert further operationally defined naive check forgery in the following manner.

> The concept of naive forgery was devised to indicate forgeries committed by person who have had no previous criminal record and no previous contact and interaction with delinquents and criminals. It is designed to exclude forgeries which are incidental to the commission of other crimes, and forgeries which are retrogressive or progressive phases of an already established criminal career. Common examples of the types of forgeries eliminated would be those of burglars who come unto a drawer full of checks in burglarizing a business office and often-not to wisely-cash them. We also exclude the forgeries committed by embezzlers, as well as the occasional forgeries of con-men, chiefly because they are incidental or alternative techniques by which their crimes are committed. The embezzler is further distinguished from the forger by reason of his being in a position of trust (Lemert, 1953, p. 297).

After eliminating all the offenders who did not fit his definition of the naive check offender Lemert believes his theory pertinent to seventy-five percent of the total offender population studied. His theory held that the offense was based on four variables: (1) the characteristics of the crime, (2) the person, (3) the situation, and (4) the sociopsychological process. He hypothesized in general:

> Naive check forgery arises at a critical point in a process of social isolation, out of certain types of social situations, and is made possible by the closure or constriction of behavior alternatives subjectively held as available to the forger (Lemert, 1953, p. 298)..

The variable, characteristics of the crime, was important because forgery is a low visibility crime in comparison to other felonies. There is little in the criminal act or in the interaction between the check

passer and the person cashing the check to identify it as a crime. Closely related is the special quality of forgery to be formally defined and treated as a felonious offense and informally held by the public as a benign form of crime. Lemert (1953) believes these factors facilitate the acceptance of forgery as a criminal solution during a crisis situation.

The variable person, was used to establish a class of people most likely to commit forgery. Lemert acknowledged the findings of Berg (1944) in the previously mentioned study as it related to the age and intelligence of the offender. Interviews with the offender and law enforcement personnel convinced Lemert that the forger possesses middle class values and is generally likeable and attractive. He also observed that an element of impulsiveness exists in their general behavior. He summarized that naive forgery is behavior which is out of character for the persons involved.

The social situation was the key variable in Lemert's study and theory. Social isolation was broken into five major categories: (1) occupational, (2) marital, (3) family, (4) ethnic, physical and other, and (5) subjectively felt isolation. Occupational isolation meant unemployment, job instability or conditions of work separating the person from his customary associations. Marital isolation included divorce, separation or alienation

of spouses. Among the forgers with no marital experiences isolation was perceived as alienation from the parental family. The fourth category, social isolation, were persons whose adult lives and social status began with social isolation; persons with physical handicaps, members of ethnic minorities, orphas and step children, and the homosexual. The variable, subjective isolation was applied to those subjects who indicated a sense of isolation during direct questioning. (See Table 4)

The final element in Lemert's theory is called the sociopsychological process. He uses this variable to explain how well educated and otherwise law-abiding persons elect a criminal alternative as a solution to a problem situation, particularly the crime of forgery. Lemert explains that they choose forgery simply because the class of persons committing the naive act do not have the skills nor are they in a position to carry out most other forms of crime, and, it is not an aggressive act. Also, forgery is very simple to perform and the knowledge and skills necessary are learned in everyday transactions. These people select a criminal act because of the impulse or sense or urgency to obtain money or material wealth. Many offenders become fixated on clothes, automobiles, housing and leisure activities. The possession of such items or participation in these activities have special meaning to a person who is sociably isolated. The key element of

TABLE 4

THE FREQUENCY OF OCCURRENCE OF MEASURES OF SOCIAL ISOLATION IN 29 CASES OF NAIVE CHECK FORGERY, LOS ANGELES COUNTY--1951

Case No.	Measures of Isolation			Ethnic Physical "other"	Subjectively Felt Isolation
	Occupational	Marital	Family		
1	X		X	X	
2			X	X	
3	X		X	X	
4	X			X	X
5	X	X			
6	X	X		X	X
7	X			X	
8	X	X	X		
9	X			X	
10		X		X	
11	X		X		X
12	X	X		X	X
13			X	X	X
14	X	X			
15	X		X	X	
16		X	X	X	
17	X	X			X
18	X		X	X	X
19		X			X
20			X		X
21	X	X			X
22	X				
23			X		
24	X	X	X		X
25		X			X
26	X	X			
27	X		X	X	X
28			X	X	
29	X	X		X	
TOTAL	20	14	14	16	13

Table 4: The Frequency of Occurrence of Measures of Social Isolation in 29 Cases of Naive Check Forgery, Los Angeles County--1951. (Lemert, 1953, p. 302).

the sociopsychological factor, according to Lemert, is the sense urgency for these items. He states that this can be substantiated by the number of offenders who have the resources available to provide the funds to support their drives. He correlates this impulse to the alcoholics need for alcohol.

Lemert (1958) conducted a second study of forgery titled, "The Behavior of The Systematic Check Forger." Seventy-two persons serving sentences for check forgery and writing checks with insufficient funds were studied. Three additional check offenders outside the California correctional institutions were also interviewed, the sample included eight women and sixty-seven men. The study was an attempt to develop a typology of the check offender similar to that developed by Sutherland on the professional thief.[3] Lemert ascertained;

> Thirty of the seventy-five criminals could be classified as systematic in the sense that they (1) thought of themselves as check men; (2) had worked out or regularly employed a special technique of passing checks; (3) had more or less organized their lives around the exigencies or imperatives of living by means of fraudulent checks. The remaining forty-five cases represented a wide variety of contexts in which bogus check passing was interspersed with periods of stable employment and family life, or was simply an aspect of alcoholism, gambling, or one of a series of criminal offenses having little or no consistency (Lemert, 1958, p. 141).

The five elements Lemert (1958) adopted from Sutherland's typology of the professional thief are: (1)

Forgery as a "regular business," (2) planning as an act of forgery, (3) technical skills, (4) mobility and (5) associations.

1. Forgery as a "regular business." Lemert's observations found the forger not to be the calculating professional with a positive attitude towards "his crime as a trade or occupation supported by rationalizations of a subculture" (Lemert, 1958, p. 142).

2. Planning as an Act of Forgery. Lemert ascertained the techniques of the check passer either preclude precise planning or make it unnecessary. He stated that his interviews revealed that, "situations have to be exploited as they arise, with variation and flexibility being the key to success" (Lemert, 1958, p. 142).

Lemert further states,

> What stands out in the behavior of systematic check forgers is the rapid tempo - almost impulsiveness - with which they work (Lemert, 1958, p. 142).

3. Technical Skills. The primary skills used by the forger are manipulation or acting. Lemert's study viewed passing a bad check or a good check required no special technical ability.

4. Mobility. The study reveals great similiarity between the thief and the forger. Both are generally migratory within regions.

5. Associations. Here, Lemert observed the greatest differences between the professional thief and the syste-

matic check forger.

> In contrast to pickpockets, shoplifters, and con-men, whose criminal techniques are implicitly cooperative, most check men with highly developed systems work alone, carefully avoiding contacts and interaction with other criminals... The most important implication of this data is the systematic check forgers do not seem to have had criminal antecedents or early criminal associations...their status in prison where, according to observations of themselves and others, they are marginal so far as participation in the primary groups of the prison is concerned (Lemert, 1958, p. 143, 148).

The two studies by Lemert are the most comprehensive and meaningful studies on the check offender. He studied the first offender and later the systematic recidivist. Lemert's summaries and conclusions have been noted in other writings pertaining to the check offender. The primary problem in using Lemert's information is the time period in which the studies were conducted. Whether his findings are applicable approximately twenty years after their conclusion is a matter for further study.

John M. MacDonald (1959) conducted a study called, "A Psychiatric Study of Check Offenders." His study supports the efforts of Lemert (1958), however, MacDonald openly admits the population observed was not statistically representative of the check offender population.

His study evaluated 300 subjects made up of mental hospital patients with a history of check offenses and penitentiary inmates and check offenders referred by the courts for psychiatric examination. MacDonald classified

his check offenders according to their pattern of criminal behavior as: (1) skilled check writers, (2) unskilled check writers, (3) check thieves, (4) check, "pushers," and (5) short check writers (insufficient funds).

The information in his study is repetitive of the works already presented. His discussion of the overall fraudulent check problem however, does merit noting. MacDonald discusses very pertinent problems under what he calls the crime provocative function of the victim and issues the following statement:

> Many small businessmen are less cautious in accepting checks when excessive profit is in sight. La Rochefoucauld's statement is pertinent, 'One is never so close to being deceived as when one wishes to deceive.' The laxity of some firms is remarkable...Check forgery is one of the easiest crimes to commit and there is no physical danger. The need for greater scrutiny of all checks to reduce the incidence of check crimes is obvious (MacDonald, 1959, p. 441).

MacDonald (1959) challenges the attitude of businessmen and their overall responsibility in responding to the problem at hand. He also challenges the community responsibility to insure their law enforcement agencies maintain a check squad to assist in the detection of check offenders. He specifically encourages prosecution.

> It may cost more than 1,000 dollars to prosecute a check crime involving 50 dollars and courts in small communities are sometimes reluctant to prosecute because of the expense. Certainly the cost of extradition from a distant state, jury trial and possible psychiatric examination in the event of an insanity plea may prove a

> heavy financial burden, but in the long run it may be cheaper than failure to prosecute. Victims, especially banks and lawyers, are sometimes unwilling to prosecute for fear of adverse publicity, resulting from exposure of their negligent business practices (MacDonald, 1959, p. 442).

MacDonald places the burden of reducing check offenders on the community and its available resources. His belief that the average community environment not only fails to effectively respond to the problem, but encourages check abuse, is also held by Raul Huet (1971), who conducted an evaluation of the offender titled, "The Check Offenders." He concludes in evaluating the "circumstances leading to check offenders we need to consider both the offenders and the contributing environment-the merchants, law enforcement, and banks" (Huet, 1971, p. 43).

This study was based on 495 admissions to the Kansas Reception and Diagnostic Center from July 1, 1963 to June 30, 1964, eighty were check offenders. The offenses were forgery, uttering, worthless checks and insufficient funds. Of these offenders, fifty-five were convicted for the first time, twenty were second offenders, four were third offenders, and one had a fifth offense. The offenders were observed at three locations: (1) the Kansas Reception and Diagnostic Center, (2) the Shawnee County Jail and (3) the Topeka Veterans Administration Hospital.

Seventy-nine of all offenders were caucasians and one was negro. At the time of the offense, twenty were

employed, two were students and the remainder were unemployed. Forty-four of the offenders were alcoholics, and one of them was also a drug addict. Twelve others drank heavily and twenty-four were not alcoholics.

Huet (1971) further revealed the thirty-four offenders came from poor homes, many of which became broken homes sometimes during the offender's childhood. Thirty-three came from middle class families, and also a number of these families were broken up later in the patient's lives. Thirteen came from upper-middle class families. There was high degree of alcoholism, parental discord, invalidism of one or both parents, and in twelve percent of the cases death of the mother or father occurred prior to the patient's puberty. Additionally, most of the patients felt rejected by their fathers; their mothers were described as inconsistent, demanding and dominating. The sample also reflected poor school work and there were a high percentage of school dropouts.

Huet's (1971) findings seems to validate the work's of Lemert summarized earlier. The major exception comparing the different studies is that Huet found the average age at the time of the first offense to be twenty years of age. He also found original maladjustments (Lemert called his social isolation) but, added, they became much more severe in connection with drinking. Huet thought check writing was an addiction:

> If we compare this type of addiction with alcohol addiction, we could say that a person who begins writing checks, knowing that he has insufficient funds, is like the one who has the predisposition to become an alcoholic when he is a social drinker. In both addictions the individual may increase this habit to a certain degree, may stop at any time, or may go all the way either to become a professional bad check writer or a confirmed alcoholic (Huet, 1971, p. 44).

Reasons given Huet by the offenders for writing bad checks are the following:

> (a) At the time they are passing checks they believe that they are actually not breaking any law, since the check is considered by them as a promissory note until the check is presented to the bank. (b) They are not in physical danger as is often the case in the commission of other misdemeanor or felonies, such as robbery or breaking or entering. (c) The writing of the check promises immediate gratification (e.g. money for liquor) when they find themselves otherwise without funds. (d) There is less fear of infliction of humiliation or discomfort as in other crimes whenever the troublemaker is caught in the act. (e) After they have written the first few checks they are able to overcome the disturbing effects of guilt and anxiety, and gradually they have a progressive breakdown of social functioning (Huet, 1971, p. 44).

The studies by Berg, Lemert, MacDonald and Huet, exhibit in general, very similar findings. The studies cover a thirty year time span and there are no remarkable differences found during this time frame. Although not specifically studied, Huet (1971), did infer an increasing number of females participating in the offense of check writing in recent years. The overall profile of the check offender would appear to be male, caucasian, above average

in intelligence, in his late twenties or early thirties, impulsive, exhibiting drinking problems and being extremely recidivistic.

Although there have been a few studies made pertaining to the check offender, the same cannot be said of the dollar loss inflicted by the check offenders crime. In reviewing the literature there was only one study made to disclose the financial damage inflicted by the check offender. The study was accomplished by the research firm of Houlahan and Balachek under the direction of the Veriprint Systems Corporation. The results of the study were published by the magazine Security World (July-August, 1974), in an article titled, "How Big Is The Bad Check Problem?"

This study reported: (1) twenty percent of all non-sufficient fund checks are never collected; (2) the average annaul cost per household for bad check crime was slightly over twenty-five dollars; (3) bad check crime is growing faster than the total of all other crime; (4) overhead costs of collecting a bad check averages no less than ten dollars, even if the check is made good; (5) the average supermarket must sell 1,500 dollars in merchandise to recoup losses on one thirty dollar uncollectable check; (6) 87.8 million non-sufficient fund checks were written last year and 17.6 million of these were never collected; (7) banks experience a much greater dollar loss per bad check than other businesses; (8) the majority of check crimes are not

reported to the police; and (9) the average bad check amounts to thirty dollars. (How Big Is..., 1974)

The term "bad check" was defined as those checks that have been submitted twice for payment unsuccessfully, or are deemed uncollectable for reasons of forgery or fraud. The research group estimated that supermarkets account for about one-third of all bad check losses followed by department stores and then banks. Reviewing their findings, the research group concluded;

> Most companies are simply afraid to admit how bad the problem is publicly, and therefore have made data on the subject obscure and difficult to get. The assumption has been that these companies fear that they will only encourage people to pass more bad checks if they divulge the enormous amount of theft by this means now going on (How Big Is..., 1974, p. 137).

The previous study did not separate forgeries from non-sufficient fund checks. There is no literature available which indicates which one of the two problems produce the greatest financial loss. Hoffman (1962) states that forgery is primarily the efforts of amateurs. He estimates that "thirty-five percent of the business is being handled by professional check artists" (Hoffman, 1962, p. 9). Relating strictly to forgery, Hoffman (1962) estimates supermarkets receive thirty percent of the forged checks, followed by department stores with twenty-one percent, gas stations and taverns with thirteen percent, independent grocer's with nine percent, liquor stores with five percent, drug

stores with four percent, and banks, hotels and hardware stores share three percent. The remaining two percent are left to the restaurants. Hoffman's figures do parallel those presented by Houlahan and Balachek with the exception of banks. O'Hara (1970) estimates total losses sustained by banks on forged checks to range between four to six and one-half million dollars annually which make up approximately ten percent of the total loss incurred by forged checks.

The figures presented by various authors cannot be readily verified. The losses given, and who suffers what percentage of the total can only be estimated. The total losses are extremely high, and the reasons for such general acceptance of the check offender's crime requires further evaluation.

CHAPTER III

FRAUDULENT CHECKS: RESTITUTION OR PROSECUTION

This chapter, the product of a field survey conducted in Harris County, Texas, identifies the respective roles of merchants, banking institutions, the Harris County District Attorney's Office and the Justice of the Peace in response to fraudulent check crime. The information obtained pertaining to fraudulent check crime by the field survey is believed to be typical of any metropolitan area within the United States and not restricted to Harris County. The majority of information in this chapter pertains to non-sufficient fund (NSF) checks or checks written on a closed account. The offense of forgery is investigated and prosecuted separately from other check offenses, and therefore, forgery investigation will be discussed in the following chapter. The perception of forgery on the part of the business community is contained in this chapter because the complete separation of forgery from the total fraudulent check problem is not possible.

Interviews were conducted with representatives of Weingarten's (Houston area retail grocery chain), Kroger's (national retail grocery chain), and Sears, Roebuck and Company (national department store chain). These stores were selected because the literature indicates grocery chains and large department stores receive over fifty

percent of the fraudulent checks. The smaller independent stores who do not maintain a security staff use the services of the Merchants Information Exchange, Inc. (M.I.E.), a private business established to assist merchants in the collection of returned checks and the prosecution of check offenders. Thus, an interview with the vice-president of MIE provided the necessary supplemental information in presenting the overall problem of fraudulent checks as it pertains to the business community. The Small Business Administration of Houston was also interviewed to see what assistance, if any, they provided the business community in the area of fraudulent check crime.

The banking community was represented by interviews with representatives from the Bank of the Southwest and First City National Bank of Houston. These two banks were selected because they represent two of the three largest banking facilities serving Harris County, Texas, the latter being the largest bank in the state. Additionally, these two institutions maintain fraudulent check investigation staffs. The executive director of the Houston Clearing House Association was interviewed to further supplement the role of banking institutions in relation to fraudulent checks and to identify what the banking industry as a whole is doing to reduce fraudulent check crime.

