Allied Solutions

Fraud Risk Bulletin

Exclusive, As-It-Happens Risk Updates and Insights

SUMMARY

Allied Solutions continues to see U.S. Treasury check fraud at financial institutions across the country. **Effective November 18, 2024,** the Department of the Treasury, Bureau of the Fiscal Service began offering a new feature – new payee name validation.

HOW DOES THE NEW FEATURE WORK?

By verifying the payee of the Treasury check, the new feature helps combat the following commonly perpetrated fraud:

- Altering or washing Treasury checks wherein fraudsters change payees' names on checks to new payee names
- Negotiation of counterfeited Treasury checks wherein bad actors create their own Treasury checks and print on purchased check paper

RISK MITIGATION STEPS

It is strongly recommended that you implement the new payee name validation feature for Treasury Check verification.

- Payee name access will only be available through the API. The payee name cannot be accessed on the Treasury Check Verification System (TCVS) public website.
- Current API users can retrieve the new specification document on the TCVS website.
- To request a key for the API, complete the Terms & Conditions document (PDF) on the TCVS website.
- Service providers and financial institutions will not experience any impact to the current TCVS API process and can adapt to the new enhancement at their own pace after November 18.
- If you have any questions regarding this new enhancement, please send them to: paymentintegrity@fiscal.treasury.gov.

CRITICAL NOTES

- This will not stop the use of a legitimate stolen Treasury check deposited into accounts opened in the name of the original payee (consumer or business) on the Treasury check.
    - When a U.S. Treasury check is brought to your financial institution for negotiation, review the date on the check, the date the account was

opened at your financial institution, and for business accounts, check the date of incorporation that was provided at account opening. If the account was opened or business was opened after the check was issued, this is a red flag and further scrutiny of the check and account should ensue.
    - In August 2023, the Treasury Inspector General for Tax Administration (TIGTA) introduced the checkintegrity@tigta.treas.gov inbox. Aiming to provide responses to inquiries within 48 hours, this initiative serves as a crucial resource for financial institutions seeking to swiftly identify and combat counterfeit or altered Internal Revenue Service Treasury check payments.
- *There is no federal law that requires a financial institution to cash a check, even a government check.* If you do accept the check, financial institutions are required to follow Regulation CC hold guidelines. When the funds are made available, that doesn't mean it's a good check. Fake checks can take weeks to be discovered and untangled.

RISK MITIGATION RESOURCES

- Visit Allied's Risk Alerts Library
- Resource: New payee name validation ability for Treasury Check Verification System
- Related October 2024 Risk Alert: U.S. Treasury Fraud Updates (PDF)