FRAUD PREVENTION AND DETECTION CHECKLIST FOR ORGANIZATIONS WITH LIMITED SEGREGATION OF DUTIES

The following fraud prevention and detection checklist is intended for organizations with limited segregation of duties over their accounting functions. The checklist covers common areas prone to fraud schemes.

EideBailly
CPAs & BUSINESS ADVISORS

1. MONTHLY INDEPENDENT REVIEW OF BANK STATEMENTS

A business owner, employee, board member, or third party without the authorization to initiate or execute bank transactions should conduct this review.

FOCUS ON:	ASK THESE QUESTIONS:	YES	NO
TRANSFERS *Compare transfers reported on bank statements to transfers recorded in the accounting records.*	Are there transfers to unknown accounts?		
	Are there any larger, even dollar amounts (e.g., $8,000.00)?		
	Are there transfers to accounts that are different than accounts recorded in the accounting record?		
	Are there any omitted transfers from the accounting records?		
ACH TRANSACTIONS *Compare automated clearing house transactions (ACHs) reported on bank statements to ACHs recorded in the accounting records.*	Are there any ACHs to unknown vendors/payees?		
	Are there any larger, even dollar amounts (e.g., $8,000.00)?		
	Are there ACHs to vendors/payees that are different than the vendors/payees recorded in the accounting records?		
	Are there any omitted ACHs from the accounting records?		
WITHDRAWALS *Compare withdrawals reported on bank statements to withdrawals recorded in the accounting records. Review should include withdrawals by ATMs and withdrawals made at the bank.*	Are there any withdrawals omitted from the accounting records?		
	Are there any withdrawals made without supporting documentation, such as invoices or receipts?		
OTHER DEBITS *Compare miscellaneous/other debits reported on bank statements to transactions recorded in the accounting records.*	Are there any debits omitted from the accounting records?		
	Are there debits that lack supporting documentation, such as invoices or receipts?		
CHECK NUMBERS *Compare check numbers clearing the bank account to the check register.*	Are there check numbers clearing the bank account not reflected within the check register?		
	Are there check numbers clearing the bank account that are voided within the accounting?		

2. MONTHLY INDEPENDENT REVIEW OF CANCELLED CHECKS

A business owner, employee, board member, or third party without access to the organization's checks or signature authority, should conduct the review. The independent reviewer should compare cancelled checks clearing the bank account to the check register.

FOCUS ON:	ASK THESE QUESTIONS:	YES	NO
PAYEES	Are there any payees that are different on the cancelled checks than recorded in the accounting records?		
AMOUNTS	Are there any amounts that are different on the cancelled checks than recorded in the accounting records?		
SIGNATURES	Are there any unauthorized or forged signatures?		
ENDORSEMENTS	Are there questionable handwritten endorsements or endorsements that do not appear to relate to the payee listed on the front of the check?		

3. MONTHLY INDEPENDENT REVIEW OF CASH RECEIPTS

A business owner, employee, board member, or third party without access to the physical cash receipts or Point-Of-Sales (POS) System, should perform the review. Compare cash receipts and deposits to sales invoices and POS reports. Review deposited items (i.e., checks deposited into the bank account) to customer payments posted within the accounting software.

FOCUS ON:	ASK THESE QUESTIONS:	YES	NO
CASH FLOW DECLINE	Is there a suspicious decline in cash flow?		
DEPOSIT ITEM TYPES	Review for unusual trend in deposit transaction type, such as lower than expected cash deposits.		
RECEIVABLES	Are there any discrepancies between the dollar amount of cash and checks received, according to the sales report, to the actual cash and checks deposited per the bank deposit ticket?		
PAYOR DISCREPANCIES	Do the checks from payors appear to be different than the customer accounts in which the payments were posted?		
POS REPORTS	If a POS system is used, do the POS reports show frequent or large no-sales, voids, or discounts?		

4. INDEPENDENT INVENTORY COUNTS

A business owner, employee, board member, or third party without access to purchasing, maintaining, or recording of inventory should perform this review. A physical count of inventory should be performed with a comparison of purchase orders, receiving slips, and POS reports to the accounting records for any discrepancies.

FOCUS ON:	ASK THESE QUESTIONS:	YES	NO
SECURITY	Is inventory accessible to anyone and are there cameras over the receiving, shipping, and store rooms?		
ADJUSTMENTS	Are there adjustments made to inventory items. If so, who is making them, how often, and for what purpose?		
MAINTAINING INVENTORY	Is inventory maintained by someone independent of the purchasing, receiving, and recording functions?		

5. PAYROLL PROCESSING

A business owner, employee, board member, or third party without access to payroll functions should perform this review. A review of employee's compensation and benefits should be conducted and compared to records listing authorized compensation and benefits.

FOCUS ON:	ASK THESE QUESTIONS:	YES	NO
EMPLOYEE LISTING	Are there any employees listed on payroll that no longer work at the organization or the name is not familiar?		
OVERTIME HOURS	Are there any employees that are receiving overtime hours and if so, is the overtime warranted and authorized?		
COMPENSATION	Does each employee's gross pay amount coordinate with the amount authorized in their contract or other payroll documentation?		
BENEFITS	What benefits are employees receiving and do they reconcile with what has been authorized by management?		
LEAVE TIME	Are there any employees with large leave balances and/or who consistently use large amounts of leave each year?		

Your organization will improve its fraud prevention and detection efforts by utilizing this checklist. Should you need assistance with this checklist, or your organization identifies potential fraudulent transactions when executing the checklist, our forensic accountants are here to help you.