The field survey also includes results of interviews with the Constables office and A Justice of the Peace from Precinct One, in Harris County, and concludes with results of an interview of the Assistant District Attorney in charge of the Worthless Check Division, Harris County District Attorney's Office. These interviews were necessary because of the procedure established in Harris County to process fraudulent check offenders and the legal requirements set forth in the Texas Penal Code that became effective January 1, 1974. Before presenting information obtained from the field survey it is necessary to explain the offenses applicable to fraudulent checks under the Texas Penal Code.

Texas Penal Code

Under the current Texas Penal Code offenses are designated as felonies or misdemeanors. Misdemeanors are classified into three categories: (1) Class A misdemeanors; (2) Class B misdemeanors; and (3) Class C misdemeanors. Felonies are classified into four categories: (1) capital felonies; (2) felonies of the first degree; (3) felonies of the second degree; and (4) felonies of the third degree. The classification of offenses and their respective punishments are listed below with the exception of Capital and first degree felonies which do not apply to check offenses.

Sec. 12.21. Class A Misdemeanor. An individual adjudged guilty of a Class A misdemeanor shall be punished by:

(1) a fine not to exceed $2,000

(2) confinement in jail for a term not to exceed one year; or

(3) both such fine and imprisonment

Sec. 12.22. Class B Misdemeanor. An individual adjudged guilty of a Class B misdemeanor shall be punished by:

(1) a fine not to exceed $1,000;

(2) confinement in jail for a term not to exceed 180 days; or

(3) both such fine and imprisonment.

Sec. 12.23. Class C Misdemeanor. An individaul adjudged guilty of a Class C misdemeanor shall be punished by a fine not to exceed $200.

Sec. 12.33. Second-Degree Felony. (a) An individual adjudged guilty of a felony of the second degree shall be punished by confinement in the Texas Department of Corrections for a term of not more than 20 years or less than 2 years.

(b) In addition to imprisonment, an individual adjudged guilty of a felony of the second degree may be punished by a fine not to exceed $10,000.

Sec. 12.34. Third-Degree Felony. (a) An individual adjudged guilty of a felony of the third degree shall be punished by confinement in the Texas Department of Corrections for any term of not more than 10 years or less than 2 years.

(b) In addition to imprisonment, an individual adjudged guilty of a felony of the third degree may be punished by a fine not to exceed $5,000.

Under the present Texas Penal Code there are four basic categories for which a bad check offense may be charged. These specific charges are; (1) Sec. 31.03 (Theft); (2) Sec. 31.04 (Theft of Service) as explained under Sec. 31.06 of the Texas Penal Code; (3) Sec. 32.21 (Forgery), and (4) Sec. 32.41 (Issuance of a Bad Check). These specific violations are written in the Texas Penal Code are listed below:

Sec. 31.06. Presumption for Theft by Check. (a) If the actor obtained property or secured performance of service by issuing or passing a check or similar sight order for the payment of money, when the issuer did not have sufficient funds in or on deposit with the bank or other drawee for the payment in full of the check or order as well as all other checks or orders then outstanding, his intent to deprive the owner of property under Section 31.03 of this code (Theft) or to avoid payment for service under Section 31.04 of this code (Theft of Service) is presumed (except in the case of a postdated check or order if:

(1) He had no account with the bank or other drawee at the time he issued the check or order; or

(2) payment was refused by the bank or other drawee for lack of funds or insufficient funds, on presentation within 30 days after issue, and the issuer failed to pay the holder in full within 10 days after receiving notice of the refusal.

Sec. 31.03. Theft. (a) A person commits an offense if, with intent to deprive the owner of property;

(1) he obtains the property unlawfully; or

(2) he exercises control over the property, other than real property, unlawfully.

(b) Obtaining or exercising control over property is unlawful, if:

(1) the actor obtains or exercises control over the property without the owner's effective consent; or

(2) the property is stolen and the actor obtains it from another or exercises control over the property obtained by another knowing it was stolen.

(c) For purposes of Subsection (b) (2) of this section:

(1) evidence that the actor has previously participated in recent transactions other than, but similar to, that which the prosecution is based is admissable for the purpose of showing knowledge or intent and the issues of knowledge or intent are raised by the actor's plea of not guilty;

(2) the testimony of an accomplice shall be corroborated by proof that tends to connect the actor to the crime, but the actor's knowledge or intent may be established by the uncorroborated testimony of the accomplice.

(d) An offense under this section is:

(1) a Class C misdemeanor if the value of the property stolen is less than $5;

(2) a Class B misdemeanor if:

(A) the value of the property stolen is

$5 or more but less than $20; or

(B) the value of the property stolen is less than $5 and the defendant has previously been convicted of any grade of theft;

(3) a Class A misdemeanor if the value of the property stolen is $20 or more but less than $200;

(4) a felony of the third degree if;

(A) the value of the property stolen is $200 or more but less than $10,000, or the property is one or more head of cattle, horses, sheep, swine, or goats or any part thereof under the value of $10,000;

(B) regardless of value, the property is stolen from the person of another or from a human corpse of grave; or

(C) the value of the property stolen is less than $200 and the defendant has been previously convicted two or more times of any grade of theft;

(5) a felony of the second degree if the value of the property stolen is $10,000 or more.

Sec. 31.04. Theft of Service. (a) A person commits theft of service if, with intent to avoid payment for service that he knows is provided only for compensation:

(1) he intentionally or knowingly secures performance of the service by deception, threat, or false token; or

(2) having control over the disposition of services of another to which he is not entitled, he intentionally or knowingly diverts the other's services to his own benefit or to the benefit of another not entitled to them.

(b) For purposes of this section, intent to avoid payment is presumed if the actor absconded without paying for the service in circumstances where payment is ordinarily made immediately upon rendering of the service, as in hotels, restaurants, and comparable establishments.

(c) An offense under this section is:

(1) a Class C misdemeanor if the value of the service stolen is less than $5;

(2) a Class B misdemeanor if the value of the service stolen is $5 or more but less than $20;

(3) a Class C misdemeanor if the value of the service stolen is $20 or more but less than $100;

(4) a felony of the third degree if the value of the service stolen is $200 or more but less than $10,000;

(5) a felony of the second degree if the value of the service stolen is $10,000 or more.

Sec. 32.21. Forgery. (a) For purposes of this section:

(1) "Forge" means:

(A) to alter, make complete, execute, or authenticate any writing so that it purports;

(i) to be the act of another who did not authorize that act;

(ii) to have been executed at a time or place or in a numbered sequence other than was in fact the case; or

(iii) to be a copy of an original when no such original existed;

(B) to issue, transfer, register the transfer or, pass, publish, or otherwise utter a writing that is forged within the meaning of Paragraph (A) of this subdivision; or

(C) to possess a writing that is forged within the meaning of Paragraph (A) with intent to utter it in a manner specified in Paragraph (B) of this subdivision.

(2) "Writing" includes:

(A) printing or any other method or recording information;

(B) money, coins, tokens, seals, credit cards, badges, and trademarks; and

(C) symbols of value, right, privilege, or identification.

(b) A person commits an offense if he forges a writing with intent to defraud or harm another.

(c) Except as provided in Subsections (d) and (e) of this section an offense under this section is a Class A misdemeanor.

(d) An offense under this section is a felony of the third degree if the writing is or purports to be a will, codicil, deed, deed of trust, mortgage, security instrument, security agreement, credit card, check or similar sight order or payment of money, contract, release, or other commercial instrument.

(e) An offense under this section is a felony of the second degree if the writing is or purports to be part of an issue of money, securities, postage or revenue stamps, or other instruments issued by a state or national government or by a subdivision of either, or part of an issue of stock, bonds, or other instruments representing interests in or claims against another person.

Sec. 32.41. Issuance of Bad Check. (a) A person commits an offense if he issues or passes a check or similar sight order for the payment of money knowing that the issuer does not have sufficient funds in or on deposit with the bank or other drawee for the payment in full of the check or order as well as all other checks or orders outstanding at the time of issuance.

(b) This section does not prevent the prosecution from establishing the required knowledge by direct evidence; however, for purposes of this section, the issuer's knowledge of insufficient funds is presumed (except in the case of a postdated check or order) if:

(1) hd had no account with the bank or other drawee at the time he issued the check or order; or

(2) payment was refused by the bank or other drawee for lack of funds or insufficient funds on presentation within 30 days after issue and the issuer failed to pay the holder in full within 10 days after receiving notice of that refusal.

(c) Notice for purposes of Subsection (b) (2) of this section may be noticed in writing, sent by registered or certified mail with return receipt requested or by telegram with report of delivery requested, and addressed to the issuer at his address shown on:

(1) the check or order;
(2) the records of the bank or other drawee; or
(3) the records of the person to whom the check or order has been issued or passed.

(d) If notice is given in accordance with Subsection (c) of this section, it is presumed that the notice was received no later than five days after it was sent.

(e) An offense under this section is a Class C misdemeanor.

It is also necessary to mention that under Sec. 31.06, Presumption of Theft by Check, the Texas Penal Code provides:

Sec. 31.09. Aggregation of Amounts Involved in Theft. When amounts are obtained in violation of this chapter pursuant to one scheme or continuing course of conduct, whether from the same or several sources, the conduct may be considered as one offense and the amounts aggregated in determing the grade of the offense.

There is an identical provision in the Texas Penal Code for violations chargeable under Sec. 32.21, Forgery. However, if the offense is made under Sec. 32.41, Issuance of Bad Check, the offense remains a Class C misdemeanor regardless of the amount of the check or checks. A check list for a trial under Theft or Theft of Service by check is provided at Appendix D. Model questions for a check

case under prosecution are presented at Appendix E.

The Texas Penal Code, as it applies to fraudulent checks, is very specific and easily understood. Because of the number of offenses which a fraudulent check may be placed and the different classifications of punishment respective to those offenses the means of processing a complaint are varied and are discussed appropriately throughout this chapter.

The Role of Merchants Information Exchange (M.I.E.)

During the field survey it was determined that almost all merchants, large and small, use the services of this company. Therefore, it is important to explain the function of Merchants Information Exchange before presenting the respective roles of merchants in dealing with the fraudulent check. An interview was conducted with Mr. B. T. Bond, Vice-President of Merchants Information Exchange, Inc., Houston, Texas.

Mr. Bond explained that his company provides a central location for the business community in Harris County to report receipt of fraudulent checks. In turn, M.I.E. produces computer printouts to its members containing the names of people who have passed non-sufficient fund checks or written checks on a closed account. He classified forgery as one category of fraudulent checks and stated everything other than forgery is classified into a second category. This is done because of the

Texas Penal Code and the method the Harris County District Attorney's Office has established to process complaints on fraudulent checks.

Merchants Information Exchange will process checks received from the initial requirement of serving written notification by registered or certified mail to the maker of the check to acting as the agent of the complainant in filing charges with the District Attorney's Office. Members of this organization are charged based on services provided. The majority of businesses simply use the forms designed by Merchants Information Exchange and subscribe to the M.I.E. Index.

The form provided through this service is self explanatory and listed at Figure 4. This form is made out in four copies and the original is sent certified or registered mail by the merchant to the maker of the bad check. A copy is forwarded to Merchants Information Exchange providing notice that criminal prosecution will be pursued if the check is not made good within the prescribed time limit (ten days). If the customer fails to respond, Merchants Information Exchange files charges with the Harris County District Attorney's Worthless Check Division if the offense falls under either Section 31.03 (Theft) or Section 31.04 (Theft of Service) violation. If the offense falls under Section 32.41 (Issuance of Bad Check) charges are filed with the Justice of the Peace because the

REGISTERED OR **CERTIFIED** NOTICE REQUIRED FOR:

DATE:

CRIMINAL PROSECUTION

UNDER THE **TEXAS PENAL CODE,** IN ORDER TO ESTABLISH A PRESUMPTION OF **THEFT BY CHECK** OR **ISSUANCE OF BAD CHECK** – FIRST, THE BANK ON WHICH YOUR CHECK WAS DRAWN MUST HAVE REFUSED PAYMENT OF IT; AND SECONDLY, YOU MUST HAVE FAILED TO PAY THE HOLDER OF THE CHECK IN FULL WITHIN TEN (10) DAYS AFTER RECEIVING NOTICE OF THE BANK'S REFUSAL. NOTICE MUST BE BY REGISTERED OR CERTIFIED MAIL OR BY TELEGRAM, AND IS PRESUMED TO HAVE BEEN RECEIVED NO LATER THAN FIVE (5) DAYS AFTER IT WAS SENT.

UNLESS

THE CHECK DESCRIBED BELOW IS PAID IN FULL TO THE HOLDER **WITHIN TEN (10) DAYS,** A PRESUMPTION AS STATED ABOVE WILL HAVE BEEN ESTABLISHED AND THIS CASE WILL BE FILED WITH LEGAL AUTHORITIES FOR **CRIMINAL PROSECUTION.** WE REQUIRE THAT PAYMENT BE MADE IN CASH, OR BY CASHIER'S CHECK, CERTIFIED CHECK OR MONEY ORDER ONLY. A COPY OF THIS NOTICE IS BEING FORWARDED TO **MIE TELE-CHEK.**

CHECK INFORMATION

AMOUNT: $

DATE:

BANK:

REASON RETURNED:

TEXAS DRIVERS LICENSE NUMBER:

HOT CHECK PENALTIES

...UNDER THE TEXAS PENAL CODE EFFECTIVE JANUARY 1, 1974: SECTION 31.03: THEFT, AND SECTION 31.04: THEFT OF SERVICE

(PENALTIES RELATING TO SEC. 31.06: PRESUMPTION FOR THEFT BY CHECK)

AMOUNT OF CHECK	MAXIMUM FINE		MAXIMUM CONFINEMENT
UNDER $5.00	$200.00		NONE
$5.00 TO $19.99	$1,000.00	AND/OR	180 DAYS IN JAIL
$20.00 TO $199.99	$2,000.00	AND/OR	ONE YEAR IN JAIL
$200.00 TO $9,999.99	$5,000.00*	AND	10 YEARS IN PRISON*
$10,000.00 OR MORE	$10,000.00*	AND	20 YEARS IN PRISON*
	(*OPTIONAL)		(*2 YEARS MINIMUM)

SECTION 32.41: ISSUANCE OF BAD CHECK
A FINE UP TO $200.00 FOR A CONVICTION UNDER THIS SECTION

CASE NO._____

NAME & ADDRESS OF SIGNER

HOLDER OF CHECK

FIGURE 4

M.I.E. Criminal Prosecution Notice

offense is a Class C misdemeanor. At the same time the name of the maker of the check and his Texas drivers license number are placed in the M.I.E. Index.

Mr. Bond stated the M.I.E. Index currently contains approximately 30,000 names, is published in book form every two weeks and is available in tape or microfiche weekly. He estimated that ninety percent of the names contained in the index are obtained through their copy of the M.I.E. form previously mentioned. The remainder of the names are obtained through the court dockets of persons who are charged and served with warrants for check offenses. Mr. Bond would not furnish any information pertaining to the costs members are charged for the different services provided, the average number of cases filed for a specific period of time or the amount of restitution acquired through M.I.E. services. He did state M.I.E. has a good recovery on non-sufficient fund checks, but checks written on closed accounts are normally fraudulent and recovery is minimal. Mr. Bond also reported they do handle forgeries as the agent for the complainant and file those charges accordingly. In addition, he added, forged checks are often not reported because financial recovery is seldom obtained. Business management often feel investigative personnel are too costly to employ and when forgeries are reported to the Forgery Detail, Houston Police Department, restitution is not a consideration. Consequently,

many stores do not pursue forgery complaints and thereby causes the forgery detail a great deal of frustration.

M.I.E. also has available a stolen check alert service. This information is obtained from the Houston Police Department as a courtesy and is obtainable by members in a periodic report for an additional service charge to its members.

When questioned as to the adequacy of the Merchants Information Exchange System, Mr. Bond replied that his company can provide any service to which the merchant is willing to subscribe. In 1874 Mr. Bond implemented an audio response on line system that, through the use of computers, had immediate memory capabilities. This system employed the touch tone telephone where a employee of a store would dial the assigned store number and drivers license number of the person desiring to cash a check. Within ten seconds an audio response would report the information fed into the system assign a transaction number and a two digit risk code. This type of system would stop the professional check passer. However, Mr. Bond received very few subscribers and those terminated this service because their employees would not use the system. He concluded that Houston is not ready for this type of line system and therefore it was terminated.

The Role of the Merchant

Mr. Herbert Peak, Credit Manager, Weingarten's

grocery chain; Mrs. Eleanor Froehner, Security Assistant, Kroger Food Stores; and Mr. Harvey E. Frost, Houston Group Security Manager, Sears, Roebuck and Company, were interviewed to determine what their respective companies were doing in response to fraudulent check crime.

Sears, Roebuck and Company has written procedures establishing check cashing policy. Checks written for merchandise on the floor are limited to amount of purchase. All checks written for cash are referred to a cashier's counter. When cashing checks for merchandise or money three forms of identification are required if the individual does not possess a Sears Charge Card. They require a drivers license and two other forms of identification which are not specified. Sears will only cash out-of-state checks when the individual has a Sears Charge Card. Checks cashed for currency at the cashier's counter are photographed during the transaction and there is no written limit as to the amount of the check. Checks presented for cash are generally treated on a case by case basis. When a check is returned by the bank the store initially attempts to resolve the matter by telephone followed by a courtesy letter which states;

> Dear _____
>
> Your Check in the amount of $_____ drawn on the (name of the bank) was this day returned to us unpaid marked, (NSF, etc.)
>
> We feel sure that through some error the bank failed to honor your check. If it is not

convenient for you to call at our store at once, please mail us a money order for this amount.

Yours very truly,

Sears, Roebuck and Co.

