

# Credit Card Fraud Prevention

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In August 2003 we reported an incident involving an \$8,000 phone order with the purchase charged to a stolen credit card. The customer was unknown to the merchant and the merchandise was shipped to an international address. A similar situation recently occurred to a different merchant, only this time on a larger scale.

Here's the scenario. Several orders were received by e-mail totaling approximately \$50,000 (that's right . . . fifty-thousand dollars). Multiple credit card numbers were given and the merchandise was once again shipped to international addresses. The transactions were key-entered, authorization numbers were received, the orders were shipped and the parts department had a great start to the day. Right? Wrong again, but they didn't realize it until a few days later when they received another batch of orders to be shipped to international addresses using the same credit card numbers. This time when the transactions were entered, the sales were declined because the theft of the cards had been discovered and reported. The merchandise is gone and the money credited to the merchant from the first sale was charged back against their account. Not a good way to start OR end a day!

There were several "RED" flags waving that the merchant failed to recognize. Such as:

- First time and/or unknown shopper
- Larger-than-normal orders
- Orders consisting of several of the same item
- Orders for "big ticket" items
- Orders shipped "rush" or "overnight"
- Orders shipped to an international address

While any one of these alone may not raise a red flag, several together is a good reason to use extra caution.

Credit card terminals may be set up with additional options to help identify fraudulent transactions. **Address Verification Service (AVS)** is a simple step prompting you to enter address and zip code info (obtained from the caller). It's then verified with the issuer's billing record, and prints on the receipt whether or not they match. **Card Verification Value 2 (CVV2)** prompts you to enter a three-digit code printed on the signature panel on the back of the card. Asking for, and entering this code during the transaction helps validate that the customer has a credit card in his/her possession, and that the card account is legitimate. Call the Association office at 800-622-0016 for information about setting up your terminal for these fraud prevention steps.