

Business Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

FIVE STEPS TO AVOIDING OFFICE SUPPLY FRAUD

Businesses, churches, and fraternal and charitable organizations are losing millions of dollars to bogus office supply firms. Any organization that lacks adequate purchasing controls can become a victim of an office supply scam. The Federal Trade Commission suggests a few simple precautions to protect organizations from paying for goods and services they didn't order, from labels to light bulbs, toner to toilet paper. We've also attached a tip sheet — **Inter-Office Memo: Don't Get Bilked by an Office Supply Scam** — that you can adapt to your organization and distribute to staff.

1. Know your rights.

If you receive supplies or bills for services you didn't order, don't pay. Don't return the unordered merchandise, either. 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. What's more, if the seller sends you items that are different from your order in brand, type, quantity, size, or quality — and hasn't gotten your approval first — you may treat the substitutions as unordered merchandise. Treat unordered services the same way. At the same time, you should consider the possibility that the seller has made an honest mistake.

The FTC's Telemarketing Sales Rule offers other protections in business-to-business sales of non-durable office or cleaning supplies and most sales of goods or services to individuals, groups or associations. According to the Rule, telemarketers must tell you it's a sales call — and who's doing the selling — before they make their pitch. And before you pay, they must tell you the total cost of the products or services they're offering, any restrictions on getting or using them, and whether a sale is final or non-refundable. In addition, it's against the law for telemarketers to misrepresent any information about the goods or services they're offering.

2. Assign designated buyers and document your purchases.

Designate certain employees as buyers. For each order, the designated buyer should issue a purchase order to the supplier that has an authorized signature and a purchase order number. The purchase order can be electronic or written. The order form should tell the supplier to put the purchase order number on the invoice and bill of lading. The buyer also should send a copy of every purchase order to the accounts payable department, and keep blank order forms secure.

Federal Trade Commission	Toll-free 1-877-FTC-HELP
www.ftc.gov	For the Consumer

March 2000

3. Check all documentation before you pay the bills.

When merchandise arrives, the receiving employee should verify that the merchandise 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. If everything is in order, the receiving employee should send a copy of the bill of lading to the accounts payable department. Reconcile bills for services the same way. That is, don't pay any supplier unless the invoice has the correct purchase order number, and the information on the invoice matches the purchase order and the bill of lading.

4. Train the staff.

Train all staff 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 merchandise or services, and those who pay the bills, and develop some standard operating "buying procedures." For example, buy only from people 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, or 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 by contacting the Consumer Response Center (CRC) by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or online: use the complaint form at www.ftc.gov. 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.

INTER-OFFICE MEMO:

DON'T GET BILKED BY AN OFFICE SUPPLY SCAM

○ We need your help to make sure we don't become a victim to costly office supply fraud. This is a nationwide problem affecting businesses, churches, and fraternal and charitable organizations; altogether, organizations like ours lose millions of dollars to bogus office supply firms.

The Federal Trade Commission has a number of suggestions that we can follow to help us avoid paying for goods and services that we didn't order, from labels to light bulbs, toner to toilet paper. We need to be cautious in our dealings with telemarketers and implement and follow good purchasing control practices. Please review and follow these suggestions.

⇒ **Get to know our designated buyers.**

○ Our buyers are _____ and can be reached at _____.

All purchase orders should go through these employees. If someone calls you about ordering supplies, say, "I'm not authorized to place orders. If you want to sell us something, you must speak to _____ and get a purchase order." If someone calls asking for the manufacturer and model of our copiers, refer them to our designated buyers. 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.

⇒ **Check all documentation.**

○ When merchandise arrives, verify that it matches the shipper's bill of lading and our purchase order. Pay special attention to brands and quantity, and refuse any merchandise that doesn't match up or isn't suitable for our equipment. If everything is in order, send a copy of the bill of lading to _____ in Accounts Payable.

⇒ **Exercise our rights.**

○ If we receive supplies or bills for services we didn't order, don't pay. Don't return the unordered merchandise, either. If you're reasonably confident that there has not been a legitimate mistake about the order, we can treat any unordered merchandise we receive as a gift. It's illegal for a seller to send us bills or dunning notices for merchandise we didn't order or ask us to send back the merchandise — even if the seller offers to pay the shipping costs. What's more, if the seller sends us items that are different from our order in

brand, type, quantity, size, or quality — and hasn't gotten our approval first — we may treat the substitutions as unordered merchandise. We can treat unordered services the same way. But always consider the possibility that the seller has made an honest mistake.

The FTC's Telemarketing Sales Rule offers us other protections in business-to-business sales of non-durable office or cleaning supplies and most sales of goods or services to individuals, groups or associations. According to the Rule, telemarketers must tell us it's a sales call — and who's doing the selling — before they make their pitch. And before we pay, they must tell us the total cost of the products or services they're offering, any restrictions on getting or using them, and whether a sale is final or non-refundable.

 **Report fraud.**

If you think we've been scammed, contact _____ in our office at _____. We will report the fraud to the FTC, or our state Attorney General, local consumer protection office or Better Business Bureau.

If you have questions about these procedures, please contact _____ at _____. If you'd like to learn more about business-related frauds and ways you can help protect our organization, visit the FTC online at www.ftc.gov.