(Sears, Roebuck and Company, Form F 14126S)

If there is still no response a warning notice is sent stating legal recourse will be taken if the check described is not paid in full within seven days. This is the final attempt by Sears to informally collect their money. If the warning letter is not answered the Merchants Information Exchange form, presented at Figure 4, is mailed certified or registered mial. This procedure is generally followed unless the check is over fifty dollars or there are a number of checks returned. Depending on the circumstances the courtesy letter will be followed by the certified or registered form and the matter turned over to Merchants Information Exchange. Sears, Roebuck and Company will request charges be dropped if restitution is made prior to a warrant for arrest being issued.

Mr. Frost was reluctant to provide any information in regard to a dollar loss that must be incurred before formal prosecution is requested. He would only state that there is economic policy involved which determines whether charges will be filed. This decision is based on the amount of the check or the number of checks returned. This policy pertains more to forged checks than to non-sufficient fund check returns.

Every region or territory in the Sears, Roebuck and Company organization has an established check alert system. All forgeries or uncollected funds on returned checks are reported in a bulletin containing: (1) a picture of the individual, (2) stores involved, (3) picture of the check and (4) the name written as the maker of the check.

Mr. Frost stated three major problem areas which affect check losses: (1) management, (2) employees and (3) banks. He believed higher echelons of management do not understand criminal prosecution and are very concerned with the possibility of civil liability. Violations of the criminal alw are often viewed by management from an economic standpoint making the necessary police and procedural security changes improbable. Employees are also a consistent problem because they fail to abide by existing policy. This problem is compounded with personnel turnover. The third major concern of Mr. Frost was the laxity of banking institutions. He stated forgeries are often returned marked non-sufficient funds, no account and signature irregular. This causes a great deal of lost time in efforts to pursue prosecution of forgery offenders and prevents his office from entering a particular incident into their check alert system to protect other Sears stores. In general, Mr. Frost believed banks do not take enough care in opening new accounts. They fail to verify the

information provided in opening new accounts and this creates a large portion of the fraudulent check problem.

Kroger Food Stores also maintain written procedures for cashing checks. Their policy is in a booklet format entitled, "Rules for Cashing Checks," dated February 1, 1966. Mrs. Froehner stated they prefer to cash checks only when the customer has a check cashing courtesy card. Kroger's will, however, cash checks drawn on local banks with presentation of a drivers license and a credit card. Personal checks are limited to 100 dollars for cash and checks may be written for 75 dollars above the amount of purchase. Payroll checks are limited to 350 dollars and are verified against a list of companies in good standing maintained in a "check reference book." Kroger Stores, by policy, are not authorized to cash tax return checks. Mrs. Froehner stated stolen United States Treasury checks are a large problem and her office is contemplating a policy of not cashing any U.S. Treasury check.

When a check is returned it is sent through the bank a second time if it is in an amount less than fifty dollars. Checks of greater value are immediately acted upon by her office and returned to the store that cashed the check. The first notification to the maker is made by telephone. The second notice is made in writing and states:

NOTICE OF RETURNED CHECK

Date _____

Dear Mr.(s) _____

This is to notify you that your check dated _____ in the amount of $_____ has been returned to our store from your bank for reason of _____. Please call our store, located at _____, immediately to reimburse us for this amount. There will be a $2.00 service charge when you pick up your check. Protect your check cashing record, pay returned checks promptly.

Yours very truly,

_____
Store Manager

(Kroger Food Store From 29187)

If payment has not been received in seven days a final notice is sent certified or registered mail unless the check is in the amount of five dollars or less. The final notice states,

FINAL NOTICE
(Before Legal Action)

Date _____

Dear Mr.(s) _____

This is your final and Legal notice that your check dated _____ in the amount of $_____, must be paid within 10 days, or we will be forced to turn this matter over to the District Attorney's office for further action to protect our rights under Texas Hot Check Law.

This is your last notice. It would save you much expense, trouble and possible criminal action to take care of this matter immediately.

Yours truly,

_____

(Kroger Food Stores Form 29189)

Kroger Food Stores are members of Merchants Information Exchange and receive copies of the M.I.E. Index. Their stores use a pyramid alert system. The security office notifies four stores and each of these stores notify additional stores until the chain is complete. Kroger has two security investigators who train employees in check cashing procedures. The elements of the training program were not made available. Mrs. Froehner did not wish to discuss figures pertaining to dollar loss caused by fraudulent checks. She inferred that such figures were probably maintained but she did not have access to them.

Herbert Peake, credit manager for Weingarten's stated that there are no written procedures established for the Weingarten grocery chain. His office sends out bulletins providing guidelines for such procedures but the ultimate decision concerning check cashing policy is that of the store manager. The general guideline is a 50 dollar limit on personal checks for cash and a 300 dollar limit on payroll checks.

All stores use the courtesy check card which is verified through the bank for a credit rating upon application. A check cashing courtesy booth is used for

all checks regardless if for cash or purchase. Identification requirements when the customer does not possess a courtesy card include a drivers license plus one acceptable credit card.

Mr. Peake's office is currently providing a training program for new store managers for a two or three day period. This program consists of working in the credit office with returned checks to impress the seriousness of the fraudulent check problem.

On returned checks not honored by the drawee bank the process is identical to that of Kroger Food Stores, with the exception that Weingarten's has printed its own criminal presecution notice listed at Figure 5. Weingarten's is a member of the Merchants Information Exchange. They do not submit any information to Merchants Information Exchange until three weeks after an individual has appeared in court and only if no money has been received by that time.

Mr. Peake estimated the average amount of returned checks to be approximately twenty-five dollars. In addition, his office calculates that it costs $12.50 to process a returned check. Mr. Peake expressed deep concern with the bank's failure to verify applications for new checking accounts. He expressed the same views as Mr. Frost towards the bank's failure to meet their responsibilities in the area of new checking accounts.

All three interviews resulted in the central theme

CRIMINAL PROSECUTION

YOU ARE HEREWITH PUT ON NOTICE THAT YOUR CHECK(S) MAY BE FORWARDED TO THE DISTRICT ATTORNEY'S OFFICE FOR PROPER ACTION UNDER THE TEXAS HOT CHECK LAW UNLESS FULL RESTITUTION IS MADE WITHIN 10 DAYS FROM THE DATE OF THIS NOTICE.

Dated _____ 19____

$ _____
AMOUNT

CHECK DATED _____

BANK _____

REASON FOR RETURN _____

COMPANY HOLDING CHECK _____

ADDRESS: _____

PHONE _____

Maker of Check Address •

Distribution Directions:
Forward copies of this notice to:
ORIGINAL — To maker of check.
First Copy — District Attorney's Office
Second Copy — Retain with check.

TEXAS "HOT CHECK" LAW
The Penalties

VALUE	TYPE OFFENSE	MAXIMUM PUNISHMENT
$5	CLASS C MISDEMEANOR	$200 FINE
$5-$20	CLASS B MISDEMEANOR	180 DAYS JAIL TIME AND/OR $1,000 FINE
$20-$200	CLASS A MISDEMEANOR	1 YEAR IN JAIL AND/OR $2,000 FINE
$200 AND UP	3RD DEGREE FELONY	2-10 YEARS CONFINEMENT IN DEPARTMENT OF CORRECTIONS AND/OR $5,000 FINE

FIGURE 5

Weingarten Criminal Prosecution Notice

that the additional costs caused by fraudulent checks are ultimately passed onto the consumer. Each also expressed difficulty in obtaining support from higher echelons of management to pursue criminal prosecution regardless of the economic factor. Restitution is the goal management is seeking in all three business organizations. The three interviews also showed preference for filing charges with the Justice of the Peace rather than the District Attorney's Office. They stated that a much faster processing time is achieved by the Justice of the Peace.

Mr. Reagan Ainsworth, Business Management Specialist Small Business Administration of Houston, was interviewed to determine what assistance this organization provides merchants in handling fraudulent checks. The assistance provided is primarily that of a referral agency. When inquiries are received they will direct the individual to the appropriate agency. The Houston Small Business Administration also sponsors a yearly clinic where representatives from the Harris County District Attorney's Office and the Houston Police Department explain how to report and process fraudulent checks.

The Role of Banks

Roy G. Stephenson, Security and Fraud Control Supervisor, Bank of the Southwest; Jimmy V. Allison, Manager, Master Charge Security, First City National Bank of Houston, and Fred J. Redeker, Executive Director, Houston

Clearing House Association, were interviewed to determine what role the banking community plays in regard to fraudulent checks. Since both of the banks represented maintain a forgery investigation section, their areas of responsibility are presented in the following chapter.

In reducing fraudulent check crime, both Mr. Allison and Mr. Stephenson believe the key element to be verification of information and identification when new accounts are opened. On new accounts, The Bank of the Southwest requires information concerning the place of employment, account applicant's address, and personal identification which is normally a drivers license. It is the policy of the Bank of the Southwest to verify the the place of employment and resident address. Deposits on new accounts that are made by check on out-of-town or out-of-state banks are placed on hold until those checks process through the check collection system. First City National Bank of Houston also places a hold on new accounts under the same circumstance but does not verify all new account information. Their policy is limited to a case by case basis. Both banks have the capability to monitor new account transactions by computer. An alert will occur should numerous transactions begin to take place or the initial checks written on those accounts are in the sum equal to the deposit. In this way, the bank is protected but the remainder of the business community is not. These

two banking institutions also have "fraud alert systems", but they are restricted to members of their respective holding companies. This information is only a warning, and therefore, release of this information could place the bank in jeopardy of civil litigation.

In September, 1974, the Houston Clearing House Association established what is termed a "new account system." Mr. Redeker stated that all banks in Harris County report names of individuals and companies when such accounts are closed for reason of either non-sufficient fund activity or activity after closing. The banks submit a form with the name, address, drivers license number, social security number, bank code number, date closed and reason for closing, to the Houston Clearing House Association. The system is currently processed manually with future plans for a computer system. This information is again restricted to banks. Mr. Redeker is hopeful that this system will prevent individuals and companies from opening accounts in a different bank when they have previously abused their checking privilege. The system eventually should prove beneficial to the business community as a whole.

Signature cards also present a problem for the banker and cause checks to be returned marked signature irregular. There is no existing means established to purge signature cards. Many accounts are several years old and the signature in current use does not match the signature

card on file. The cards cannot be sent in the mail and the only other means to purge the system would be to call all customers in periodically to renew their signature cards. The latter prospect is impractical and the banking community is not willing to expend the effort nor inconvenience their customers.

The answer to the fraudulent check problem, according to the banking representatives interviewed, is the development of the Electronic Funds Transfer System (E.F.T.S.). This system would eliminate the check and replace it with a debit card. Merchants would have a point of sale terminal and a customer would place the debit card into the terminal, punch their personal identification number (PIN), the store's assigned number, and the customers account would automatically be debited and the merchant credited for the sale. This system is in the developmental stage and currently under experimentation to a limited degree in several cities across the country. The American Bankers Association conducted a conference on this new system titled, "EFTS; The Emergency Reality", in September 1975. Information is very limited in this area because the banking community has not released the findings of their studies pertaining to EFTS.

Procedures Established by the Justice of the Peace

Under the Texas Penal Code, Sec. 32.41., (Issuance of Bad Check) is punishable as a Class C misdemeanor. This

change placed this offense under the jurisdiction of the Justice of the Peace. To establish the impact of this change interviews were obtained with Lieutenant Don Chumley of the Constables Office, Precinct No. 1, Harris County and Lawrence H. Wayne, Justice of the Peace, Precinct No. 1, Harris County, Texas.

Lieutenant Chumley described the procedures established within the eight Justice of the Peace precincts in Harris County, Texas. Each precinct has two Justices of the Peace and one Constable assigned. The increased workload presented by the statute increased the staff of the Constables Office in Precinct No. 1, to process the volume of warrants. Their staff capability has led to over seventy percent of the warrants for Issuance of Bad Check issued in Harris County to be processed by Precinct No. 1. The figures maintained by the Constables Office in Precinct No. 1 were made available by Lieutenant Chumley. In 1975, 23,215 warrants were issued and 11,141 were actually served with less than one percent accounting for offenses other than Issuance of Bad Check. The average amount of check was stated to be between 15 and 20 dollars. The largest problem facing the Constables office is there is no central clearing facility for warrants issued by other precincts within Harris County. A warrant can be served by Precinct No. 1 and there could be warrants issued for the same person in any of the other seven jurisdictions.

Lawrence H. Wayne, Justice of the Peace, provided the following statistics pertaining to the number of bad checks; (See Table 5)

TABLE 5

AFFIDAVITS RECEIVED FOR BAD CHECKS 1975 PRECINCT NUMBER ONE, POSITION TWO, HARRIS COUNTY, TEXAS

January	1,496	July	1,110
February	1,169	August	1,304
March	1,532	September	395
April	947	October	1,972
May	1,080	November	677
June	1,185	December	1,596
TOTAL	8,409		7,054

It is important to recognize that Judge Wayne is one of the two judges in this jurisdiction and the figures in Table 5 pertain only to his court. Because of the number of affidavits filed under the new criminal statute an alternative was necessary other than issuing a warrant for arrest. Judge Wayne developed a short memo and sends it registered mail allowing an additional ten days to resolve the matter. Judge Wayne's memo reads as follows:

> Please be advised that you have been charged with the offense of ISSUANCE OF BAD CHECK, Case #_____. This is a misdemeanor offense filed in Harris County, Texas, in the Court of the Justice of the Peace, Precinct 1. Room 305, Harris County Courthouse, 301 San Jacinto Street, Houston, Texas. CALL THIS OFFICE IMMEDIATELY! DO NOT WAIT UNTIL

THE LAST DAY! This notification has been sent to give you an opportunity to CONTACT THIS COURT concerning this charge. If you have not contacted this office by _____, a warrant will be issued for your arrest.

Ext. 181

Laurence H. Wayne, Justice of the Peace - Precinct 1, Pos. 2
Houston, Texas 77002

FOR INFORMATION: CALL 228-8311 - HOURS: 8:00 A.M. to 5:00 P.M.

Once the warrant for arrest is issued the Constables Office sends an additional letter allowing a three day period prior to serving the warrant. The letter reads as follows:

This is to advise you that you have been charged in the above Court in and for Harris County, Texas, with the above offense and a warrant has been issued for your arrest by that Court.

This letter is being sent to give you an opportunity to avoid the embarrassment of possible arrest and incarceration by posting the required bond immediately with the above Court. As the warrant for your arrest has been assigned to the below listed Warrant Deputies, we would suggest that you either contact this office or your attorney.

Please contact Harris County Constable's Department, Courthouse and Jail Building, Room 408, 301 San Jacinto Street, or call 228-8311, Ext. 615.

Respectfully yours,

WALTER H. RANKIN, Constable
Precinct #1, Harris County

By_____
Criminal Warrant Division

Judge Wayne estimated that between the two letters over fifty percent of the outstanding checks are cleared and restitution paid. If restitution has been made prior to actual arrest but after a warrant is issued the person

is released on a personal bond. The normal bond posted for this offense is 200 dollars. The average fine in Judge Wayne's court is between 15 and 20 dollars in addition to restitution. Judge Wayne stated that the fine imposed for the same offense by Justice of the Peace John Pacetti in the same precinct is approximately 50 dollars.

Worthless Check Section, District Attorney's Office

Robert E. Delany, Assistant District Attorney in charge, Worthless Check Section, Harris County District Attorney's Office was interviewed. He stated that his office handles checks that are returned for reasons of non-sufficient funds, and no account or account closed, which are punishable under Section 31.03, (Theft or Section) and 31.04., (Theft of Service). When the value of the property or service stolen is less than five dollars the offense is a Class C misdemeanor and the case is referred to the appropriate Justice of the Peace.

Mr. Delany revealed that his office issued 11,773 warrants pertaining to 16,000 checks in 1975. His office collected over $786,000 dollars in restitution during 1975 and he believed that restitution was collected in approximately fifty percent of the cases filed. All of his office's warrants are served by the Harris County Sheriff's Department. Mr. Delany stated that once a complaint is filed his office sends an additional warning letter allowing ten days to clear the matter with his office. If restitution is made

during this ten day period all charges are dropped because it is difficult to then prove intent to defraud.

The statement that appears on a sign upon entering the Worthless Check Station, although contradicting the offices function, is self-explanatory and reads:

NOTICE

This office is not a collection agency and for this reason the following policies will be strictly observed:

1. No checks will be handled where the payee holds the check for a period in excess of one year before showing any interest in prosecution
2. This office will accept checks only from the named payee on the check or the agent of such payee. This is to prevent collection agencies from brining in checks which were given to merchants on other individuals and collecting fees when restriction is made.
3. Restitution will be sent directly to the named payee by this office in order to avoid mistakes and duplication of handling.

In reviewing the material presented in this chapter it is apparent that restitution is preferred to prosecution unanimously. A great deal of time, effort and expense is made in sending numerous letters or notice to achieve restitution. The Justice's of the Peace and the District Attorney's Office are not capable of handling the large number of complaints without attempting to reduce them through the opportunity for restitution.

CHAPTER IV

FORGERY INVESTIGATION--STATE OF THE ART

This chapter examines the forgery investigation responsibilities, capabilities, policies and procedures of those law enforcement agencies in Harris County, Texas, assigned such duties. Relevant literature pertaining to forgery investigation is also presented where appropriate. Here, as in the previous chapter, the information obtained is believed to be in general, typical of the established investigative methods found in any metropolitan area within the United States and not restricted only to Harris County. The information gathered pertaining to federal agencies was assumed to be standard policy within that agency regardless of geographic location. The responses received through personal correspondence with the fifty largest municipal police departments based on population served is examined to further verify that the general problem identified in Harris County may be found nationwide.

