



State of Connecticut
Attorney General William Tong

Quick Tips

Protect Your Business Against Fraud

Each year, small businesses are targets of fraudulent or deceptive sales practices. Business owners must protect their businesses, and often it's only a matter of identifying suspicious situations and asking the right questions.

- Consider designating specific employees with authority to approve purchases or to make bill payments or donations, and to make decisions about whether and when to release company information.
- Compile and distribute a list of all approved vendors and suppliers.

If you suspect a scam:

- Look into it, check online for complaints raised by other consumers, the BBB or with state consumer protection agencies, and carefully consider any offer or request before you act.
- Alert employees and warn them about potential contracts.
- Provide detailed instructions and directions to staff on how to handle suspicious situations
- Alert and pass the word onto local business associates and police agencies, the Attorney General's Office, the Department of Consumer Protection or the Better Business Bureau.
- Independently verify the legitimacy of any entity that asks you for money or information

Identify the Scam

Charity Pitches

From requests to support the community's latest fundraising project, to requests for sizable charitable contributions, most businesses are regularly asked to donate funds to needy causes. While many requests are legitimate, every year small business people become victims of fraudulent or deceptive charitable solicitation schemes.

Protect your Business

Before agreeing to make a donation or lend support to a charitable cause, ask the following questions:

1. Who are they? Obtain the charity's complete name and address as well as the names of the principal officers. Watch out for sound-alike charities.
2. Are solicitors volunteers or paid telemarketers?
3. What is the organization's stated purpose? Does it publish an annual report that contains detailed budget information for public review?
4. How much money is being collected on behalf of the organization and how much is going toward the stated purpose?
5. What percentage of contributions goes toward the professional fundraiser's salaries and other administrative costs?
6. If the solicitor is selling advertising space in a publication, ask to see a copy of the latest issue. When will the next issue be produced? How many copies will be printed? Who will get copies?

Give with your heart and your head, and never, ever donate over the phone.

Any legitimate group will disclose financial information and answer detailed questions about how the money they collect will be used. If they don't respond, be suspicious.

Connecticut law requires all charitable organizations as well as for-profit entities that solicit on behalf of charitable organizations to register with the state Department of Consumer Protection.

The agency maintains an online database, available on its Web site at www.ct.gov/dcp, where consumers and business owners can verify whether or not a charity or a solicitor for a charitable organization is properly registered with the state of Connecticut.



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Prizes and Promotions

Hundreds of companies use prize offers — for everything from vacations to luxury cars — to extract money from businesses. In order to be eligible to claim the prize, businesses may be asked to purchase several hundred dollars in advertising specialty products, such as pens, much, key chains, hats or other promotional items with the company's name on them.

After paying for a package containing a few dollars' worth of junk, the prize arrives, and its value never exceeds the money paid. Cameras turn out to be cheap plastic, precious gems look like driveway gravel and vacations have so many restrictions you'd be better off planning and paying for your own vacation instead of taking the "free" trip.

Some prize offers look like official gift certificates, bordered in gold. Others look like important official correspondence, complete with a validation number, or something in an express mail delivery pouch. No matter how it's packaged, or how official it looks, if you have to pay to receive a free gift, it's probably not worth the money.

Protect your Business

Law enforcement action against these firms is very difficult. Experience shows that these companies rarely answer or adjust complaints and are hard to find once the problems are reported. If you receive an offer for a prize:

1. Find out the name and address of the company or person placing the call. Check them out before agreeing to become part of their advertising promotional campaign.
2. Call local suppliers to compare prizes and quality, and ask questions about the quality and restrictions on the prizes.
3. Insist on written information from the caller.
4. Be suspicious of offers that must be acted on immediately or require cash payments.

Under Connecticut law, any unsolicited merchandise you receive is a gift, and you may keep it without any obligation.

Identify the Scam

Business Opportunities

Many small business owners are approached to invest in other business opportunities. Promoters may claim the venture will increase customer traffic flow into the current business or that little effort is required to collect high profits.

Protect your Business

Ask the following before you invest:

1. Is the product or service a proven value or just a gimmick?
2. What are the true costs of the venture?
3. Will the seller supply training, management and promotional assistance?
4. Is the seller primarily interested in selling distributorships or in marketing a product or service?
5. How many other investors are involved?
6. How many other distributorships will be sold or are already operating in the area?
7. What profits can be expected or documented by the seller?

