



Things You Should Know About...
PROTECTING YOUR SMALL BUSINESS

Each year, small businesses are targets of fraudulent or deceptive sales practices. Protecting your business from this type of fraud, however, is often as simple as identifying suspicious situations and asking the right questions. If you suspect a scam:

- Alert all employees and warn them about contacts.
- Provide detailed instructions to staff on how to handle suspicious solicitations and sales attempts.
- Alert and pass the word on to local business associates and law enforcement agencies, the Better Business Bureau, and the Office of the Attorney General's Consumer Fraud Bureau.

Charity Pitches

From requests to support the neighborhood's latest fund-raising project to requests for sizeable charitable contributions, most businesses are regularly asked to donate funds to needy causes. While many requests are legitimate, however, others are not. Every year small business people become victims of fraudulent or deceptive charitable solicitation schemes. Some of these include the following:

Advertisements

In this common solicitation, businesses are asked to purchase advertisements in various "official" publications. These publications appear to be associated with organizations or groups such as firefighters, law enforcement, or other official agencies. While many of the publications do exist, they are often independent, profit-making ventures.

Telephone solicitors may also ask if businesses wish to simply renew ads from last year, leaving the impression that the transaction is merely routine. In many cases, however, the business has never before dealt with the publication. Other callers lead businesses to believe that the group is affiliated with the local law enforcement agency and that the business will receive preferential treatment after purchasing an ad. The advertising price is usually not given unless you ask, and the solicitor may be reluctant to provide specific distribution information.

Special Events

Businesses are often asked to buy tickets for charity events or to donate to worthy community causes. Promoters may ask you to contribute enough money to buy a block of circus tickets to enable low-income youth to attend the event. In some instances, however, the tickets you purchase are not made available to the youth as promised.

Office Supplies

Claiming that proceeds will benefit people with disabilities, telemarketers may call your business to sell light bulbs, trash bags, or other office supplies and cleaning products. However, many of these sales are conducted by for-profit companies that have little or no connection with organizations for people with disabilities.

Protect Your Business

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

- Who are they? Obtain the organization's complete name and address, as well as the names of

the principle officers.

- Are solicitors volunteers or paid telemarketers?
 - What is the organization's stated purpose? Does it publish an annual report that contains detailed budget information for public review?
 - How much money is being collected on behalf of the organization and how much is going towards the stated purpose?
 - What percentage of contributions goes toward professional fundraiser's salaries and other administrative costs?
 - 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?
- Any legitimate group will disclose financial information and answer detailed questions about how it uses the money it collects. Illinois law requires all organizations soliciting for charitable donations to register and file an annual report with the Office of the Attorney General's Charitable Trust Division, (312) 814-2590.

Coupon Books

Small business operators are often approached to participate in coupon book promotions. The business offers discounts or extras in the coupon books, which are sold by promoters to consumers. Problems occur if the promoters change the terms of the coupons to make them more attractive to buyers, oversell the books, or distribute the books primarily outside the firm's normal business area. Before entering into any agreement with a coupon book promoter, consider:

- The total cost of the goods and services to be used in the promotion.
- The total number of coupon books to be sold and distributed.
- The marketing area to be covered by the coupon book offer.
- The type of clientele to be solicited for the sale or distribution of the coupon book.

Keep these same guidelines in mind if you are asked to purchase a large quantity of items for use with free gift promotions.

If you are told that the proceeds will be used to support a charitable purpose or a project sponsored by a civic organization, ask the same questions you would for other charity pitches.

Office Supplies

"My office manager received a call from what she thought was our regular copy machine supplier. The caller said that she had some surplus inventory and she'd sell at last year's prices. When we got the supplies, they were not from our regular supplier, were of poor quality, and were very expensive."

This business was victimized by what has come to be known as a "toner phoner" scheme. The products being pitched don't always include copy machine toner, however. The scheme might involve computer supplies, paper for facsimile machines, or light bulbs. The solicitors 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.

How Office Supply Scams Work

Frequently, 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. Callers may offer free gifts to employees to induce sales; however, accepting a gift may mean other obligations have been accepted as well. Regardless of the sales pitch, the results usually mean:

- 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 already has 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 an attorney.

Protect Your Business

The following procedures will help keep your business from being victimized by phony office supply schemes:

- Assign one person or department to handle sales calls and approve all purchases for office supplies.
- Instruct employees not to give out information on office machines and copiers, especially when responding to telephone sale solicitations.
- Check out unfamiliar companies and offers before placing an order. Remember, if it sounds too good to be true, it probably is.
- Keep a list of regularly used vendors as protection against schemers who claim the order is a “renewal.”
- When you do place an order, ask for confirmation in writing with all conditions clearly spelled out.
- Compare prices and quality of products with other suppliers. If the company claims to have a tape recording of the order, insist on hearing it.
- Notify the supplier in writing of unauthorized shipments or invoices immediately. Clearly state that you did not place an order and will not accept delivery. If the goods have already been delivered, notify the company that you will not pay and the goods are available for pick-up.