Interviews were conducted with federal, county, and city law enforcement agencies along with two commercial banks who maintain their own investigative staff. Representatives from the Houston Offices of the Federal Bureau of Investigation, the United States Secret Service, and the United States Postal Inspection Service were interviewed to define the role of federal agencies in the investigation

of forged checks. The role of local law enforcement combined with their capabilities to investigate forged checks was secured through interviews with investigators from the Detective Bureau, Harris County Sheriff's Department and the Forgery Detail, Houston Police Department. Interviews were conducted with representatives of the Bank of the Southwest and the First City National Bank of Houston to examine the forgery investigation capabilities and policies of the banking community.

The primary issues discussed during all the interviews were the respective investigative procedures, jurisdiction, check classification methods or files, alert notification procedures, and the respective professional relationship with the Houston Police Department. Before the data secured through these interviews is presented the offense of forgery is discussed in general.

Forgery

The offense of forgery is listed under Section 32.21 (Forgery) of the Texas Penal Code. The statute was presented in its entirety in the previous chapter and therefore will not be restated. Forgery does differ from other bad check offenses because the operational definition of the offense is generally the same from state to state. In other words, the basic elements of proof that must be established to support a charge of forgery are the same. There are four basic elements of proof:

(1) False Making. It must be shown that a writing was falsely made or altered.

(2) Legal Liability. The signature or writing must be of a nature which would, if genuine, impose a legal liability on another or change his legal right or liability to his prejudice. The writing must on its face appear to impose a legal liability on another, as for example, a check or note.

(3) Identity of the Forger. It must be shown that it was the accused who falsely made or altered the writing or who knowingly uttered, offered or issued the false instrument.

(4) Intent to Defraud. The intent to defraud must be shown; it need not be directed toward a particular person nor be for the advantage of the offender. It is immaterial whether anyone was actually defrauded. The carrying out of the intent need not go beyond the false making or altering of the writing. The intent can often be inferred from the act.

(O'Hara, 1974, pp. 463-464.

Horgan (1974) as well as Perkins (1942) list the types of forgery and fictitious checks commonly encountered. Since Horgan is more recent his terminology is used and stated as follows:

(1) Straight Forgery. This is the signing of the name of another person on business or payroll checks. In all cases, however, there must be an intent to defraud.

(2) Fictitious Name Forgery. This type of forgery occurs where the name of a nonexistent person is signed as maker. In such a situation the officer can testify that he has checked the telephone directory, city directory, tax records, voting records, etc., and found no person of that name. The officer can also testify that no person of that name resides at the address given by the suspect. If a person with a similar name does reside at the address listed, that person is generally called into court to testify to the fact that he did not write or sign the check in question. A bank repre-

sentative may testify as the nonexistence of an account at the bank involved in the transaction.

(3) Forgery of Endorsement. In this instance, the name of the payee is forged on the check with intent to defraud. Should a person give another individual permission to sign his name, there is no crime. This permission need not be in writing. The fraudulent signing of a lost or stolen payroll check or Travelers check would be classified as forgery of endorsement.

(4) Forged by Alteration. This type of forgery includes any document, check...on which the defendant makes some alteration in whole or in part; for example, raising the amount of a check for $8.00 to read $800.

(5) Postdated Check. A postdated check will also constitute a violation of forgery. However, if a postdated check is given, and the defendant informs the payee at the time of the delivery that sufficient funds are not yet available, there is no deception... In such an instance a civil action would be indicated.

(Horgan, 1974, pp. 272-273).

The methods used by the forger to pass and obtain checks are numerous and an extensive listing of the modus operandi most commonly employed is presented at Appendix F. The listing is extensive but not necessarily complete since only the imagination of the forger limits his occupation. Because the forger can strike with a stroke of a pen, and his limits are only his own capabilities and imagination, the most difficult task in solving a forgery offense, and the key element of proof, is his identification.

Offender identification is compounded in this country by the ease with which fraudulent identification may be obtained. Frances G. Knight, Director, Passport Office, Department of State reported:

> We uncovered a total of 501 passport frauds in the fiscal year 1970. The number rose to 604 in 1971, to 614 in 1972, to 738 in 1973, and then 791 in fiscal year 1974. We are sure many more than those are never discovered...The Social Security Administration reports more than 4,200 individuals have two or more Social Security numbers...There are organizations that will sell to illegal aliens or criminals any type of document they want - no questions asked. Some of these services are advertised and very lucrative. There is an underground booklet in circulation giving specific instructions on how to obtain fraudulent driver's licenses, Social Security cards, credit cards, birth certificates, military discharge papers, marriage licenses - almost anything...A common way for a criminal to get someone else's birth certificate is to read through the obituary pages of old newspapers or visit a cemetary and pick out the name of a dead person who was born at about the same time as he was. With this information, he can write in for a copy of the deceased persons' birth certificate, enclose $2, and in due course receive an official document which gives him a new identity. He has a birth certificate which is bona fide - it has the seal of the State - but it is not his
>
> (A National Identity Card..., 1975, pp. 24-25).

Normally, birth certificates and death certificates are not cross-indexed. A birth certificate may be issued in Texas and the death of that same person may be recorded in New York. These records are never brought together or centralized. If a birth certificate can be obtained with such ease and identification achieved by a fraudulent passport, the forger can become a very expensive operator in any community. More important, these extensive efforts are not required to obtain fraudulent identification.

The responsibility, and often difficult task, of identifying the forger is predominantly the role assigned

to the law enforcement profession. The remainder of this chapter will focus on the law enforcement agencies assigned this responsibility and the methods employed to accomplish this difficult task.

Federal Investigation of Forgery

An interview with Special Agent Robert Dickerson, Houston Office, United States Secret Service, was conducted to determine the role of the Secret Service in the investigation of forged checks. The Secret Service jurisdiction is limited to stolen or forged United States Treasury checks and agents investigates only such offenses. Special Agent Dickerson stated forged United States Treasury checks and related offenses are charged under Title 18, United States Code, Section 495:

> Contracts, Deeds, and Powers of Attorney - Whoever falsely makes, alters, forges, or counterfeits any deed, power of attorney, order, certificate, receipt, contract, or other writing, for the purpose of obtaining or receiving, or of enabling any other person, either directly or indirectly, to obtain or receive from the United States or any officers or agents thereof, any sum of money; or whoever utters or publishes as true any such false, forged, altered, or counterfeited writing, with intent to defraud the United States, knowing the same to be false, altered, forged, or counterfeited; or whoever transmits to, or presents at any office or officer of the United States, any such writing in support of, or in relation to any account or claim, with intent to defraud the United States, knowing the same to be false, altered, forged, or counterfeited, shall be fined not more than $1,000 or imprisoned not more than 10 years, or both.

The majority of United States Treasury checks are repetitive checks involving military pay, railraod retire-

ment, Social Security, and Veterans Administration Compensation. The payee notices immediately if the check was not received. The payee then notifies the appropriate agency who authorizes receipt of the federal funds and a stop payment order is issued and that agency normally authorizes the issuance of a replacement check. When the check is cashed the original is photostated and a copy along with Department of the Treasury Form TUS 1133C, listed at Figure 6, is sent to the payee. Upon completion this form is received by the Check Classification Division of the Secret Service in Washington, D.C. A cursory exam of handwriting is made to see if a frauculent claim is being made. If the claim is not fraudulent, photostat copies of the check and the affidavit of forgery are sent to the appropriate field office of the Secret Service and the drawee bank. The bank receives its copy through the Federal Reserve System and its account is debited. The bank in turn debits the amount of the second endorser if one exists.

Special Agent Dickerson stated his office and most others are backlogged with check cases which causes investigative delays. Compounding this problem is a thirty to sixty day time lag between the actual forgery and the time the investigative office receives official notification. The time lag is caused by the lack of concern by the payee who normally has already received a second check and fails

CLAIM AGAINST THE UNITED STATES FOR THE PROCEEDS OF A GOVERNMENT CHECK OR CHECKS

I am the payee and owner of the following-described check and, having examined a photocopy of the check and the endorsement thereon, declare that I did not in any manner participate in any part of the proceeds and I hereby make claim for the amount of the check. In support of this claim I make the following statements which I declare to be true to the best of my knowledge and belief:

SYMBOL	CHECK NO.	DATE	AMOUNT
PAYEE:			

	(Answer fully)
1. Was the check received, or did you ever see it?	
2. Did you endorse this check?	
3. Was the endorsement of your name on the check made with your consent or by agreement or understanding with anyone?	
4. State the purpose for which the check was issued.	
5. Give your identification number relative to the check, such as Social Security, Military Service, Veterans compensation, etc.	

WARNING.-Title 18, Sec. 287, U.S. Code: "Whoever makes or presents to any person or officer in the civil, military, or naval service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious, or fraudulent, shall be fined not more than $10,000 or imprisoned not more than five years, or both."

Signature of Co-Payee, if applicable: .....

TWO Witnesses to signature(s) required:

Signature of Witness: .....

Address of Witness: .....

Signature of Witness: .....

Address of Witness: .....

Signature of Payee: .....

Address: .....

City & State: .....

Date Signed: .....

Form TUS 1133C (Rev. 4-72)

DEPARTMENT OF THE TREASURY - Treasurer, U. S.

FIGURE 6

NOTICE

The following information is for investigative purposes and
YOU MUST ANSWER ALL QUESTIONS FULLY

6. If your present name differs from that on the FACE of the check, explain the reason therefor.	
7. If an address is given on the face of the check, state whether you	(a) ever lived at such address ☐ YES ☐ NO (b) ever received your mail there ☐ YES ☐ NO
8. What was your mailing address on the date of the check?	Did you also live at this address? ☐ YES ☐ NO
9. If you had changed your address, did you so advise a Government Office?	☐ YES ☐ NO Which one?

10. What are the names, addresses, and relationship to you of the persons who resided at the address shown on check?

NAME	ADDRESS	RELATIONSHIP

11. Do you have any reason to believe that the check was endorsed, or that the proceeds were received by any person whose name is listed in the answer to No. 10 above.	☐ YES ☐ NO ☐ YES ☐ NO by any associate ☐ YES ☐ NO by any member of your family
(If your answer to any of the above questions is "YES", give name and address of person suspected.)	
12. Were you ever in the establishment where the check was cashed?	☐ YES ☐ NO Are you known there? ☐ YES ☐ NO
13. Where did you usually cash your checks at the time the above-described check was cashed?	
14. Give any other facts known to you regarding the forging or cashing of the check.	
15. Give the name and address of your present place of employment.	Telephone No.
16. Print or type your correct name and mailing address.	ZIP Code:

17. *Signature of Payee:* . . . . . *Signature of Co-Payee, if applicable:* . . . . . .

Residence Address: . . . . . .

City & State: . . . . . *Zip Code:* . . . . . .

Telephone Number: . . . . . .

GPO : 1972 O - 472-906

FIGURE 6 (Continued)

to complete the necessary forms promptly. These delays make the identification of the forger very difficult unless physical evidence is obtained.

The investigation phase consists of an attempt to establish the identity of the forger through interviews with the payee and the bank or merchant who cashed the check. If these efforts meet with negative results the investigation depends completely upon evidence acquired through handwriting and fingerprint analysis of the forged instrument. If a subject is identified, complete prints (palm, fingers and heel of hand) are obtained along with handwriting exemplars. Handwriting exemplars are obtained on United States Secret Service forms appearing at Figures 7, 8 and 9 respectively. The Secret Service maintains a photostat file of all forged United States Treasury checks by handwriting classification and geographic area. It also maintains handwriting exhibits of multi-offenders. All appropriate physical evidence is compared with the existing central files in attempt not only to establish identification of the offender but to find out if other checks were forged by the same individual. These files maintained by the Secret Service are restricted for its use only.

Special Agent Dickerson reported that even when the investigation is successful, the United States Attorney's Office may not prosecute. It is the United States Attorney's

XXXXXXXXXXXXX XXXXXXXXX

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XXXXX XXX XXXXXX XXXXXXX XXX XXXXXXXXXXXXX
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XXX XXXXX XXXXXX XXXXXXX XXXXX XX XXX
XX XXXXXXXXX XXXXXX

XX XXX XXXXXXXXXXX XX XXXX XX XXXX X XX
XXXX XX XXXXXXXXX XX XXX XXXXXXX XXX XXX XXXXX
XXXXXX XXXXX XXXXXX XX XXXXXXXXX XX XXXX

XX XX XXXXXXXXX XXXX XXXX XXXXX XX XXXXXXXX
XXXXXXXXXX

HANDWRITING SPECIMEN (CHECK)

THIS SPECIMEN WAS PREPARED FREELY AND VOLUNTARILY

SIGNATURE OF WRITER	DATE
INITIALS OF WITNESS	DATE

CASE NO.

UNITED STATES SECRET SERVICE SSF 1607C (03-73)

FIGURE 7

Check - Side 2

XXXXXXX XXX XXXXXXX

X XX XXX XXXXX XX XXXX XXXX XXX XXXXXX XXXXXXX XXXXXXX

XXXX XX XXX XX XXXXXXXX XX XXXXXX XXXXX XX XXXXXXXXXX XXXXXX

XXXXXX XXXX XXXXXXX XXXXXX

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XXXXXXXXX
XX XXXXXXXX
XXXXXXXXXX XX XXX

HANDWRITING SPECIMEN (BOND)

THIS SPECIMEN WAS PREPARED FREELY AND VOLUNTARILY

SIGNATURE OF WRITER	DATE
INITIALS OF WITNESS	DATE

CASE NO.

UNITED STATES SECRET SERVICE SSF 1607C (03-73)

☆ GPO : 1973 0—729-647

FIGURE 7 (Continued)

Bond - Side 1

HANDWRITING SPECIMEN

Name

Address

City and State

Signature

Name (Print Last Name, First Name, Initial)

Social Security No.

Title of Case

Case No.

Witnessed by

Date

Office

UNITED STATES SECRET SERVICE

SSF 1607 (05-7

FIGURE 8

ESCRITURA MANUSCRITA

Nombre			Case No.
Dirección			Office
Pueblo	Estado		Angel Berriós Cancel
Sitio Donde Nació			Enrique Fernós
Fecha De Nacimiento		Edad	
Altura	Peso	Forma Del Cuerpo	Inéz G. Hernández
Color de Ojos	Color de Pelo	Escribe Derecho O Izquierdo	Katherine J. López
Donde Trabaja (último trabajo)			
Ocupación o Profesión		Número del Seguro Social	Néreida M. Ortiz
Nombre de Su Familiar Mas Cercano		Relación	Pablo Q. Rodríguez
Dirección			

Escriba manuscrito y no en letra de molde, las letras mayúsculas y minúsculas.

A	B	C	CH	D	E	F	G	H	I
J	K	L	LL	M	N	Ñ	O	P	Q
R	S	T	U	V	W	X	Y	Z	
a	b	c	ch	d	e	f	g	h	i
j	k	l	ll	m	n	ñ	o	p	q
r	s	t	u	v	w	x	y	z	
1	2	3	4	5	6	7	8	9	10

Santiago T. Umpierre
William X. Vicenty
Yolanda Zalduondo
Edificio 123 Apt. 6574
Borinquen 9801
Calle Loiza 1342
Apartado 6579

X

Lo anterior es una muestra de mi letra preparada libre y voluntariamente.

Fecha	Firma		
Witnessed By	Exemplars of (Print Last Name, First Name, Initial)		
Date Witnessed	Year Born	Race	Sex

UNITED STATES SECRET SERVICE SSF 1607B (03-7

FIGURE 9

policy not to prosecute cases involving family members of the payee. Also, a case involving only one check is seldom prosecuted. In these instances, the Secret Service will turn the case over to the state who determines whether they will prosecute the offense. Special Agent Dickerson stated that there was no specific policy involving state prosecution and each offense was handled on a case by case basis.

The Secret Service does not maintain any alert system to inform on stolen or unaccounted for United States Treasury checks. Special Agent Dickerson said the volume of checks issued prevents any such system. He stated 365 million checks are issued by the federal government yearly. The check problem is being resolved by eliminating the check whenever possible. He reported that many Social Security checks are being phased out this year through the implementation of the guaranteed deposit system now in use by the federal payroll system. Individuals who receive monthly funds will have their checking accounts credited for the specified amount by their bank. The United States Government prepares master lists for funds due each bank and the transfer is handled by the Federal Reserve System. The payee receives no check.

The Secret Service very seldom has any involvement with local authorities while investigating forged checks. The Houston Police Department does notify the Secret Service

office when a United States Treasury check is involved in any of its investigations. The majority of Secret Service investigations also involve the Postal Inspectors. Special Agent Dickerson stated that the majority of checks that are reported as not received have been stolen from the mail. Therefore, a number of the cases involve violation of federal postal regulations resulting in joint jurisdiction and investigation of the reported offense.

To determine the investigative role of the United States Postal Service an interview was conducted with Mike McDonald, Postal Inspector, United States Postal Service, who stated that checks stolen from the mail are violations of the United States Code, Title 18, Section 1708, Theft or Receipt of Stolen Mail Matter Generally, or Section 1709, Theft of Mail Matter by Officer or Employee of Postal Service. The majority of offenses fall under Section 1708 which reads as follows:

> Whoever steals, takes, or abstracts, or by fraud or deception obtains, or attempts so to obtain, from or out of any mail, post office, or station thereof, letterbox, mail receptacle, or any mail route or other authorized depository for mail matter, or from a letter or mail carrier, any letter, postal card, package, bag, or mail, or abstracts or removes from any such letter, package, bag, or mail, any articles or thing contained therein, or secretes, embezzles, or destroys any such letter, postal card, package, bag, or mail, or any article or thing contained therein; or
>
> Whoever steals, takes, or abstracts, or by fraud or deception obtains any letter, postal card, package, bag, or mail, or any article or thing contained therein which has been left for

> collection upon or adjacent to a collection box or other authorized depository of mail matter; or
>
> Whoever buys, receives, or conceals, or unlawfully has in his possession, any letter, postal card, package, bag, or mail, or any article or thing contained therein, which has been so stolen, taken, embezzled, or abstracted, as herein described knowing the same to have been stolen, taken, embezzled, or abstracted--shall be fined not more than $2,000 or imprisoned not more than 5 years, or both.