Review all aspects of any agreement before signing. Ask for copies of business and financial statements. Check how long the promoter has been in business or if any complaints have been filed with the Better Business Bureau, Department of Consumer Protection or Attorney General's Office. If you're interested in a business opportunity, obtain the names of other investors and contact them to discuss their experience with the plan.



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Office Supplies

Your business manager receives a call from what she thinks is your regular copy machine supplier. The caller says that he has some surplus inventory and he's selling it at last year's prices. When you get the supplies, they were not from your regular supplier, they were of poor quality and they were very expensive.

The above scam has become known as a "phony toner" scam. Callers often have different stories to tell, but the outcome is always the same — the business pays high prices for low-quality goods, and legitimate suppliers get cheated out of business.

The product being pitched is not always copy machine toner. It might involve computer supplies, copy paper or other office supplies. Promoters who pitch inferior paper at inflated prices are so common they have earned the nickname "paper pirates."

Your firm usually receives a telephone contact first. Sometimes an advance call is made to find out what brand of supplies or equipment the business uses.

On the return call, the caller claims to represent a reputable company with which the firm often does business. The caller often states that surplus merchandise is available at a reduced price due to a cancellation or over-order by another purchaser. Sometimes callers offer free gifts to employees to induce sales; however, accepting the gift may mean other obligations have been accepted as well.

Regardless of the sales pitch, the results include:

- The business receives a shipment of poor-quality merchandise, with an invoice that often demands more money than what was stipulated in the original agreement.
- Products are delivered not as ordered or expected. The supplier then refuses to accept returns or provide refunds.
- No products are ever delivered, and there is no sign of the supplier who has already taken your money.
- An invoice or shipment is sent even though you clearly refused to place an order with the company. The supplier demands payment and threatens to turn your account over to a collection agency or attorney.

Protect your Business

The following procedure will help your business and employees from being victimized by phony office supply schemes:

1. Assign one person or department to handle sales calls and approve all office supply purchases.
2. Instruct employees not to give out information on office machines and copiers, especially when responding to telephone sales solicitations.
3. Check out unfamiliar companies and offers before placing an order. If it sounds too good to be true, it probably is.
4. Keep a list of regularly used vendors as protection against schemers who claim the order is a "renewal."
5. When you do place an order, ask for confirmation in writing with all conditions clearly spelled out.
6. Compare prices and quality of products with other suppliers.
7. Notify the supplier of unauthorized shipments or invoices immediately in writing. Clearly state that you did not place an order and will not accept delivery.



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Phony Billing

Connecticut businesses should be on the alert for invoices demanding payment for supplies, goods and services never ordered or received. Every year, businesses lose substantial amounts of money because they fail to question or recognize these phony demands for payment.

A recent scam involved a company sending bogus invoices to state and local organizations in Connecticut for nonexistent preventative maintenance warranties on technology services. The solicitations looked convincingly like invoices, complete with a reference number and address to remit payment, and contained no disclaimer language indicating that this was an advertisement or solicitation.

In these cases, since the solicitation appears to be identical to normal billing, the invoice is often inadvertently paid with a number of other routine bills. These invoices range in price from a few dollars to several hundred dollars.

Follow-up letters and invoices are often sent, to give the impression that you are late in making a payment. One company follows its solicitation with a letter threatening credit rating damage if the phony invoice is not paid.

Others may assert that a recording has been made of the agreement to purchase goods and services and that collection procedures will begin in order to get the money. In Connecticut, it is illegal for a person to tape a conversation without the other party's consent.

Protect your Business

Take the following precautions to protect your business against phony billing schemes:

1. Don't place phone orders unless you're sure it is a reputable firm.
2. Be sure of the organization's name, address and phone number as well as the solicitor's name and his or her position with the company. Check records to confirm any claim of past business.
3. Read your mail carefully. Warn employees to be on the alert for any unusual invoices.
4. Check business records to determine if merchandise or services were authorized, ordered and delivered before paying invoices. It may be helpful to have one employee review and approve all invoices.
5. Alert other businesses, and report phony billings to the Better Business Bureau, the Department of Consumer Protection or the Attorney General's Office.

Resources for Small Businesses

If you believe you have been targeted by a scam or are a victim of a scam, please contact the Department of Consumer Protection or the Attorney General's Office to file a complaint.

- State Department of Consumer Protection: 800-842-2649, www.ct.gov/dcp.
- Office of the Attorney General: 860-808-5318, www.ct.gov/ag.
- For more information, consult the Federal Trade Commission's guide entitled [Small Business Scams](http://business.ftc.gov/documents/0512-small-business-scams), available at <http://business.ftc.gov/documents/0512-small-business-scams>.