Phony Billing Schemes

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

Yellow Page Advertising

The most common type of phony billing scheme involves solicitations for “yellow page” advertising. Consumer complaints filed with the Attorney General’s Consumer Fraud Bureau indicate that a variety of solicitors send statements for “yellow page” directory advertisements that look very similar to invoices mailed by better-known directories. The solicitations even include the familiar “let your fingers do the walking” symbol. Sometimes businesses are contacted by telephone and asked to renew ads from last year, giving the business the impression that the transaction is merely routine.

Since the solicitations and invoices appear to be identical to a normal billing, the invoice is often inadvertently paid with other routine bills. These invoices range in price from a few dollars to several hundred dollars. The directory publishers stay within the limitations of law by including a statement that says “this is not a bill and you are under no obligation to pay the amount stated.” The directories may be published, but the independent promoters rarely provide details about how many directories are published and where they are distributed.

Office Supplies

Small businesses also receive invoices for office supplies that look quite authentic. These invoices are often personalized to include the name of the business or even the purchasing agent. Sometimes they are advertisements cleverly disguised to look like bills. Follow-up letters and invoices are often sent to give the impression that you are late in making a payment. Some companies follow their solicitation with a letter threatening credit rating damage if the phony invoice is not paid. Other billers may assert that a tape recording has been made of the agreement to purchase goods or services and that collection procedures will begin to get the money.

Protect Your Business

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

- Don't place orders over the telephone unless you are certain you're dealing with a reputable firm.
- Get 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.
- Read your mail carefully. Warn employees to be on the alert for any unusual invoices.
- 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.
- If the company claims to have a tape recording of the order, insist on hearing it.
- Before placing any advertisements, verify that the publication exists. Make sure its circulation meets your needs.
- When in doubt about yellow page directories, contact the directory you want to carry your advertisements to verify that renewal invoices have been mailed and clarify procedures for payment.
- Report phony billings to postal authorities and alert other businesses in your area.

Prizes and Promotions

Hundreds of companies use prize offers to get money from businesses. Prizes may include vacations, precious gems, or luxury cars. To be eligible to claim such a prize, businesses are asked to purchase several hundred dollars in advertising specialty products such as pens, mugs, key chains, hats, or other promotional items with the company's name on them. After agreeing to pay for a COD package containing a few dollars worth of junk, the prize arrives. Its value never exceeds the money paid. Cameras turn out to be plastic junk and "free" vacations have so many restrictions that you are better off planning and paying for your own trip.

Prize offers may look like official gift certificates bordered in gold, important official correspondence complete with validation numbers, telegrams, or important messages in express delivery mail pouches. No matter how they're packaged or how official these offers look, if you have to pay to win or receive a "free" gift, it's probably not worth the money.

Protect Your Business

Legal action against firms offering prize promotions is very difficult. Experience shows that these companies rarely answer or resolve complaints and are hard to find once problems are reported. If you receive an offer for a prize, take the following precautions:

- 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.
- Call local suppliers to compare prices and quality.
- Ask questions about the quality of and restrictions on the prizes.
- Insist on written information from the caller.

- Be suspicious of offers that must be acted on immediately or require cash payments sent through express delivery services.
- Do not provide your credit card number unless you have thoroughly investigated the legitimacy of the company.
- Instruct employees not to accept COD packages from unknown companies.

The postal service now allows small business operators and others to pay for COD service with a personal check payable to the mailer instead of the postal service. Prior to this change in the law, when a COD package arrived, the business would have to pay with cash or a check made out to the postal service. Once the package was opened and the business found they had been scammed, there was no way to stop payment on the check because it was made out to the postal service, not to the company mailing the package. This change permits businesses that are not satisfied with their purchase to stop payment on the check and contact the company about a possible resolution.

Vanity Publishing

This scheme often begins with a letter addressed “Dear Business Executive” or “Attention Professional Engineer.” The letter goes on to describe how the publisher of “Who’s Who in the Business World” or “The World’s Top Engineers” wants to include your name and accomplishments in the next edition. Often, the recipient is flattered into providing the details of his or her career. The vanity publisher counts on the willingness of people who think they’ve received a special recognition to pay to see their name in print. The publisher charges a fee for the privilege of being included in the listing and then tries to sell copies of the book at inflated prices.

A variation of this scheme involves solicitations to include the company’s name in some kind of directory. These directories are usually aimed at a specific market or profession. A fee is charged for the listing and the directory, if distributed, is sent to subscribers only.

Protect Your Business

- Ask yourself how much of an honor it is to be included in a directory when you’re required to foot the entire bill. Get the answers to these questions:
- Exactly what costs are involved? Ask about processing and photography fees, handling charges, and costs to purchase additional directories, certificates, or plaques.
- When will the directory be printed?
- How many directories will be printed?
- Where will they be distributed? Check with your local library or book store to see if they have ever heard of the directory or carry it in their collection.

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