Inspector McDonald related that his office normally charges the offender with possession of stolen mail because there are normally no witnesses to the actual theft of the mail. When United States Treasury checks are involved, a copy of the initial report is forwarded to the Secret Service which provides photocopies of its check cases to prevent duplication of effort. Normally the agency that first receives the report of an alleged violation investigates the offense and all violations of the United States Code are included in the report to the United States Attorney's Office. In actuality, there are no joint investigations because this ties up additional personnel.

The largest number of mail offenses involve theft of commercial checks. Individuals make out checks to different companies to pay their bills and place them in a mailbox. The thief takes the payment from the mailbox to obtain a copy of someone's personal check. One the thief has obtained the bank name, individual account number and account holder's signature, he uses bank withdrawal slips to obtain funds. These type offenders usually hit for amounts less than 100 dollars and this way very little

verification is made by the bank. Unless the teller personally knows the real account holder, the only real check the bank can make is to insure there are sufficient funds in the account. The real professionals, steal series of checks or books of checks from the mail and travel around the country with stolen checks, establishing accounts with banks utilizing the split deposit to obtain cash. The postal service is normally notified when the individual is informed by a company his bill has not been paid and the individual knows he mailed the payment. Losses involving books of checks are discovered when the customers do not receive new checks or have run out of checks and contact their bank who informs them checks were previously mailed on a specified date.

The investigative phase normally begins when the check is passed and the drawee bank returns the check as a forgery or marked "Stopped Payment." At this time, interviews are conducted with those people who cashed the check. If a positive identification cannot be established and there is no photograph of the check cashing transaction, the case is closed and placed in the unsolved file for a period of five years. If during this period no new evidence is acquired, the case is placed in the dead file. The unsolved file is indexed geographic location and in alphabetical order by payee. This system attempts to identify the multi-offenders. If a Regiscope or Dubl-Check photo

is obtained, copies of these photos are placed on a ring file for five years. All postal inspectors carry a photo ring file for their office's geographic responsibility and through interviews attempt to obtain a positive identification. Copies of the questionnaire forms used by the postal service were requested from Inspector McDonald but he declined to release copies. The initial form forwarded to the complainant is similar to that form used by the Secret Service listed in Figure 6. He also stated that unsolved cases outnumber the solve cases. When a photograph of the offender is obtained during the investigation, the reverse holds true. Inspector McDonald stated the key to identification of the offender is the physical description or photograph provided by the victim payee. Additionally, evidence obtained through fingerprint and handwriting analysis provided by the FBI is of considerable value in obtaining identification of the offender and strengthening the case for prosecution.

The United States Postal Inspection Service does not provide any alert system to merchants, banks or other law enforcement agencies. Inspector McDonald stated that multi-offenders are reported to the FBI. Within their own department inspectors will notify other geographic areas if they feel a particular offender is moving into the particular area of investigative responsibility. Single offenses are too numerous for the agency to provide a

formal notification service. The prosecution procedure was stated to be identical to that of the Secret Service. Inspector McDonald reported that in those cases where the United States Attorney's Office will not prosecute, the cases are turned over to the state for prosecution under its penal code, if desired. Prosecution by the state is on a case by case basis.

Inspector McDonald was asked if postal service investigative procedure would create a duplication of effort between that office and local law enforcement. He responded that during the initial phase of the investigation it is quite possible and does frequently occur. During the interviews in the initial phase of the investigation inspectors determine if any other law enforcement agencies have been contacted. In those instances, where other law enforcement agencies have received notification, the postal inspectors contact that particular department, and either a joint investigation is made or one of the investigating agencies withdraws from the case. The Houston Police Department is the department with which they work most frequently when conducting an investigation on cases involving instruments other than United States Treasury checks.

The final federal agency included in this survey was the Federal Bureau of Investigation (FBI). Unlike the previous federal agencies the FBI and the services they provide that assist in the investigation of forged

checks are contained in available literature. Horgan (1971) provides a complete listing of the services available in check investigations provided by the FBI. Besides the established fingerprint and handwriting analysis performed by the FBI, they also maintain a Typewriter Standards File, Checkwriter Standards File, Rubber Stamp and Printing Standard File, Watermark File, Ink Standards Collection, Confidence Men File, Prochek and the National Fraudulent Check File. Prochek and the National Fraudulent Check File are important and further explanation is provided.

Prochek as reported by Horgan (1974) is a computer system in which the peculiarities and habits of the professional check passer are cataloged for ready retrieval. In cases where the identity of the check passer is unknown, information regarding his description, modus operandi, and check styles is quickly searched against this information library on known check passers. The National Fraudulent Check File is a central repository for fraudulent checks passed in the United States. It contains over 98,000 specimens and is used to identify the author of bad checks. Additionally, it is used to coordinate information pertaining to fast traveling check artists. The FBI has available a handout reprinted from the FBI Law Enforcement Bulletin (January, 1962), explaining the use of this service which is contained at Appendix G.

To define the specific jurisdiction and the inves-

tigative policy of the FBI an interview was conducted with Special Agent William Mueller, Houston Field Office, Federal Bureau of Investigation. He explained that FBI jurisdiction is defined by Title 18, United States Code Sections 2311, 2314, 2315, 2318 and 1343. These statutes pertain to the interstate transportation of stolen property. The FBI is concerned with checks that are not "true name" that travel interstate. Its jurisdiction also covers checks stolen in one state and passed or uttered in another. The exception to the FBI jurisdiction includes "true name" checks regardless of interstate transport, forged counter signatures on traveler's checks, and forged endorsement on an otherwise valid check.

Agent Mueller further related that according to Department of Justice policy checks cases should ordinarily be prosecuted in state courts. Federal courts should be reserved for aggregate offenses or when either the witnesses or subject are not available locally. Prosecution in federal court normally requires the value of the forged check or checks to total in excess of 5,000 dollars. This guideline is used with very few exceptions. He added that laboratory examiners are available to testify in local courts on any evidence they have examined. In providing this service they ask that the evidence not be submitted to any other laboratories by law enforcement agencies because it is their policy to avoid duplication of effort.

Investigation begins once the stolen or forged check is passed. At this time, agents interview the person who accepted the check and the specific drawee bank to see if additional checks have been received. The original instrument is obtained and sent to the laboratory to be examined for fingerprints, handwriting, and compared with existing check files or other appropriate standard files maintained. In addition to interviewing the individual who accepted the forged instrument, agents interview anyone who may have witnessed the transaction. A follow-up is made on all forms of identification presented by the offender. Normally a driver's license number or social security number is noted in cashing a check. By tracing the driver's license number agents can tell if it is legitimate or stolen. If it is not fraudulent, an identity can usually be established. Social security numbers (See Appendix H) identify the location where the card is issued and enables one to check with local authorities to establish a possible suspect. If at this point identities cannot be established the case is normally closed.

When a possible suspect is identified through the preliminary investigation, a photo spread is made and shown to all witnesses. Once a suspect is developed, all necessary steps are taken to locate that particular individual. When the suspect is found agents attempt to obtain voluntary handwriting exemplars and fingerprints. Agent Mueller

stated that during the initial interview of a suspect he is normally not under arrest and therefore one cannot compel an individual to provide handwriting exemplars or fingerprints. If the suspect refuses to cooperate, the FBI requests that a subpoena be issued to secure records of handwriting from utility companies, banks, credit organizations, or the like. An extensive list of sources where known handwriting may be obtained is listed in Figure 10. A court order may also be obtained from a United States District Court Judge to obtain known handwriting. Here, the responsibility lies with the FBI to show the necessity of this information for the reasonable conduction of a valid investigation. Finally, all the evidence is presented to the United States Attorney and a determination is then made whether or not to prosecute the offender.

Agent Mueller stated that the FBI provides the Houston Police Department with all services rendered by the FBI. Joint investigations and mutual assistance between their office and the Houston Police Department is fundamental to successful investigation of forgery offenses within the FBI investigative authority.

Forgery Investigation - Commercial Banks

The larger banking institutions have the capability to investigate forgery offenses. The Bank of the Southwest and the First City National Bank of Houston both have

Government

Voter registration
Court records
Driver license applications
Marriage license applications
Dog licenses
Vehicle registration
Petitions
Mail receipts
Business permits
Change of address forms
Certificates of ownership
Library cards
Building permits
Deeds
Tax records
Military records
Passports

Police & Courts

Fingerprint cards
Booking records
Property receipts
Telephone logs
Citations
Surety bonds
Signed statements
Depositions
Court records

Merchants & Businessmen

Sales slips
Charge slips
Hotel registration
Receipts
Applications for utilities
Credit applications
Job applications
Surveys
Applications for insurance
Work orders

Banks

Signature cards
Checks
Check endorsements
Loans, notes
Withdrawals
Deposit slips
Safe deposit box cards
Drafts
Contracts
Bonds

Other (Misc.)

Letters
Business papers
School records
Wills
Church records
Club records
Membership cards
ID cards
Credit cards
Visitation registers
Hospital admittance questionnaires
Charity pledges

Figure 10 Sources of Known Handwriting (Olson, 1975, p. 67)

criminal investigators under their employ. To determine their capabilities and limitations, interviews were conducted with Mr. Roy G. Stephenson, Security and Fraud Control Supervisor, Bank of the Southwest, and Mr. Jimmy V. Allison, Manager, Master Charge Security, First City National Bank of Houston.

Mr. Stephenson stated that forgery investigation by banks developed as an extension of fraudulent credit card investigation. Criminal investigation of forgery is also viewed as a service to their customers as well as the protection of the bank itself. Many forgeries are not discovered until a customer receives his monthly statement and find a deduction from his account that he did not make. When this occurs the first place the individual contacts is his bank asking for an explanation. Rather than sending the customer directly to the Houston Police Department, the customer is asked to report to Mr. Stephenson's office. At this time the account is examined and a determination is made to determine if in fact a forgery did occur.

If it is determined that a forgery did occur the customer is asked to fill out an affidavit of forgery (See Figure 11). The cusomter is interviewed to determine who has access to the customer's check or if at anytime his check book was lost or misplaced. The same general steps of a preliminary investigation are made. The Bank of the Southwest has cameras at every teller's window which take

FORM 6206

AFFIDAVIT OF FORGERY

STATE OF TEXAS)
)
COUNTY OF _____)

I, _____, of the City of _____, County of

_____, State of Texas, residing at _____,

being duly sworn, deposes and says:

1. Affiant states that _____ number _____ drawn on _____

_____, on the account of _____, account number _____

_____, dated _____, payable to the order of _____

_____, and in the amount of $_____, was not signed/endorsed by affiant nor was it done

with affiant's knowledge and/or consent. Affiant further states that affiant's signature appearing on said instrument is a forgery. Affiant has not received any benefit or value from said instrument, or any part thereof, and affiant did not present said instrument for negotiation or payment.

2. Affiant will testify, declare, depose or certify to the truth of any or all of the foregoing before any competent tribunal, officer or person in any legal proceeding, civil or criminal, which is now pending or which may hereafter be instituted in connection with the matter contained in this affidavit.

3. Affiant fully realizes that Bank of the Southwest may cause the arrest of a person or persons for the forgery of affiant's signature, identified in paragraph one above, and affiant acknowledges that any such arrests will be caused by Bank of the Southwest solely in reliance upon the representations of fact made by affiant herein, regardless of whether one or more of the persons arrested is a relative or friend of affiant; affiant will indemnify and hold harmless Bank of the Southwest from any liability arising out of or in any way connected with such arrest in the event that the representations of fact made by affiant herein should prove to be false.

_____
SIGNATURE OF AFFIANT

SUBSCRIBED AND SWORN TO BEFORE ME THIS

_____ DAY OF _____, 19___.

_____

Notary Public in and for _____

County, _____.

NOTICE: Chapter 37, Section 37.02 of the Texas Penal Code Provides:

> "A person commits an offense if, with intent to deceive and with knowledge of the statements meaning: (1) he makes a false statement under oath or swears to the truth of a false statement previously made; and (2) the statement is required or authorized by law to be made under oath." An offense under this section is punishable by a fine not to exceed $2,000.00; confinement in jail for a term not to exceed one year; or both such fine and imprisonment.

FIGURE 11

a photograph every thirty seconds. This capability allows Mr. Stephenson to verify the date of the transaction and the teller's tapes against the photos taken at that particular teller's window. The teller is then taken to a viewing room and a positive identification of the transaction and all information the teller can remember are recorded. Mr. Stephenson stated that all checks are microfilmed and the Federal Bank Secrecy Act of 1970 requires records be maintained for a period of five years. Once all this information is gathered a report is filed with the auditor of the bank and the Forgery Detail, Houston Police Department is contacted. Mr. Stephenson stated his investigative efforts are greatly appreciated by the Houston Police Department because many smaller banks will not report or prosecute forgery offenses. If after his preliminary investigation, the bank investigator runs into a dead end, the Forgery Detail is still contacted and the case is reviewed. Normally under these circumstances the police department does not request that a report be filed.

The ultimate decision on the extent of the investigation is determined by a fraud committee. The committee is made up of himself, the bank auditor and the bank security officer. The committee determines the extent the bank's resources will be expended in pursuing a forgery. Mr. Stephenson stated that if the loss is large enough they hire their own document examiner to conduct handwriting

analysis and testify in court if necessary. The handwriting examiner charges 150 dollars per report and 200 dollars a day to testify. He stated the Houston Police Department document examiner is too inexperienced and his efforts result in too many inconclusive findings. Mr. Stephenson emphasized that the Bank of the Southwest will prosecute all forgery offenses regardless of the financial loss suffered. The only consideration is the extent of their own resource expenditure.

Forgeries that fall under the jurisdiction of the FBI as well as suspected check kiting schemes are immediately reported to the Houston field office. Mr. Stephenson stated that the FBI discourages banks investigating any offenses that fall under its jurisdiction. The FBI bank investigations create duplication of effort and could possibly taint its investigation.

Mr. Allison stated that his primary responsibilitty is credit card fraud. He has a verbal agreement with banking management at First City National Bank that he will investigate check forgeries if he has the decision whether to pursue prosecution. Mr. Allison stated that he averages from three to five check forgery investigations per month. His procedures are identical to those of the Bank of the Southwest pertaining to the actual investigation. He did state that under certain circumstances if restitution is made, the police are not notifed and prosecution is not

pursued. Mr. Allison contends that although investigation is currently decided on an economic basis that the problem is increasing and will eventually force top levels of banking management to address this problem from a position of prosecution. Mr. Allison is a member of the Forgery Investigators Association of Texas (FIAT), and indicated that information from this organization reflects that more commercial businesses are developing their own criminal investigation staffs to combat not only check forgery, but fraud in general. Mr. Allison stated that municipal law enforcement agencies do not have enough qualified personnel to combat this type of crime.

County and Municipal Forgery Investigation

The description of the procedures and policies of local law enforcement in the investigation of forgery was obtained by interviewing Lieutenant Louis Shippley, Detective Bureau, Harris County Sheriff's Department and Detective John T. Gallemore, Forgery Detail, Houston Police Department. To eliminate redundancy the Harris County Sheriff's Department will be mentioned separately but will address only those areas of forgery investigation that are distinctly different from those employed by the Forgery Detail, Houston Police Department.

The Houston Police Department does not have any written policies or procedures pertaining to forgery investigation. Detective Gallemore stated the forgery detail is dependent upon the experience, initiative and imagination

of its assigned personnel. He also stated that statistics involving the number of check forgeries investigated on an annual basis were not maintained. Since any given case may involve several checks those statistics would not represent an accurate recording of the actual number of forged checks processed by their department.

Complaints are received primarily from banks, department stores, grocery stores, citizens and other law enforcement agencies. Detective Gallemore stated there is an overall problem of forgeries being reported to the department. When a complaint is received, it initially goes through a screening process to determine if the Houston Police Department has jurisdiction and that the necessary elements that constitute a forgery exist. During this process there are four possible alternatives. First, the complaint could be referred to the appropriate law enforcement agency that has jurisdiction. Second, concurrent jurisdiction could exist and possibly involve a joint investigation. Third, it could be determined there is insufficient evidence to pursue investigation. There are numerous conditions that could cause this third alternative to occur. The fourth alternative is to accept the complaint and request that an affidavit be completed by the complainant. The affidavit used is the Houston Police Department Form 18516 listed in Figure 12.

AFFIDAVIT

STATE OF TEXAS)

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF HARRIS)

BEFORE ME, the undersigned authority on this date

personally appeared _____, a credible person,

who upon _____ oath did dispose and say:

At the time of making this statement, I have had displayed to me a check which purports to contain my signature as drawer, and which is filled in as follows:

MAKER: _____

PAYEE: _____

AMOUNT: _____

DATE: _____

BANK: _____

I did not sign this check and I did not give anyone permission or authority to sign the check for me. I further state that I never received any benefit from, or any value of, said check or any part thereof, and further state that I did not present this check for negotiation or payment.

_____
(Name)

_____
(Address)

_____
(Phone No.)

Sworn to and subscribed before me this _____day of _____,

A.D., 19 ___, to certify which, witness my hand and seal of office.

