

FRAUD PREVENTION CHECKLIST

Is your company vulnerable to fraud? Review the following list to help you prevent fraud or embezzlement.

- DO A BACKGROUND CHECK ON ANYONE YOU'RE CONSIDERING HIRING.**
Contact references and scrutinize all work history dates and time gaps on a resume. Consider bonding employees if they have access to cash or work in a financial function.
- HAVE BANK AND CREDIT CARD STATEMENTS SENT DIRECTLY TO OWNERS, MANAGERS, OR AUDIT TEAM RATHER THAN YOUR OFFICE.**
Review bank account transactions and canceled checks for unusual transactions or forged or altered checks. Make sure someone who doesn't have check-issuing authority performs bank reconciliation.
- REVIEW DOCUMENTATION FOR ALL CHECK REQUESTS.**
Compare the original vendor invoices, purchase orders, and receiving reports for agreement on quantities, brands, product descriptions, and services before issuing payment. Also, review the credit card bills and support for each charge before payment. Mark invoices "paid" and include the related check number.
- MONITOR CASH RECEIPTS AND DEPOSITS INDEPENDENTLY OF EMPLOYEES RECORDING THEM.**
Have someone not involved in the receipt and recording of accounts receivable open the mail, count money received, and report the total to the owner or manager who should then compare those totals with the amounts deposited.
- RECONCILE THE ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE MONTHLY.**
The owner or manager should review and clear all exceptions.
- CHECK OUT FIRST-TIME VENDORS.**
Have someone independent of the buying or payment process review all new supplies by verifying the supplier's name, address, and federal tax identification number.
- RESTRICT AUTHORIZATION AND ACCESS TO FINANCIAL INFORMATION.**
Make sure all of the computers are password protected, and set dollar limits on checks written without authorization. Other safeguards include dual custody of cash receipts and cash on hand.
- HAVE EMPLOYEES CROSS TRAIN.**
That way, you can make sure there's a backup who can perform the primary person's job function if that person has to miss work.
- WATCH FOR RED FLAGS IN AN EMPLOYEE'S BEHAVIOR.**
If an employee starts acting out of character or seems dissatisfied with their job, it's time to have a conversation about what's going on. Some life changes can cause an honest employee to commit fraud if they see no other alternative.