

FRAUD PREVENTION CHECKLIST



GENERAL OFFICE CONTROLS:

NOTES:

Do you segregate job responsibilities?



TIP: Employee who cuts the check should not be the same person doing the monthly bank reconciliations

Are monthly credit card statements periodically reviewed to determine that all charges are legitimate?

Do you require all employees to take vacation or do you have periodic job rotations?



TIP: Having employees take regular vacations is an easy way to prevent lapping schemes (deliberately mis-applying customer receipts in an attempt to disguise missing money)

Do you have an expense report policy and make sure there is a valid business purpose for all expenses submitted for reimbursement?



TIP: Make sure to insist on original receipts and have outside accounting firm review employee expense reports periodically.

Are all expense reports reviewed and approved before payment?



WARNING: Employees may inflate actual miles travelled or create a "math error" in their own favor or they may "accidentally" add every day commuter costs into their expense reports

Do you send out monthly customer statements?



TIP: This will help to increase cash flow and customers will often call you if they see misapplied or missing payments from their accounts.

Do you prepare detailed operating budgets and regularly review budget variances?



INVENTORY CONTROLS:

NOTES:

Is inventory bar coded?

Is high value inventory segregated and is access restricted?

Do you perform unannounced, periodic inventory cycle counts (counting a portion of the inventory on a rolling basis)?

Do you have cameras in key locations?



TIP: This will reduce employee theft and protect employees

When inventory is returned to the vendor, do you have someone make sure that the credit to the vendor is posted correctly?



WARNING: Unposted credits allow the bookkeeper to pocket checks from vendor



FIXED ASSETS CONTROLS:

NOTES:

Were all fixed assets identified as company property?

Have procedures been established for sale or disposal of fixed assets?

Do you make sure that when employees are terminated their company laptop and cell phone are returned?



WARNING: Terminated employees may walk off with company laptops and cell phones. You could be stuck paying phone charges for months!



DEPOSIT CONTROLS:

NOTES:

Do you periodically review check signing procedures?



WARNING: Do not allow employees to use rubber stamps to sign checks

Do you immediately stamp all incoming checks "for deposit only"?



PURCHASING CONTROLS:

NOTES:

Do you regularly oversee, review or audit the purchasing department?



TIP: Have your outside accounting firm perform unexpected audits

Are approval of purchase orders and invoices done by a separate person from the one who signs checks?



TIP: Be alert for employees who are living beyond their means

Do you review accounts payable reports to see what your company is buying, whom you are paying and where the goods/services are being delivered?



COMPUTER CONTROLS:

NOTES:

Do your employees adhere to security and privacy policies for emails, web browsing, and electronic communication?



WARNING: If Not... Potential for misuse of information, improper use of company assets and legal action exist.

Do you secure personal information in a locked or password protected location?

Do you restrict access of information and systems to people who need the access to perform their jobs?

Do you periodically change passwords?



WARNING: If Not... unauthorized personnel may have access to company information

Do you periodically review information stored in electronic or paper format?

Do you secure or discard personal and private information properly?



WARNING: Potential for identity theft exists

When employees are terminated do you immediately change passwords and cut off their access to company proprietary information?



TIP: You don't want disgruntled employees to have access to company online banking or control over online payroll tax submissions...



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