_____

NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

Form #18516 3/2/66

FIGURE 12

The initial investigation begins with the interview of the person who actually accepted and/or approved the check. All pertinent information that occurred during the transaction of the check cashing procedure is noted. A description of the person who passed the check or a photograph, if that capability existed, is obtained to include the type and description of the identification presented by the forger. Once this information is obtained an attempt is made to establish the identity of the offender. If, at this point there are no leads to pursue, the case is closed and placed in an inactive file for a period of eight years. If the case has not been reopened by the end of that eight year period, the case is placed in a dead file.

If the investigation develops a suspect, the case continues through the investigative procedures discussed under the FBI. It would be repetitive to repeat the same procedures. The significant difference from the FBI procedures is that fingerprint evaluation and handwriting analysis is not accomplished unless an identification is previously established. In cases involving numerous forged checks, or if the check cashing scheme is thought to be a professional operation, the FBI is contacted and its services utilized. In this instance the FBI procedures would take precedent. Detective Gallemore stated that the Harris County District Attorney's Office will not

prosecute on fingerprint evidence or handwriting examination independently. The case must either have a witness who can identify the offender in a photo spread or in a line-up. All physical evidence then supplements the testimony of the witness or witnesses. The other alternative is conclusive expert testimony of handwriting analysis with positive identification established through fingerprints. One without the other will not be prosecuted.

The final stage is an informal review of all the evidence acquired. If the investigator is convinced he has a sound case under the Texas Penal Code, a conference is conducted with the Harris County District Attorney's Office. Here the investigator provides a summary of the case as it stands at that time and a decision is made whether charges are to be filed. At this point in the investigation the case is processed the same as any other felony investigation.

The Houston Police Department does not have any formal alert notification system established. All communications with other municipal police departments in Harris County including the sheriff's department are accomplished informally. The unresolved cases are filed by complainant and by actor. There is no check classification system established within the Houston Police Department.

The interview with Lieutenant Louis Shippley, Detective Bureau, Harris County Sheriff's Department,

revealed almost an identical situation to that of the Houston Police Department. The significant difference is that the Sheriff's Department operates a centralized detective bureau and does not have a specialized forgery investigation section. The Sheriff's Department does not have any written procedures for the investigation of forged checks. Lieutenant Shippley instructs newly appointed officers at the training academy in the subject area of fraudulent checks and credit cards. When asked for a copy of his lesson plan, he stated that he did not use one. He said he gave his instruction based on his twenty-five years of experience in the field. The Sheriff's Department does not maintain a check classification or check alert system. Lieutenant Shippley conveyed that there are thirteen incorporated cities in Harris County that have their own police department and without a centralized reporting system the forger has the definite advantage.

The lack of written policy and procedures for forgery investigation in the Houston Police Department and Harris County Sheriff's Department are not isolated examples within the United States. A copy of the letter at Appendix A was sent to the fifty largest municipal law enforcement agencies in the country based on population served. The primary reason the letter was sent to these agencies was to solicit current bibliographic material. The alternative purpose in writing these agencies was to

obtain copies of their written policy on the investigation of fraudulent checks.

A total of twenty-two responses were received and of those only the Seattle Police Department had a thorough written policy for its department. A lieutenant with the check squad of the Toledo Police Department has written procedures, but the department has failed to adopt them. The remainder of the responses reported either not having any written policy or simply had a statement acknowledging the existence of a check unit accompanied with extracts of the check laws of that particular state. It was further openly stated that their departments were dependent upon the experience of the police personnel assigned to the specific duties of fraudulent check investigation. One may conclude that there has been a lack of initiative, organized effort, and total committment by municipal law enforcement in confronting the fraudulent check passer.

CHAPTER V

FINDINGS AND SUGGESTED INVESTIGATIVE MODEL

The findings of this study were derived through an extrapolation process from the information presented in the preceeding chapters. That information concerned reviewing the relevant literature concerning check offenses, examining the relevant Texas Penal Code provisions, identifying the respective roles of the merchants and banking institutions and describing the state of the art in fraudulent check investigation. The majority of the information presented in this study is the product of a field survey conducted in Harris County, Texas.

The purpose of this concluding chapter is to develop an investigative model for fraudulent check investigation. The procedures developed, although based on the findings in Harris County, are not proposed to be restricted to that geographic area. The information received from other metropolitan police departments supported the assumption that adequate fraudulent check investigative procedures are lacking nationwide. It is recognized that the implementation of the suggested investigative model presented is dependent upon the penal code of the state in which a particular law enforcement agency is located. Prior to presenting the investigative model, the findings extrapolated from the preceeding chapters are presented to establish the need for the proposed model.

The Extrapolation Process

In the first chapter it was noted that the accuracy of statistics presented concerning the dollar loss caused by fraudulent checks are controversial and virtually impossible to verify. Accurate compilation of actual dollar loss incurred is impeded by the numerous agencies absorbing the loss and the multiple agencies responsible for investigating the source of the loss. Unless the business community is provided the incentive to report fraudulent check offenses and law enforcement agencies provided the necessary capability to investigate and maintain accurate records relating to the reported offenses, valid statistics cannot be maintained. Without reliable and valid information pertaining to fraudulent check crime, one may assume the required resources necessary to suppress this type of criminal activity will not be forthcoming.

The second chapter provided a historical synopsis of the development of the check and the bank collection system established to process the increasing volume of check transactions. Additionally, the development of commercial banking law culminating with nationwide adoption of the Uniform Commerical Code was presented.

The studies of the fraudulent check offender characterized the criminal as a highly mobile individual who migrates within geographical regions and is extremely recidivistic. In one circumstance considerable effort has been

made, over a period of years, to establish a Uniform Commercial Code. In the area of penal law every state has established its own criminal statutes coupled with differing prosecution policy. Prosecution is further complicated by the mobility of the offender and the inherent problems of extradition. Since there was need to establish uniform commercial laws to process the instrument, one may logically conclude the need for uniform penal laws to process the check offender.

In reviewing the material presented in Chapter III it is evidenced that restitution is unanimously preferred by the business community to prosecution. A generous amount of time, effort and expense is expended in sending numerous letters or notices to achieve restitution. The Justices of the Peace and the District Attorney's Office are not capable of handling the large number of complaints without attempting to reduce the volume through restitution. Except for true forgery investigation, law enforcement agencies are limited to the serving of warrants for violation of other check offenses. Based on the statistics provided by the Constable's Office in Precinct One and the District Attorney's Office in Harris County, the majority of warrants successfully served are to those individuals who provided accurate information when issuing the check. This indicates the law is being applied to predominantly the "honest" citizens who lack the criminal intent and not the habitual check passer.

The true criminal seldom uses identification that is not fraudulent in nature.

MIE provides the means for the business community to collect returned checks issued by people who cannot manage a checking account or who are confused as to where loans may be obtained. The existing penal code has virtually created a tax supported collection agency operated by the Justices of the Peace and the District Attorney's Office.

It is unlikely that the business community will pay a collection agency for its services when they may be obtained without cost through the criminal justice system. One may also deduce that the business community will not initiate adequate check cashing policies for its protection if the financial loss incurred is collected by government agencies through the means of restitution. Competition between merchants is too intense to install check cashing policy upon its customers unless the public is informed of the fraudulent check problem. Once public awareness is acquired equal pressure will be brought to bear on the business community to initiate such policy. The current situation may account for the lack of written check cashing policies of policy enforcement when one does exist. The banking community is content to blame the merchants for not requiring adequate identification when accepting checks, and the merchants hold the banking community responsible for the problem by not authenticating information obtained

when opening new accounts.

The fourth chapter examined the four common elements of proof that must be established to support a charge of forgery. The key element of proof on which law enforcement agencies expend most of their effort and time is that of suspect identification. Offender identification was stated to be compounded in this country by the ease with which fraudulent identification may be obtained.

Resolving this problem would require the extensive use of photography during all check cashing transactions or the development of a more reliable means of identification. It is not the intent of the author to suggest a national identity card for citizens of this country, although such a situation is not unforseeable. A more suitable solution lies in the refinement of the state drivers license. All states need to place photographs on their state drivers licenses and use the protective measures that are in use by credit card manufacturers to prevent alteration. The cross-indexing of birth certificates and death certificates combined with a more fraud-proof drivers license, would reduce fraudulent identification as well as eliminate the trend of thinking towards a national identity card. The contention that a drivers license is not issued for the purpose of identification, but only indicates the priviledge to drive an automobile, is seemingly unrealistic and out-of-date. It would appear that tax funds spent in this area

would be more useful and productive than providing public supported collection agencies. In fact, over a period of time it could prove to be a financial saving in the private as well as the public sectors of any state.

The needs expressed in the preceeding paragraph would also be of assistance to the banking community. When opening new checking accounts, bankers could assist in reducing fraudulent checking accounts with the existence of a reliable form of identification.

The federal law enforcement agencies appear to be much more sophisticated in the investigative procedures followed in identifying forgery offenders. This is specifically the case when speaking of the FBI or the Secret Service. The United States Postal Inspection Service is not on an equal par with the FBI and Secret Service when their investigative procedures are compared. There would appear to be a need for the federal investigative agencies to establish a centralized training program to provide municipal law enforcement the expertise developed in forgery investigation. A training program would also provide a better understanding of the standards files maintained at the federal level and available to local law enforcement agencies.

The results of interviews with the Harris County Sheriff's Department and the Houston Police Department clearly indicated a duplication of effort between local law enforcement agencies. The check offender being mobile in character

restricts the abilities of these agencies to conduct effective investigations. The numerous city and county boundaries are restrictive to thorough investigation of fraudulent check offenses. This problem is increased when there is no means to adequately pool investigative knowledge. The lack of written procedures and computerized equipment forces these law enforcement agencies to depend heavily on the experience and rapport between adjoining jurisdictions. Police administrators have been lax in requiring that written procedures and policy be implemented within their respective departments. The responses received from the other municipal police departments indicates this shortfall is a problem nationwide.

Interviews with representatives of the Bank of the Southwest and the First City National Bank of Houston substantiated the problem of forgery offenses not being reported to the appropriate law enforcement agency. This problem was brought out earlier in this study and is further supported by the banking community. The two representatives of the above mentioned banking institutions stated there is a fear that exposure of this problem would create a lack of credibility in the banking community by the account holders.

Investigative Model

The key elements deemed necessary in establishing an effective investigative procedure for fraudulent check offenses involves the following:

1. Exposure of the fraudulent check problem to the consumer;
2. Revision of state penal code;
3. Establishing an adequate form of identification;
4. Creation of a check file system - manual and/or computerized;
5. A regional alert notification system;
6. Written procedure and policy pertaining to forgery investigation.

These recommendations are believed not only to provide the adequate incentive to report the offense when it occurs, but will apply the necessary pressure on the business community to establish fraudulent check prevention measures. They will also provide law enforcement at the community level the necessary tools to accomplish the assigned investigative responsibility for fraudulent checks. Approaching the problem from a regional or statewide perspective will reduce the current duplication of effort now commonplace, among law enforcement agencies and eliminate the current advantage of mobility enjoyed by the check offender. Once the procedures have been implemented it is important that they be placed in writing and adopted as department policy.

The first procedure in the proposed model is the exposure of the fraudulent check problem to the public. This is necessary to apply enough pressure on the business

community to release the dollar cost inflicted by fraudulent checks. Once the problem is exposed, the merchants and banking institutions will not be able to rationalize the current lack of preventive controls, which could easily be adopted to reduce the volume of dollar loss incurred by this type of crime.

Currently the business community is content to place the burden of this responsibility upon different factions of the business community; little effort is put forth by individual merchants or banks. They seem to fear that the imposition of stringent check cashing procedures will result in substantial business loss. They contend competition is keen and any inconvenience to the consumer results in business being taken to one of their competitors. The field survey found this contention widely accepted in the business community, and therefore, supports the need for public exposure of this problem. If pressure is uniformly placed on the business community and the consumer is made aware that the check cashing policy is installed to save the consumer money, this argument would not hold true.

Exposing this problem will require the cooperation of law enforcement agencies and the press. Law enforcement will have to provide accurate information through their own fraudulent check investigation details. The press will be required to circulate this information to arouse

public concern. The cooperation of the press is absolutely necessary to provide enough exposure to the public, thereby, bringing to bear a public demand for the business community to be accountable for these losses. This will provide the necessary interest to surface the cost to the consumer by fraudulent check offenses. Once this cost is realized, the preventive measures can easily be implemented with consumer cooperation resulting in a reduction of fraudulent check crime.

Exposure of the fraudulent check problem would also enhance the ability to revise the appropriate sections of the penal code. Here the discussion is limited to the Texas Penal Code. This element of the model may not be appropriate to all state jurisdictions. Since the law pertaining to fraudulent check crime vary from state to state, what is identified as requiring revision in the Texas Penal law may not apply in other jurisdictions.

Under the Texas Penal Code it is a criminal offense to issue a bad check. Listed under the findings of this study, it was determined that this law has created a tax supported collection agency out of the Harris County District Attorney's Office and the Justices of the Peace. The necessary change required is to establish a monetary value or a required number of violations before the issuance of a bad check becomes a criminal offense. The majority of these violations lack criminal intent and should not be

subjected to the criminal justice system. Insufficient fund checks and many charges of theft, or theft of service by check, can be resolved through commercial collection agencies or as a civil complaint. Greater effort must be made towards the prosecution of the habitual bad check writer through decriminalization of minor offenses.

Federal law could be amended to assist in the reporting of forgery offenses by merchants and banking institutions. The requirement for these businesses to have reported the offense to the appropriate law enforcement agency before the financial loss could be registered as a business loss would assist in this area. This requirement could be established by accounting procedures or incorporated under the Internal Revenue Code. The private citizen is required to substantiate losses incurred by theft with supporting evidence that the loss actually occurred. The same requirement should be extended to the business community pertaining to forged checks. There are probably a number of legal complications involved that are beyond the scope of this study or the purpose of this model. This recommendation is only intended to create thought in this area.

The reduction of fraudulent check offenses and fraud in general, can be accomplished by refining the documents required for identification. The driver's license is the item normally requested when writing a check

or opening a new checking account. The states could improve the drivers license as reported in the findings of this study. The states normally maintain records of reported lost or stolen drivers licenses. The advent of an alteration proof drivers license with this system would be a considerable aid in reducing and controlling fraudulent check crime. The use of photographs, magnetic tape, and thumbprints would not be a major expense when compared to the tax dollar expenditure currently allocated in establishing tax supported collection agencies. This system would also have a number of tangible benefits not related to fraudulent check crime.

Cross-indexing of birth certificates with death certificates is a necessary endeavor by both the federal and state governments. This effort is desirable to eliminate genuine forms of identification from being obtained by fraudulent means. The capability of cross-indexing birth and death certificates, coupled with adequate protection provided in the design of state drivers licenses, would reduce fraudulent check crime to only the very sophisticated offender. Tangible benefits would also be received in many other areas of criminal investigation.

A fourth consideration in the investigative model is a joint investigation team. Many metropolitan areas have enclaves of incorporated cities which maintain

their own police department; this situation was found to be true in Harris County. The numerous jurisdictions allow for duplication of investigative resources which may involve the same offender. The establishment of a joint investigative team, where all forged checks would be received and then assigned to a particular department for investigation, would eliminate the unnecessary expenditure of law enforcement resources. This team could also resolve those cases involving joint jurisdiction. Consideration would also be given to the cost reduction by pooling resources of the varying departments. The establishment of a central office would also provide the capability to maintain a complete check classification and alert system. A centralized system provides the asset of comparing current forged instruments with those of all known offenders, offender methods of operation, and the instruments of unknown offenders. This would assist in establishing the key element of proof, that being identification. This investigative team could be tailored to the needs of the specific geographic area. The potential is unlimited if this system could be developed regionally into a state network. In an expanded system credit card fraud could also be a part of this organization.

A check filing system was absent in Harris County. Although case files were maintained they did not provide

the capability to compare forged checks against known offenders or against other unsolved cases. The law enforcement agencies interviewed (excluding federal agencies) depending upon the memory and cooperation of investigators working check cases. This system is unreliable and deemed inadequate. A check standards file should be established and preferably one that is compatible with the system implemented by the FBI.

There are several different ways checks can be classified. The most common form is accomplished by the characteristics found on the face of the check. This area is primarily that of handwriting analysis and beyond the scope of this study. The importance lies in the establishment of a check filing system that can be computerized and also be used manually. These features are significant if a joint investigative team with a central check filing system is not established. Without a centralized system the manual capability allows other departments, who do not possess a computer capability, access to existing files. A system that is based on characteristics that can be computerized and classified manually allows a free exchange of information pertaining to unidentified check forgers. A system that meets these requirements is called the Bradford System (See Appendix I) and is examined in detail by Glick and Newson (1974).

None of the law enforcement agencies at federal

and local levels that were interviewed during the field survey maintained an alert notification system. The reason for not maintaining an alert system at federal level was stated to be the volume of checks handled by the FBI and the Secret Service.

The Houston Police Department and the Harris County Sheriff's Department reported they did not have the resources or capability to provide an alert system. An alert system is necessary at municipal and local law enforcement departments to provide up-to-date information involving large numbers of stolen checks and known check schemes operating within their respective areas of jurisdiction. The most effective system would be accomplished with a centralized, joint investigative team where this information could easily be made available. The cost of this service would be reduced under a central system and be of invaluable assistance to the business community. A computer capability established with a direct dial, on-line system would be most desirable. This system reduces the manpower requirements to relay the alert information to various law enforcement agencies and the business community.

