

CCNY Procurement Bulletin

To: All Departmental Procurement Liaisons

From: Mario Crescenzo, Jr.
Director of Business and Finance

Subject: Ongoing Toner and Office Supply Scams

Date: April 23, 2015

There are a number of individuals who continue to call, fax and email campus departments in an attempt to persuade or even trick employees into purchasing “discounted” toner and/or office supplies. There are a number of different approaches that these individuals employ; however, the end result is that the college is often invoiced for vastly overpriced items that were not obtained in accordance with CUNY and New York State purchasing rules and regulations.

Any college department that receives an unsolicited invoice, phone call, fax, or email from an unknown vendor should suspect that it may be a scam. Departments are advised to educate employees or volunteers that answer the telephones, especially new or temporary employees, not to authorize the ordering of any supplies, not to provide model or serial numbers, and not to schedule equipment maintenance or supports services.

Some scams use order authorizations that are obtained by fax machine “phishing”. Much like its email counterpart, fax machine “phishing” documents appear to be genuine and sincere, often with some sense of urgency indicating that that an order cannot be shipped without that document being signed and faxed back. Often, unsuspecting and well intentioned employees are tricked into returning these documents and unwittingly ordering overpriced toner and/or supplies.

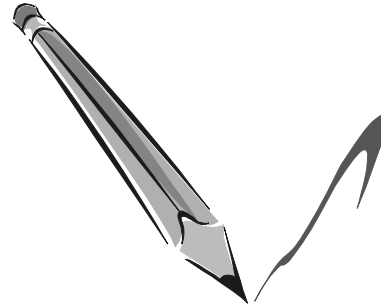
We would suggest that departments respond to unsolicited offers by stating, "I am not authorized to order anything, please let me have your contact information and I will have someone call you back." Please forward that information to the Purchasing Office at purchasing@ccny.cuny.edu so that a follow-up call can be made to determine if the individual is calling for a legitimate reason or if it is a fraud.

Attached is a Business Bulletin from the Federal Trade Commission that discusses the various types of scams as well as ways to protect our organization and our rights as consumers.

Please feel free to contact me at mcrescenzo@ccny.cuny.edu or at 212-650-5250 should you have any questions and/or concerns about this bulletin.

FTC FACTS for Business

Avoiding Office Supply Scams



Could your organization be a victim of an office supply scam? If you don't have adequate purchasing controls, probably so. Businesses, churches, and fraternal and charitable organizations are being bilked out of millions of dollars by bogus office supply firms. You can protect yourself by learning to recognize the scams and understanding your rights.

The typical office supply scam involves goods or services that you routinely order: copier paper, toner and maintenance supplies, equipment maintenance contracts or classified advertising. When fraudulent telemarketers call, they often lie to get you to pay for items you didn't order, or to get you to pay more than you agreed to. How? The caller may falsely claim to be your "regular supplier" or to tell you that the offer is "special" or "good for a limited time only." Con artists take advantage of holes in your organization's purchasing procedures or of unsuspecting employees who may not be aware of office practices. What's worse, the office supplies peddled by these bogus firms often are overpriced and of poor quality; the services usually are worthless.

The Scams

Office supply scam artists generally use three ways to take your money — the phony-invoice, the pretender, and the gift-horse.

Phony-invoice Scams

The goal of the phony-invoice scam is to get the name and address of an employee so your organization can be shipped and billed for unordered goods or services. The invoice includes the employee's name as the "authorized" buyer. Scam operators use various ploys to get an employee's name: They may call asking for help completing an order, claiming that "the accounting department lost the name of the person we should send these supplies to," or they may ask for the name of the person in charge of your Yellow Pages advertising.

Facts for Business

Once the con artist has an employee's name and address, he'll ship the unordered merchandise. The phony invoice arrives a week or so after — for two reasons: First, the inflated price — as much as 10 times what you'd pay for the same goods from a legitimate supplier — is less obvious if the invoice arrives after the merchandise has been received and stocked.

Second, the chances are good that you've used the merchandise before the invoice arrives. Many organizations mistakenly believe that they must return unordered merchandise or pay for unordered merchandise if they've used it.

A twist on this approach may have the fraudulent seller timing a phony invoice to match your purchase of legitimate services from another vendor. For example, the seller sends you a bill for unordered classified advertising soon after your ad runs in a legitimate publication. The scam operator hopes you'll be confused and pay his bill instead of, or in addition to, the one from the legitimate company.

The Pretender Scam

In the pretender scam, the caller may pretend to be your regular or previous supplier, a replacement, or an "authorized" supplier. By convincing you that the goods or services and prices offered are the same as before, the caller hopes you won't bring up prices, quantities, and brands. Even if you do, the seller may try to brush you off by saying, "We've supplied you in the past, but it's been a while," or "The price is the same as last time." If you insist on a price quote, the seller may give a price that sounds reasonable for one carton but is actually for a single unit, such as "\$19.95 in a carton of 10." Translation: the carton price is 10 times \$19.95 — or \$199.50.

