



Small Business Fraud Exposure Checklist

7 Key questions you should ask yourself before you decide you're too busy and "round file" this checklist!

Key Questions	Y	N	Comments:
1. Do bank statements arrive at your desk unopened ?	<input type="checkbox"/>	<input type="checkbox"/>	
2. Do you personally review daily account activity online via your online balance reporting to spot irregular entries? If not, is this done by someone who has no signing authority on the account(s)?	<input type="checkbox"/>	<input type="checkbox"/>	
3. If you utilize ACH transactions or wire transfers, is there a second level of approval on all outgoing funds transfers?	<input type="checkbox"/>	<input type="checkbox"/>	
4. Do you have an approved vendor list for your payables, and do you review it periodically ?	<input type="checkbox"/>	<input type="checkbox"/>	
5. If you receive cash, do you have dual controls in place? Can you see that the cash actually made it to the bank in the deposit?	<input type="checkbox"/>	<input type="checkbox"/>	
6. Do you review payroll reports and verify that payees and amounts are appropriate? Can you put a name and face with each payroll check?	<input type="checkbox"/>	<input type="checkbox"/>	

Did you answer "no" to any of these questions? If so, your company may be at risk for fraud. Are there other areas in which you may have additional fraud risk? Maybe you should continue on...

Bank Reconciliations:	Y	N	Comments:
✓ Are bank reconciliations prepared: <ul style="list-style-type: none">• Monthly for all account?• By someone other than the person authorized to sign checks or initiate other transfers?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are all items on the bank account statement reconciled and accounted for?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you review bank reconciliations for cancelled checks and especially unusual items?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are bank reconciliations reviewed and adjustments of the cash accounts approved by you to underline dual controls?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you regularly review your Account Analysis statement for services you are paying to the bank to determine their usefulness and/or see if there are services you are not using but should be?	<input type="checkbox"/>	<input type="checkbox"/>	

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A/R & A/P Controls:	Y	N	Comments:
✓ Do you review accounts receivable aging lists?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Does someone who is not involved in general ledger or accounts receivable make the call for collections?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are all sales orders recorded on pre-numbered forms and are all numbers accounted for?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are monthly statements for outstanding balances: <ul style="list-style-type: none"> • Reviewed by you? • Mailed by you or a responsible employee other than the bookkeeper/accountant? 	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are checks to trade vendors matched against the invoice as well as proof-of-receipt of the product?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Other than for tax purposes, do you have regular outside audits?	<input type="checkbox"/>	<input type="checkbox"/>	

Cash Receipts	Y	N	Comments:
✓ Do you, or a responsible employee (other than the Bookkeeper or A/R clerk): <ul style="list-style-type: none"> • Open the mail and pre-list all cash receipts before turning them over to the bookkeeper? • Compare daily pre-listing of cash receipts with: <ul style="list-style-type: none"> – Cash receipts journal? – Duplicate deposit slip? – Bank statement? 	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are cash receipts deposited intact on a daily basis?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are cash receipts posted promptly to appropriate journals?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are cash sales controlled by cash registers or pre-numbered cash receipt forms?	<input type="checkbox"/>	<input type="checkbox"/>	

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Cash Receipts	Y	N	Comments:
✓ Are you a necessary signatory on all checks? Or do you require two signatures?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are checks always pre-numbered?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you review cleared checks for missing or out of sequence numbers?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Is your check stock kept in a secure (locked) location?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are all checks recorded as they are issued?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Is a mechanical check protector used to inscribe amounts as a precaution against alteration?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ If a signature plate is used, is it only under your sole control? If not, is access to the plate controlled and used under double custody? Do you use it only when you have to rather than as the norm?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are voided checks retained and then shredded or mutilated?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are supporting documents (invoices, reports, purchase orders, etc.) presented to you with the payables checks and reviewed by you prior to signing the checks?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are supporting documents for payables checks properly cancelled to avoid duplicate payment?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are checks payable to cash prohibited?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Is signing blank checks prohibited?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are signed checks mailed by someone other than the person who writes the checks?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Is outgoing payables mail securely delivered to the Post Office rather than left in an "out basket" for anybody to walk by?	<input type="checkbox"/>	<input type="checkbox"/>	



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Electronic Banking	Y	N	Comments:
✓ Do you have complete access to your online banking program? Do you use it daily?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you or a trusted administrator safeguard and monitor who can access the system and what they can see/do?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Does your Network Administrator require hard-to-guess passwords?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you have a policy in place to require that passwords be protected and never shared?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you review ACH/wire transfers (both outgoing and incoming) regularly?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you have a change management policy in place to revoke access to the system when necessary?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Do you use Positive Pay for issued checks and/or Blocks and Filters for electronic entries?	<input type="checkbox"/>	<input type="checkbox"/>	

Miscellaneous	Y	N	Comments:
✓ Are annual one week vacations mandatory for all employees with access to books, cash, or receivables duties?	<input type="checkbox"/>	<input type="checkbox"/>	
✓ Are employees cross trained so no one individual is always responsible for a specific duty without oversight?	<input type="checkbox"/>	<input type="checkbox"/>	

If you answered “no” to any of these questions, you may need to spend additional time evaluation your internal processes and controls to minimize the risk of fraud in your company.

Please be aware that this is not an “all inclusive” list of potential risk areas and is intended to spur your thoughts and further action. Fraud is a serious, expensive, and time- consuming event in your business and we want to help you avoid it if possible!

We urge you to plan a meeting with your CPA, your banker, and other fraud prevention professionals to further discuss and evaluate this important area.

Reviewed by: _____ Date: _____
Owner/CEO/Executive Director