Written policy and procedure is the final element of this investigative model. Regardless of the forgery investigation capabilities that exist within any given community, the policies and procedures of forgery inves-

tigation should be formalized in writing. The research in this study revealed that the majority of municipal police departments do not have written policy or procedure, this is indicative of a lack of proper police administration within municipal police departments. Police department policy and procedure pertaining to jurisdiction, joint investigation, utilization of FBI laboratory facilities and each municipality's existing resources should be placed in writing. A copy of the forgery statutes placed in the police department manual is not sufficient guidance for police administrators to provide their investigative personnel.

The investigative model presented in this chapter may be applicable or feasible for adoption in its entirety for all state jurisdictions. The procedures listed provide enough flexibility and imagination to be of value to all law enforcement jurisdictions. If the model is not adopted, it is the objective of this study to cause municipal police departments to re-evaluate their fraudulent check investigation goals, objectives, policy and procedure.

FOOTNOTES

FOOTNOTES

[1]The types of checks listed are defined in terminology obtained from Kolodny (1969), Kingsburg (1973) and the American Bankers Association (1966).

[2]Berg (1944) stated in his study that forgery of documents other than checks was committed by members of his study groups; however, such cases were so few that Berg believed it was unnecessary to consider them separ tely.

[3]The five elements of the thief developed by Sutherland are as follows: (1) stealing is made a regular business; (2) every act is carefully planned, including the use of the "fix"; (3) technical skills are used, chiefly those of manipulating people; Sutherland believes this differentiates the thief from the other professional criminales; (4) the thief is migratory but uses a specific city as a headquarters; (5) the thief has criminal associations, involving acquaintances, congeniality, sympathey, understanding, rules, codes of behavior, and a special language.

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APPENDIX A

Sam Houston State University

GEORGE G. KILLINGER
Director

ANN P. BAKER
JAMES A. BARRUM
GEORGE BETO
BILLY W. BRAMLETT
HAROLD D. CALDWELL
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Institute Of Contemporary Corrections
And The Behavioral Sciences
HUNTSVILLE, TEXAS 77340

February 27, 1976

Cpt. Larry D. Schroeder
2451 Lake Road Apt. 702
Huntsville, Texas 77340
Telephone 713/295-3446

Dear Sir,

As a Captain in the Military Police Corps, I am presently seeking a Master of Arts Degree in Criminology from Sam Houston State University. I would like to request your assistance in obtaining information to enable the completion of my thesis.

The topic selected for my graduate research involves the development of a manual for the investigation of fradulent checks. Fraudulent checks are defined to include non-sufficient funds, fraudulent and forged checks. It is my contention that the procedures used in the investigation of the aforementioned offenses, to include sources of information in aiding the investigation, are restricted to the experience of personnel assigned to such duties. In reviewing the indexed literature I find information to be limited.

Your assistance in providing the undersigned with bibliographic information, copies of existing written procedures for your department and the experience of your investigative personnel in this area would greatly be appreciated. Please forward all information to the address listed above.

Sincerely,

Larry D. Schroeder
Captain, MPC

APPENDIX B

APPENDIX B

AMERICAN BANKERS ASSOCIATION ROUTING NUMBERS

(FOR LARGE CITIES)

1. New York City, New York
2. Chicago, Illinois
3. Philadelphia, Pennsylvania
4. St. Louis, Missouri
5. Boston, Massachusetts
6. Cleveland, Ohio
7. Baltimore, Maryland
8. Pittsburgh, Pennsylvania
9. Detroit, Michigan
10. Buffalo, New York
11. San Francisco, California
12. Milwaukee, Wisconsin
13. Cincinnati, Ohio
14. New Orleans, Louisiana
15. Washington, D.C.
16. Los Angeles, California
17. Minneapolis, Minnesota
18. Kansas City, Missouri
19. Seattle, Washington
20. Indianapolis, Indiana
21. Louisville, Kentucky
22. St. Paul, Minnesota
23. Denver, Colorado
24. Portland, Oregon
25. Columbus, Ohio
26. Memphis, Tennessee
27. Omaha, Nebraska
28. Spokane, Washington
29. Albany, New York
30. San Antonio, Texas
31. Salt Lake City, Utah
32. Dallas, Texas
33. Tacoma, Washington
34. Des Moines, Iowa
35. Houston, Texas
36. St. Joseph, Missouri
37. Fort Worth, Texas
38. Savannah, Georgia
39. Oklahoma City, Oklahoma
40. Wichita, Kansas
41. Sioux City, Iowa
42. Pueblo, Colorado
43. Lincoln, Nebraska
44. Topeka, Kansas

Source: Karen Olson, The Ball-Point Rip--Off, Davis Publishing Company, Inc., 1975, p. 17, 18.

APPENDIX B--(Continued)

AMERICAN BANKERS ASSOCIATION ROUTING MEMBERS

45. Dubuque, Iowa

46. Galveston, Texas

47. Cedar Rapids, Iowa

48. Waco, Texas

49. Muskogee, Oklahoma

APPENDIX B--(Continued)

AMERICAN BANKERS ASSOCIATION ROUTING NUMBERS
(FOR STATES)

Eastern

50. New York
51. Connecticut
52. Maine
53. Massachusetts
54. New Hampshire
55. New Jersey
56. Ohio
57. Rhode Island
58. Vermont
59. Hawaii

Southeastern

60. Pennsylvania
61. Alabama
62. Delaware
63. Florida
64. Georgia
65. Maryland
66. North Carolina
67. South Carolina
68. Virginia
69. West Virginia

Central

70. Illinois
71. Indiana
72. Iowa
73. Kentucky
74. Michigan
75. Minnesota
76. Nebraska
77. North Dakota
78. South Dakota
79. Wisconsin

Southwestern

80. Missouri
81. Arkansas
82. Colorado
83. Kansas
84. Louisiana
85. Mississippi
86. Oklahoma
87. Tennessee
88. Texas
89. Alaska

Western

90. California
91. Arizona
92. Idaho
93. Montana
94. Nevada
95. New Mexico
96. Oregon
97. Utah
98. Washington
99. Wyoming

APPENDIX C

JURISDICTIONS WHICH HAVE ADOPTED THE UNIFORM COMMERCIAL CODE

STATE	ADOPTION DATE	EFFECTIVE DATE
Alabama	1965	January 1, 1967
Alaska	1962	January 1, 1963
Arizona	1967	January 1, 1968
Arkansas	1961	January 1, 1962
California	1963	January 1, 1965
Colorado	1965	July 1, 1966
Connecticut	1959	October 1, 1961
Delaware	1966	July 1, 1967
District of Columbia	1963	January 1, 1965
Florida	1965	January 1, 1967
Georgia	1962	January 1, 1964
Hawaii	1965	January 1, 1967
Idaho	1966	January 1, 1968
Illinois	1961	July 2, 1962
Indiana	1963	July 1, 1964
Iowa	1965	July 4, 1966
Kansas	1965	January 1, 1966
Kentucky	1958	July 1, 1960
Maine	1963	December 31, 1964
Maryland	1963	February 1, 1964
Massachusetts	1957	October 1, 1958
Michigan	1962	January 1, 1964
Minnesota	1966	April 1, 1966
Mississippi	1966	April 1, 1968

STATE	ADOPTION DATE	EFFECTIVE DATE
Missouri	1963	July 1, 1965
Montana	1963	January 2, 1965
Nebraska	1963	September 2, 1965
Nevada	1965	March 1, 1967
New Hampshire	1959	July 1, 1961
New Jersey	1961	January 1, 1963
New Mexico	1961	January 1, 1962
New York	1962	September 27, 1964
North Carolina	1965	July 1, 1967
North Dakota	1965	July 1, 1966
Ohio	1961	July 1, 1962
Oklahoma	1961	January 1, 1963
Oregon	1961	September 1, 1963
Pennsylvania	1953	July 1, 1954
Rhode Island	1960	January 2, 1962
South Carolina	1966	January 1, 1967
South Dakota	1966	July 1, 1967
Tennessee	1963	July 1, 1964
Texas	1965	July 1, 1966
Utah	1965	January 1, 1966
Vermont	1966	January 1, 1967
Virgin Islands	1965	July 1, 1965
Virginia	1964	January 1, 1966
Washington	1965	July 1, 1967
West Virginia	1963	July 1, 1964

STATE	ADOPTION DATE	EFFECTIVE DATE
Wisconsin	1963	July 1, 1965
Wyoming	1961	Janaury 2, 1962

APPENDIX D

CHECK LIST FOR TRIAL OF A CHECK CASE

1. Since theft by check will be indicted simply as Theft or Theft of Service, no longer must a copy of the check be included in the indictment. However, the prosecutor should be ready to prove that anything on the face of the check which would render the check non-negotiable did not exist at the time the check was passed.

2. Obtain the bank account record for the month in which the check was written. To get a better idea of the status of the account, obtain monthly statements for the month before and the month after the month in question.

3. Locate the person to whom the check was presented. This person must be able to identify the defendant as being the person who presented the check. Regiscope pictures, if available, are helpful.

4. Locate a person who can establish the value of the property or service taken.

5. Locate a bank employee who can testify concerning the bank records of the defendant. This employee must hold a position in the bank that gives him the care, control, and management of the business records of the bank. This person should also be prepared to testify that the check was presented for payment to the bank and that payment was refused.

6. Ask the bank employee to bring to court the defendant's signature card as well as the bank records.

7. Have the original check, not a copy, in your possession. This check must be introduced into evidence.

8. Have all the necessary instruments to prove proper notice such as return receipts for certified mail and copies of the letter sent to the defendant.

9. Locate the person who can testify that proper notice procedures were followed.*

*Note: The information listed was obtained from The Attorney General of Texas, Chief, Crime Prevention Division and written by Charles Yett, Assistant District Attorney, Dallas County, Texas.

APPENDIX E

MODEL QUESTIONS FOR CHECK CASE

Person taking check:

1. State your name please.
2. Mr. _____, I'll direct your attention back to _____, 19____, and I'll ask you how you were employed on that date?
3. In what capacity were you employed?
4. What type business does _____ Company conduct?

4a. Where is that business located? (Dallas County, Texas)

5. Mr. _____, in your capacity as _____, I'll ask you whether or not you had occasion to both cash checks for customers and accept checks in payment for purchases by customers?
6. Directing your attention once again to _____ day, _____, 19____, I'll ask you whether or not you had occasion to see a man whom you now know to be _____?
7. Is he in this Courtroom today?
8. Will you point him out please?

   YOUR HONOR, WILL YOU LET THE RECORD REFLECT THAT THE WITNESS HAS IDENTIFIED THE DEFENDANT IN THIS CAUSE?
9. I'll ask you whether or not you had any business transactions with this defendant on the date in question?
10. Will you describe that transaction please?

10a. Did the transaction you have just described occur in

Dallas County, Texas?

HAND THE CHECK TO THE COURT REPORTER AND ASK THE REPORTER TO MARK THE CHECK FOR IDENTIFICATION AS STATE'S EXHIBIT NUMBER ONE.

11. Mr. _____, I'll hand you what has been marked for identification as State's Exhibit No. One, and I'll ask you if you can identify it?

12. What is it?

13. Is this the same check that this Defendant delivered to you in exchange for goods purchased (or cashed)?

13a. Is this the man who signed this check?

14. To whom is the check made payable?

15. On what bank is the check drawn?

16. What is the amount of the payment ordered on the check?

17. At the time this check was presented to you by the Defendant were the words "Not Sufficient Funds" on it?

18. Did the Defendant do or say anything that caused you to believe that the check was not good?

HAND THE CHECK TO THE DEFENSE COUNSEL FOR HIS EXAMINATION AND STATE TO THE COURT THAT THE STATE NOW OFFERS INTO EVIDENCE THE CHECK WHICH HAS BEEN MARKED AND IDENTIFIED AS STATE"S EXHIBIT NUMBER ONE.

IF THERE IS NO OBJECTION OR IF DEFENSE COUNSEL'S OBJECTION IS OVERRULED, THEN STATE TO THE COURT:

"YOUR HONOR, WILL YOU LET THE RECORD REFLECT THAT STATE'S EXHIBIT NUMBER ONE HAS BEEN OFFERED AND RECEIVED INTO

EVIDENCE."

19. I'll ask you if in the regular course of your business you deposited this check in your bank account to be presented to the bank on which the check was drawn for collection? (If there is an objection to that question, ask the witness:
"What, if anything, was done with this check next?")
20. After you deposited this check in your bank account did you have occasion to see this check again?
21. When?
22. Under what circumstances did you see this check next?
23. Were there any unusual markings on the check or was there anything attached to the check when it was returned to you?
24. What were they?
25. Now, as a result of this Defendant's check being returned to you unpaid and marked "Not Sufficient Funds," did you have occasion to notify this Defendant?
26. How did you notify him? (If the witness sent a letter to the Defendant ask the witness):
    a. To what address was the letter sent?
    b. Was the letter sent by registered mail, certified mail, or regular mail?
    c. Did you put your return address on the outside of the envelope in which the letter was mailed?
    d. Was the letter returned to you undelivered?

e. In the letter, did you inform this Defendant that the check he had delivered to you had been returned to you unpaid and marked "Not Sufficient Funds?"

f. In that letter and notification did you make demand on this Defendant for the payment of this check?

(INTRODUCE CERTIFIED OR REGISTERED LETTER POSTAL RECEIPT, OF THE LETTER ITSELF, IF IT WAS NOT DELIVERED TO SHOW THAT NOTICE WAS GIVEN OR AT LEAST ATTEMPTED. THE NOTICE IS NOT NECESSARY TO GET TO THE JURY BUT IT SURE HELPS TO PROVE THE INTENT TO DEFRAUD. NEXT, SHOW INTENT BY PROVING DEFENDANT HAS PASSED OTHER WORTHLESS CHECKS.)

IF THE WITNESS HAD A TELEPHONE CONVERSATION WITH THE DEFENDANT, THEN ASK HIM:

a. Did the person with whom you spoke identify himself as _____, this Defendant?

b. Did he acknowledge having given you this check?

c. In the course of the conversation did you inform this Defendant that the check he had delivered to you had been returned to you unpaid and marked "Not Sufficient Funds?"

d. In the course of the conversation did you make demand on this Defendant for the payment of this check?

27. Have you ever received payment from this Defendant for this check?

(ONLY ASK THIS QUESTION IF THE CHECK HAS NOT BEEN PAID.)

Second witness--Bank Bookkeeper, on whose bank check was drawn:

1. Make sure witness has care, custody of bank records.
2. Make sure bank records kept in regular course of business from day to day.
3. Introduce defendant's bank records to show he did not have sufficient funds or the account was closed, etc., at the time defendant wrote the check.

QUESTIONS: (Bank Employee--"Not Sufficient Funds".)

1. State your full name please?
2. How are you employed?
3. How long have you been so employed?
4. Is _____Bank a bank located and licensed to do business in Dallas County, Texas?
5. What particular duties do you perform in the course of your employment with _____Bank?
6. Does _____ Bank have checking accounts and savings accounts and do you make loans and perform the functions generally associated with banks and banking?
7. Are official bank records kept concerning the checking accounts of all customers?
8. Do those official bank records contain the particular customer's deposits, check withdrawals, service charges and so on, so that you can determine what a particular customer's balance is at a particular time for the

purpose of clearing checks drawn on that account?

9. Are those official bank records kept under your care, custody, and control?

10. Have you checked your official bank records to determine whether or not on _____, 19____, you had a checking account in the name of _____?

11. Do your records indicate that customer's address?

12. What is the address?

13. Do you have the offical bank records of that customer's account with you today?

14. I'll hand you what has been marked for identification as State's Exhibit Number One, and I'll ask you if you can identify it?

15. Is this a check drawn on your bank?

16. What name is signed as the drawor of the check?

17. Is that the same name as the cusomter's whose checking account records you have brought here today?

18. I'll ask you to check your official bank records and tell the jury whether or not State's Exhibit Number One was presented to your bank for collection?

19. How many times was it presented for collection?

20. On what dates was it presented for collection?

21. Do your offical bank records indicate whether State's Exhibit Number One was paid by your bank or dishonored?

22. Do your offical bank records indicate why this check was not paid when it was presented for collection?

APPENDIX F

XI. METHODS OF OPERATION - CHECKS

A. The split deposit involves the alleged "deposit" of a portion of a check being cashed at a bank, which is forged or fraudulent.

1. The forger may "legitimately" open an account with the bank and deposit a modest amount of cash, later making additional small deposits.

2. Then he will appear with a large value check, deposit part of it and ask for the balance in cash. Thus, he has "split" his deposit.

B. Merchandise Frauds

1. Involves buying merchandise using forged checks.

   a. The forger may cash "certified checks" and receive merchandise and cash.
   b. Packages of stolen checks and matching credentials may be bought from pick-pockets by the forger.

2. Forger may utilize the "social event" calendar of the daily newspaper.

   a. Swindler will order flowers, gifts, etc., to be sent to the party mentioned in the newspaper. He pays for the article with a check usually amounting to $75.00 or $100.00 more than the purchase price; the check is usually drawn on a local bank where he may have just opened an account.
   b. This is also referred to as the "overpurchase" technique.

3. A forger might steal merchandise and deliberately cause it to need minor repair, take it to a repair ship, and pay for it in advance by writing a check for a sum larger than the amount of the bill, collecting the difference in cash and go on his way.

C. The C.O.D. Switch (Two principal methods)

1. Involves the actual counterfeiting of C.O.D. delivery slips.

2. Based on mechanics of a C.O.D. transaction coupled with a fraudulent check.

a. Forger fabricates a package, forges a C.O.D. slip attached, utilizes a local delivery service uniform, arrives at a prosperous residence and a family member pays him the C.O.D. charge.
b. An individual opens a legitimate account at a large chain store, orders and pays on time for several major items. Then he orders a large quantity of merchandise to be delivered, like the previous deliveries, on a C.O.D. basis. The delivery man on arriving is advised by the customer that he is moving and the merchandise is transferred from the delivery truck to a moving truck. The forger pays with a check which is worthless and proceeds to fence the merchandise.

