



FRAUD CHECKLIST

Recognizing
Fraud Warning Signs
and Preventing
Problem Situations



Unfortunately, fraud occurs every day in many businesses and organizations throughout our communities and cities. Your business is not exempt and it could be the target of a dishonest employee.

It is the duty of management to set the tone, the procedures, and the controls to prevent fraud and discourage dishonesty. You should observe situations and opportunities in your workplace and ask, “How are we managing employee fraud in our organization?”

Many business owners, board members, directors, controllers, and managers are discovering company assets are not as well protected as they thought. This is especially true in small office environments where a single employee is in charge of the organization’s record keeping. Often, there are no “checks and balances” to verify the organization’s assets are being safe guarded.

The best way to safeguard your organization’s assets is to review your internal control policies and recognize, identify, and develop internal control policies that will help mitigate employee fraud. This brochure contains questions to consider when putting your organization’s internal controls into place.

Segregation of Duties

CHECKLIST:

Each **“yes”** answer identifies a potential problem area.

	Yes	No
1. Is the person who handles your cash also responsible for recording the cash?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the person who pays or orders inventory also receive the materials?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are two or fewer people responsible for the accounting function?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is only one person responsible for reviewing financial statements each month?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is your review of financial journals sporadic?	<input type="checkbox"/>	<input type="checkbox"/>

Bank Reconciliations

CHECKLIST:

Each **“no”** answer identifies a potential problem area.

	Yes	No
1. Do you review cancelled checks and endorsements on a monthly basis?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you compare payroll checks with your current employee records?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you question funds transferred between bank accounts?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you track the number of credit card bills you sign per month?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are bank reconciliations performed on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is someone responsible for reviewing the reconciliations each month?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you verify reconciled items?	<input type="checkbox"/>	<input type="checkbox"/>

Supporting Documentation

CHECKLIST:

Each **“yes”** answer identifies a potential problem area.

	Yes	No
1. Do you ever sign blank checks?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you ever sign checks without original supporting documentation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you ever sign checks without canceling supporting documentation?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have funds ever been transferred between accounts without review or verification?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you ever sign checks for new business vendors without knowing or verifying their name and association with your company?	<input type="checkbox"/>	<input type="checkbox"/>

Safeguarding Assets

CHECKLIST:

Each **“no”** answer identifies a potential problem area.

	Yes	No
1. Are blank check stocks and signature stamps safely secured?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you restrictively endorse all checks when received?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you deposit cash and checks daily?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you maintain a list of office furniture, equipment, and company vehicles?	<input type="checkbox"/>	<input type="checkbox"/>

EHTC can help you prevent fraud or detect its presence. For more information on ways to safeguard your company, please contact us.

616.575.3482

Employees/Personnel

CHECKLIST:

Each **“yes”** answer identifies a potential problem area.

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are any of your employees extremely possessive of their work records and reluctant to share their tasks? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are any of your employees apprehensive about vacations and time off, while always being the first in the office and the last out? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you noticed a substantial change of lifestyle in any of your employees? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do any of your employees have a possible substance abuse or gambling problem? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are any of your employees living beyond their means? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you ever hired an employee before checking references? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do you permit your accounting personnel to work longer than a year without taking a vacation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you have any accounting staff or key personnel who have not been secured with a fidelity bond? | <input type="checkbox"/> | <input type="checkbox"/> |



How can EHTC help?

We have Certified Public Accountants with many years of forensic accounting experience plus expertise in litigation support.

We can assist by:

- Conducting a fraud or systems audit
- Evaluating and strengthening internal controls
- Assisting in the detection and deterrence of fraud
- Resolving allegations of fraud from inception to disposition
- Gathering evidence
- Interviewing and taking statements
- Preparing reports
- Presenting expert testimony

Fraud directly impacts your company's profits and threatens its reputation. We can help you prevent fraud or detect its presence. For more information on ways to safeguard your company, please contact us.



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