

TALKING POINTS AND TIPS ON OFFICE SUPPLY SCAMS

TALKING POINTS

- ◆ Office supply scams – a form of telemarketing fraud – cost U.S. businesses an estimated \$200 million a year. Though they often prey on small businesses and non-profit organizations, their victims also have included larger businesses and Fortune 500 companies.

- ◆ Office supply scam artists generally use the same approach: Telemarketers operate out of boiler rooms furnished with dozens of desks and telephones, and target lists of businesses and non-profits.

- ◆ These scams persist due to a steady supply of start-up companies and new businesses to target. Additionally, small businesses provide a large percentage of the new jobs added to the economy each year.

- ◆ The scams work by creating confusion over product invoices and goods and exploiting the inexperience of personnel who handle these matters. The fraudulent suppliers use generic sounding names like “Central Supplies” and send invoices that look legitimate.

- ◆ Businesses fall victims when they lack well-established protocols for purchasing goods. Also, the people responsible for supply or machine maintenance may be temporary employees or volunteers who are unfamiliar with regular vendors and office supply costs.

- ◆ The scams typically are recognized when businesses receive shipments they never authorized and bills for merchandise they never ordered, or bills for products they never received. Standard products promoted in these scams include toner for copiers and printers, ink cartridges, light bulbs, janitorial supplies, and even medical supplies.

- ◆ Since 1986, the FTC has prosecuted more than 30 cases of office supply fraud against more than 60 companies or individuals. Many of these were brought under multi-agency “sweeps.” The first was “Operation Copycat” in 1996, which resulted in \$13.7 million in consumer redress. A more recent sweep, “Operation Misprint,” resulted in more than \$4.2 million in redress.

- ◆ In 2001, the FTC logged 2,276 complaints about office supply fraud. (These numbers don’t represent the full universe of victims.)

- ◆ The FTC attacks office supply fraud via the Telemarketing Sales Rule and by employing its broad authority under Section 5 of the FTC Act, which prohibits unfair or deceptive practices. The Commission typically seeks temporary relief, such as asset freezes, to halt the practice and try to reimburse the victims.

FIVE TIPS TO AVOIDING OFFICE SUPPLY FRAUD

TIPS

In order to protect your organization from these and other forms of office supply fraud, the Federal Trade Commission suggests that you follow a few simple precautions.

1. Know your rights.

- If you receive supplies or bills for services you didn't order, don't pay, and don't return the unordered merchandise.
- Treat any unordered merchandise you receive as a gift.
- It's illegal for a seller to send you bills or dunning notices for merchandise you didn't order or ask you to send back the merchandise, even if the seller offers to pay the shipping costs.

2. Assign designated buyers and document your purchases. Designate certain employees as buyers. For each order, the designated buyer should tell the supplier to put the purchase order number on the invoice and bill of lading. The buyer should also send a copy of every purchase order to their accounts payable department, and keep blank order forms secure.

3. Check all documentation before you pay the bills. When merchandise arrives, the receiving employee should verify that it matches the shipper's bill of lading and your purchase order. Pay special attention to brands and quantity, and refuse any merchandise that doesn't match up or isn't suitable for your equipment. The receiving employee should send a copy of the bill of lading to the accounts payable department. Bills for services should be reconciled the same way. A supplier should not be paid unless the invoice has the correct purchase order number and the information on the invoice, and the purchase order and the bill of lading match.

4. Train your staff. Train everyone in how to respond to telemarketers. Advise employees who are not authorized to order supplies and services to say, "I'm not authorized to place orders. If you want to sell us something, you must speak to _____ and get a purchase order." Establish a team that includes the employees who buy and receive the merchandise or services, and those who pay the bills, and develop some standard "buying procedures." For example:

- Buy only from vendors you know and trust.
- Be skeptical of "cold" or unsolicited calls and practice saying "no" to high pressure sales tactics. Legitimate companies don't use pressure to force a snap decision.
- Finally, consider asking new suppliers to send a catalog first.

5. Report fraud. Report office supply scams to the FTC, your state Attorney General, local consumer protection office or Better Business Bureau. In addition, consider sharing your experiences with other businesses in your community to help them avoid similar rip-offs.

File a complaint with the FTC online at www.ftc.gov; by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; or by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580. Although the Commission cannot resolve individual problems for consumers or businesses, it can act against a company if it sees a pattern of possible law violations.

For more information about office supply scams, order **Avoiding Office Supply Scams** from the FTC or read it at www.ftc.gov.