D. "The Innocent Passer" involves the utilization of third parties for the obvious purpose of cashing checks.

1. The forger establishes a business "front", hires a person with an accepted and established identity in the community, ostensibly as a secretary or messenger, and then uses that person specifically to cash checks written on the company.

2. Summer college students often become the innocents in this type of scheme. In recent cases forgery rings in the northeast have even used codes from other parts of the country as passers.

E. The Telephone Decoy

1. The forger utilizes the telephone to provide an identity verification that does not exist. His accomplice phones the bank before the forger arrives, representing himself as a local executive and leaves a request for the forger to call him. When the forger does this in the presence of the banker he creates an aura of confidence that is usually not questioned.

2. With this type of verification the bank affected is most likely to accept the check, (usually a counterfeited one drawn on a different local bank), forgetting that anyone can make a phone call and represent himself as an executive of a local company.

F. The Duplicate Deposit Slip

1. Forger acquires depositor status and receives a stamped duplicate deposit slip.

2. Later, he returns to the bank, selecting another teller, presents his own check in an amount almost equal to the deposit slip as evidence that he has a certain amount in his account.

3. He will repeat this procedure with two or three tellers, thus making a 400% profit on his initial investment.

G. The Banker's Friend

1. The forger is known to deliberately "work on" the personal vanity, friendliness or curiosity of a particular teller, districting his or her attention away from the cashing of a fraudulent check.

2. He may exchange a few pleasantries with a bank officer during a slack period, this being witnessed by the target teller. The forger then proceeds to the teller where he cashes a fraudulent check on the basis of his "familiarity" with the bank officer.

H. The Uniform Dodge

1. Uniforms, particularly military, are appropriate as the dress for a check forger. The teller faced with a Major General presenting a check may be swayed or intimidated by his own previous lowly military experience. Military insignia can be had for a modest sum and uniforms can be purchased or rented to fit the occasion.

2. Other favorite uniforms of check passers are those of priests, ministers, nuns, doctors, airline pilots, police, etc.

I. The Company that Never Was

1. The forgers set up a typical front for a business, arrange to have payroll checks printed, open a local bank account and engage a secretary, who is provided a list of "employees" authorized to cash company checks.

2. Checks are cashed at local merchants, banks, etc. The chekcs prove good for a time.

3. Then a large amount of checks are written by the forgers and taken to established places.

4. They draw out most of the initial deposit, leaving the city with thousands of dollars to being the scheme again elsewhere.

5. This scheme is nearly always the trademark of a professional forger.

J. Government Check Forgers

1. The forgery of welfare of social security checks is fast becomming a major problem, often committed by criminals with relatively little education.

   a. The thief-forger may steal the check from the vestibule mail box; or he may openly remove the welfare check envelope from the carrier's sack as it stands unattended outside the apartment building on its car;t or he may also steal the check directly from the welfare recipient when he comes to the mailbox and he may even hold up the letter carrier.
   b. The line thief-forger represents the biggest problem in welfare check forgery; many of these criminals are narcotic addicts in the ghetto areas.

2. In other cases whole groups, (sometimes twelve or more persons), may be involved in the forgeries of government checks, and one check may be filled out by several different individuals.

K. The Autoforger

   1. The forger opens accounts in several banks, transferring amounts from one account to another to creat the impression of activity. Either using an accomplice or a disguise, he draws out his balance by cashing a check with his own signature. The forger is able to produce a signature that, while it looks a great deal like the one he has been using, is a "forgery". The bank is forced to make good the amount "forged" from his account.

   2. Handwriting disguise is possible, particularly by an extremely skilled individual, and even very cautious citizens are fooled. However, inability of the document examiner to detect

intended disguises in handwriting is usually attributed more to insufficient standards of the suspect's handwriting for comparison purposes.

L. The "Raising" Technique is the practice of taking a legitimate check and increasing the face value of the check by manipulating or altering the writing in the numerical value section of the check.

M. Check Kiting

1. Kiting involves the process of pyramiding accounts through the issuance of checks drawn on accounts which do not have the sufficient balances to sustain them.

2. Professional check kiting schemes, operated by organized crime artists can become quite complicated and involve multiple transfer of funds from banks throughout the country in order to cover checks that are pyramided from one account to another. It is not uncommon for these operators to clear up to $100,000 in their operations.

N. The Scram or Bust Out

1. A hoodlum may buy into or gain control of a legitimate business, inheriting the credit rating and issuing a series of checks, utilizing the validating equipment and signature stamp of the business.

2. Then he issues a whole series of forged and fraudulent checks on the former owner's reputation.

3. This method is used particularly by organized crime.

O. The Overpurchase Method

1. This technique is fairly simple and amongst the most widespread forgery technique used.

2. A well dressed man asks to see a particular camera, or other high priced item, asks many questions, then hesitantly is "talked" into buying it. He writes a check over the sale

amount and asks for the difference in cash for additional purchases downtown. An eager salesman is glad to cash it.

P. The Inside Man

1. In many complex forgery schemes, especially those involving banking operations, an inside man is used (bank teller, minor officer, operator of check cashing service, etc.)

2. The existence and importance of this inside man is seldom recognized by the public, since the employee offers a very plausible excuse and the evidence tends to be highly circumstantial.

Q. Flying Under a Flag

1. Involves creating a fictitious person who is put on a payroll and to whom payroll checks are issued. Checks are then forged and cashed.

2. May issue duplicate payroll checks - one is cashed by legitimate employee and the second one is forged and cashed by the conspirators.

3. Sometimes separate "overtime" payroll checks are made out in the name of the legitimate employees, forged and cashed.

R. Traveler's Check (Frauds - Four Basic M.O.s)

1. Checks may be counterfeited, endorsed and cashed.

2. Checks may be stolen, in blank form, endorsed and cashed.

3. Checks may be stolen from travelers, second endorsement forged and cashed.

4. Checks are purchased legitimately and a refund is obtained later on a false claim that they are "lost". Then the lost checks are cashed.

APPENDIX G

The National Fraudulent Check File

The National Fraudulent Check File has outstanding value as a central repository for fraudulent checks. For this reason—and as a matter of general policy—the FBI Laboratory will accept for search through this check file a wide variety of fraudulent checks encountered by local law enforcement agencies. Although maximum value ordinarily can be derived by submitting the local checks to the FBI Laboratory immediately following recovery, a search through this file can also be a very valuable supplemental followup to any local file searches and comparisons which the submitting agency may have made locally.

Searches of the files should be made of:

1. All fraudulent checks which appear to be the product of professional checkpassers. (There is little value in searching "not sufficient funds," "account closed" checks, and those obviously not the work of professional checkpassers.)
2. Stolen payroll checks and money orders.
3. Fraudulent checks drawn on "out of town" banks.

Advantages to the contributor:

1. By comparing checks with the National Fraudulent Check File and/or signatures on fingerprint cards, unidentified checkpassers may be identified.
2. May give information on additional checkpassing activities of known checkpassers.
3. Descriptive data, photographs, and copies of identification records of checkpassers are furnished for assistance whenever possible.
4. Contributors are notified of subject's apprehension when this information is known.

If the original fraudulent check cannot be submitted, a good clear photograph or a Photostat is acceptable.

Checks should be submitted via registered mail to:

Director
Federal Bureau of Investigation
Washington, D. C. 20535
Attention: FBI Laboratory

(Reprinted from the FBI Law Enforcement Bulletin, January, 1962)

APPENDIX H

SOCIAL SECURITY NUMBER INDEX

001-003	New Hampshire
004-007	Maine
008-009	Vermont
010-034	Massachusetts
035-039	Rhode Island
040-049	Connecticut
050-134	New York
135-158	New Jersey
159-211	Pennsylvania
212-220	Maryland
221-222	Delaware
223-231	Virginia
232-236	West Virginia
237-246	North Carolina
247-251	South Carolina
252-260	Georgia
261-267	Florida
268-302	Ohio
303-317	Indiana
318-361	Illinois
362-386	Michigan
387-399	Wisconsin
400-407	Kentucky
408-415	Tennessee
416-424	Alabama
425-428	Mississippi
429-432	Arkansas
433-439	Louisiana
440-448	Oklahoma
449-467	Texas
468-474	Minnesota
478-485	Iowa
486-500	Missouri
501-502	North Dakota
503-504	South Dakota
505-508	Nebraska
509-515	Kansas
516-517	Montana
518-519	Idaho
520----	Wyoming
521-524	Colorado
525----	New Mexico
526-527	Arizona
528-529	Utah
530----	Nevada
531-539	Washington
540-544	Oregon

Alabama	416-424
Alaska	574
Arizona	526-527
Arkansas	429-432
California	545-573
Colorado	521-524
Connecticut	040-049
Delaware	221-222
Dist. of Columbia	577-579
Florida	261-267
Georgia	252-260
Hawaii	575-576
Idaho	518-519
Illinois	318-361
Indiana	303-317
Iowa	478-485
Kansas	509-515
Kentucky	400-407
Louisiana	433-439
Maine	004-007
Maryland	212-220
Massachusetts	010-034
Michigan	362-386
Minnesota	468-477
Mississippi	425-428 & 587
Missouri	486-500
Montana	516-517
Nebraska	505-508
Nevada	530
New Hampshire	001-003
New Jersey	135-158
New Mexico	525 & 585
New York	050-134
North Carolina	232 & 237-246
North Dakota	501-502
Ohio	268-302
Oklahoma	440-448
Oregon	540-544
Pennsylvania	159-211
Rhode Island	035-039
South Carolina	247-251
South Dakota	503-504
Tennessee	408-415
Texas	449-467
Utah	528-529
Vermont	008-009
Virginia	223-231

SOCIAL SECURITY NUMBER INDEX--(Continued)

545-573	California	Washington	531-539
574----	Alaska	West Virginia	232-236
575-576	Hawaii	Wisconsin	387-399
577-579	District of Columbia	Wyoming	520

APPENDIX I

The Bradford System was examined and tested for more than ten years prior to its being put into practice by the Forgery Detail of the Long Beach Police Department 20 years ago. At that time there were approximately 40,000 checks on file representing over twenty years of "Known Check Writers." Every check by one writer, with different classification, has been photographed, calssified and filed. The names of the writers, if known, with aliases, descriptions, file numbers, etc., were included in the photograph with the check. Finished photographs were enlarged to 5" x 8" to make a standard size file. By actual count, covering thousands of checks, it is interesting to note that this system has proved to be better than 98 percent accurate.

The system is divided into five sections, producing a five-digit classification number, which is used to locate the check in the file for comparison and identification.

> I--THE PRIMARY CLASSIFICATION is the first section. It is based on the method of writing the date on the check and is subdivided into eight sections, the number given to it being the first figure in the five-digit classification number:
>
> 1--The date is written, printed, stamped or typewritten in FIGURES only with a space, a period or a comma between the month and the date. And without a dash or diagonal line separating the date and the month. (2.9 1950)
>
> 2--The date is written, printed, stamped or typewritten in FIGURES only with a horizontal line or dash separating the month and the date. One variation is the combined horizontal line and a diagonal line. Whichever is first, is the only one considered. (2-9 1950)

3--The date is written, printed, stamped or typewritten in FIGURES only with a diagonal line separating the month and the date. One variation is the combined diagonal line and a horizontal line. Whichever is first, is the only one considered. (2/9 1950)

4--The date is written, printed, stamped or typewritten in the style used by the United States Military Services, with the date preceeding the month. (9 Feb 1950)

5--The date is written, printed, stamped or typewritten in the most used style, with the month abbreviated or written out in full, and followed by the date, with no dash or diagonal line. (Feb. 9 1950)

6--The date is written, printed, stamped or typewritten similar to #5, except that a DASH or DIAGONAL LINE follows or preceeds the date. (Feb--9, 1950)

7--The date is written, printed, stamped or typewritten similar to #5, except that the contraction of the ORDINAL NUMBER FORM is used for the date. (Feb. 9th 1950)

8--The date is written, printed, stamped or typewritten similar to #7, except that the contraction of the ordinal number form is used for the date WITH A TRADEMARK or characteristic mark underneath it. (Feb 9th 1950)

II--THE SECONDARY CLASSIFICATION is the second division. It is based on the method of writing the WRITTEN AMOUNT OF DOLLARS on the check. It is divided into 7 sub-divisions, and is the second figure in the check classification.

1--The written dollar amount of the check is CAPITALIZED and the word DOLLARS is OMITTED. (Ten)

2--The written dollar amount on the check is NOT CAPITALIZED and the word DOLLARS IS OMITTED. (ten)

3--The written dollar amount on the check is CAPITALIZED and the word DOLLARS is USED BUT IT IS CAPITALIZED. (Ten Dollars)

4--The written dollar amount of the check is CAPITALIZED and the word DOLLARS is USED BUT IT IS NOT CAPITALIZED. (Ten dollars)

5--The written dollar amount of the check is NOT CAPITALIZED and the word DOLLARS is USED AND IS CAPITALIZED (ten Dollars)

6--The written dollar amount of the check is NOT CAPITALIZED and the word DOLLARS IS USED but is not CAPITALIZED. (ten dollars)

7--The written dollar amount of the check is BLANK or NIL. No written amount or printed amount is in the normal place for such notation on the check.

III--THE SUB-SECONDARY CLASSIFICATION is the third division. It is based on the method of writing the CONJUNCTION in the written amount of the check, between the written dollar amount and the written cents amount. It is divided into 5 sub-divisions and is the third figure in the check classification.

1--The conjunction AND or & sign is OMITTED, between the written dollar amount and the written cents amount on the check. (Ten dollars and twenty cents)

2--The & sign in any form IS USED between the written dollar amount and the written cents amount on the check. (Ten dollars & twenty cents)

3--The word AND is written DOWNWARDS on the check, between the written dollar amount and the written cents amount on the check. (Ten dollars and twenty cents)

4--The word AND is written HORIZONTAL on the check, between, the written dollar amount and the written cents amount. (ten dollars and twenty cents)

5--The word AND is written UPWARD on the check, between the written dollar amount and the written cents amount. (Ten dollars and twenty cents)

IV--The 2nd SUB-SECONDARY CLASSIFICATION is the fourth division. It is based on the method of writing the WRITTEN AMOUNT OF CENTS on the check. It is divided into 8 sub-divisions, and is the

fourth figure on the check classification.

1--NIL. No written amount of cents is indicated on the check. (Ten dollars)

2--The written cents amount on the check is written, printed, stamped or typewritten OUT IN FULL. (Ten dollars & five cents)

3--The written cents amount on the check is written as a FRACTION without a line PRECEDING or AFTER the fraction.

(Ten & $\frac{14}{00}$)

4--The written cents amount on the check is written as a FRACTION with a straight or wavy line FOLLOWING the fraction. (Ten & $\frac{no}{00}$.....)

5--The written cents amount on the check is written as a FRACTION with a straight or wavy line PRECEDING AND FOLLOWING the fraction. (Ten &.....$\frac{00}{100}$ .....)

6--The written cents amount on the check is written as a FRACTION with a straight or wavy line PRECEEDING the fraction. (Ten & .....$\frac{00}{00}$)

7--The written cents amount on the check is similar to #3 EXCEPT "xx" is used in the numerator or denominator of the fraction. (Ten &.....$\frac{xx}{xx}$)

8--The written amount of cents on the check is OMITTED and a STRAIGHT or WAVY line is drawn after the written dollar amount. (Ten.....)

V--THE FINAL CLASSIFICATION is the fifth division. It is based on the method of writing the figure, cents amount of the check. It is divided into 9 sub-divisions, and is the last digit in the 5 figure check classification number.

1--NIL. No cents or zeros are used. ($6)

2--The cents is written WITHOUT a line UNDERNEATH ($6.00)

3--The cents is written with a horizontal line underneath. ($6.<u>00</u>)

4--The cents is written in ANY line except a horizontal line. It is usually a diagonal or flourished line. ($6./00)

5--The cents is written with MULTIPLE lines underneath. ($6.00)

6--The cents is written "xx" in the NUMERATOR or DENOMINATOR. ($6.00/xx)

7--The cents is written with a TRADEMARK other than "xx" in the numerator or denominator. ($6.00)

8--The cents is written with "00" or "100" in the DENOMINATOR of the fraction. ($6.00/100)

9--The cents is written as a percent or In-account sign. ($4.%).

The checks upon which the written amount (digits 2, 3 and 4) is protectographed can also be categorized. The Bradford system employs the idea of using the "cents" "dollars" and the word "and" as a coding sequence. From a lengthy examination of the types of machines found on the market there evolved a scale of twenty-six ways in which to print the "cents" amount, twenty-six ways in which to print the "dollars" amount and fourteen ways in which to print the word "and." With the "protected" checks letters of the alphabet are used instead of numbers in the secondary, sub-secondary and 2nd sub-secondary classifications however leaving the primary and final classification points represented by numbers as with the hand-written or typewritten checks.

It is not the purpose here to set forth in its entirety the Bradford system as it comprises a separate book in itself. What has been analyzed here is a small part of the system which can be expanded to meet almost every conceivable demand in the area of classification and category. There is a "Prefix Classification" which is implemented for extending files such as can be used to advantage by larger agencies. The expanded system includes the (1) Type of check with nine variations, (2) How it was manufactured or printed with five variations, (3) How it was filled out by the maker with seven variations, and (4) Sex and race of the passer with six variations, permitting 1,890 combinations.

Source: Glick, Rush G. and Newson, Robert S. Fraud Investigation. Springfield, Illinois: Charles C. Thomas, 1974, pp. 151-155.

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