In one variation on this scam, the caller misrepresents the quality, quantity, type, price, or brand name. For example, the ribbons for your IBM typewriters may not be IBM brand ribbons, or the toner for your Xerox copier may

not be Xerox brand toner. Some scam artists try to duplicate brand name packaging; others sell half a carton of merchandise at the full-carton price. Similarly, sellers of Yellow Pages advertising may actually represent fly-by-night outfits that distribute few, if any, telephone directories.

In another twist, the caller uses high pressure tactics to rush your purchase decision and dodge questions about price, quantity and brand names. The seller may falsely claim that prices are going up soon, someone was forced out of business, a warehouse is overstocked, or a limited inventory of government surplus is available. Or that a computer glitch delayed notification of a price increase, but, as a courtesy, an order has been reserved for you at the "regular" or "old" price.

Or, the seller may misrepresent the purpose of the call, saying that he's calling to send you a promotional item such as a cordless screwdriver, free samples, or a catalog so you'll "think of him next time you order." Or the seller may claim that he's conducting a survey of office equipment or updating company records, leading you to believe that he's the regular or previous supplier. Before hanging up, the caller may mention — in passing — actual merchandise. "I'll send that screwdriver to you right away ... and while I'm at it, I'll throw in a few deodorant blocks." Soon, a shipment arrives, followed by the bill.

The Gift-Horse Scam

The gift-horse scam tries to create mistrust within an organization. The scheme starts when the caller tricks an employee into accepting a gift — a free promotional item — with a passing reference to merchandise or services. You receive overpriced unordered merchandise, followed by an invoice with the employee's name. When the organization questions the employee, the fraudulent seller is betting that the employee will be nervous about the gift

when he denies placing the order. The hope is that the organization will doubt the employee. When this scheme works, the organization believes that the employee blundered into ordering something that must be paid for.

After the Invoice Arrives

Scam artists spend significant time and energy on collection efforts. They send as many invoices as it takes to get your money. Invoices often are stamped “Past Due.” In extreme cases, they’ll resort to real or bogus collection agencies and threats of legal action.

An organization that pays for unordered goods or services also may be targeted for additional scams. This practice is called “reloading.” For example, the seller may send a second shipment of “back ordered” merchandise and another bill, or bills for service upgrades. Additional invoices follow as long as you continue to pay. The con artist also may sell your organization’s name to other scam operators, or move to another bogus operation and target you with a new scheme.

The Brush-Off

When organizations complain that they didn’t order the merchandise or services or that the price is too high, the scam seller reacts in some predictable ways:

- ⇒ **Bullying.** The seller argues if you express any uncertainty about whether the supplies or services were ever ordered: “They **were** ordered. We have a recording of Mr. Jones. If you don’t pay, we can take you to court.”
- ⇒ **Negotiating.** Here, the seller agrees to accept a lower price. After all, the goods and services are so grossly overpriced that almost anything the seller gets is profit. If you complain about price, the seller may say, “You were charged what? They must not have given you the discount for”

The seller then tries to negotiate “a better deal.” Sometimes, the seller appeals for sympathy: “We really need the business. I’ll let you have it for....”

- ⇒ **Charging for returned merchandise.** The seller claims you can return merchandise if you pay a “restocking fee.” In fact, the fee is often more than the goods are worth. Similarly, the seller may try to get you to pay shipping charges to return the items.

Protect Your Organization

You can protect your organization from paying for unordered goods and services. Here’s how:

- 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. You may treat unordered merchandise as a gift. By law, it’s illegal for a seller to send you bills or dunning notices for unordered merchandise, or ask you to return it — even if the seller offers to pay for shipping. Further, if the seller sends you items that differ from your order in brand name, type, quantity, size, or quality — without your prior express agreement — you may treat the substitutions as unordered merchandise. Unordered services are treated the same way. However, first consider the possibility that the seller made an honest mistake.

The Federal Trade Commission’s (FTC) Telemarketing Sales Rule offers additional 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. The Rule requires telemarketers to tell you it’s a sales call — and who’s doing the selling — before they make their pitch. They must tell you the total cost of the products or services they’re offering, any restrictions on getting or using them, and that a sale is final or non-refundable **before you pay**. It’s illegal

for telemarketers to misrepresent any information, including facts about the goods or services being offered.

2. Assign designated buyers and document your purchases. For each order, the designated employee should issue a purchase order — electronic or written — to the supplier with an authorized signature and a purchase order number. The order form should instruct the supplier to note the purchase order number on the invoice and bill of lading. The buyer should send a copy of every purchase order to your accounts payable department. Keep blank order forms secure.

3. Check your documentation before paying bills. When merchandise arrives, the receiving employee should verify that it matches the shipper's bill of lading — paying special attention to brands and quantity — and your purchase order. Refuse merchandise that doesn't. If everything's in order, the employee should send a copy of the bill of lading to your 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, 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."

Buy from people you know and trust. Authorized employees should be skeptical of "cold"

or unsolicited calls and feel comfortable saying "no" to high pressure sales tactics. Legitimate companies don't pressure you to make a snap decision. Finally, consider asking new suppliers to send a catalog first.

Where to Complain

Report office supply scams to the FTC, your state Attorney General, local consumer protection office, or Better Business Bureau. In addition, you may want to share your experiences with other businesses to help them avoid a rip-off.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Your Opportunity to Comment

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency's responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to www.sba.gov/ombudsman.