

SMALL BUSINESS FRAUD ASSESSMENT INTERNAL CONTROL QUESTIONNAIRE

Download your risk assessment form at www.businessfraudprevention.org/forms.html

Owner:	Date:
Discussed with:	

Question	Yes	No	N/A	Comments
Employee and HR Assessment				
1. Did you complete a background check including credit check?				
2. Did you call on employee's references?				
3. Do you have an employee handbook?				
4. Does it include a written fraud policy and procedure?				
5. Is there a written job description?				
6. Do you make yourself available to employees, vendors and customers for complaints?				
7. Do you experience high employee turnover?				
8. Do any employees appear to have personal problems? Gambling / Debt / Pressure / Drugs / Divorce?				
9. Do employees take annual vacations?				
10. Do employees have an unrealistic productivity requirement?				
11. Do employees receive positive feedback and rewards?				
12. Does any employee seem to be living beyond their means?				
13. Do any employees work directly with friends or family?				
Skimming & Cash Larceny Schemes				
1. Do you periodically review sales for accuracy?				
2. Do you confirm inventory balances with physical counts?				
3. How often?				

Question	Yes	No	N/A	Comments
4. Do you authorize bad debt write-offs?				
5. Does your bookkeeper handle collections?				
6. Do you play a role in collections?				
7. Do you receive cash receipts and compare with actual deposits?				
8. Do you send out monthly accounts receivable statements?				
9. Does the bookkeeper immediately log in all incoming cash and checks to make the deposit?				
10. Do you review the deposit slip for accuracy?				
11. Are the deposits made daily?				
12. Are cash register amounts reconciled to the drawer daily?				
13. Do you have security cameras in cash areas?				
14. Do you periodically do surprise cash counts?				
15. Do you review journal entries to cash accounts?				
16. Do you use POS Software?				
17. Does your POS or accounting software track inventory?				
Check Tampering Scheme				
1. Are blank checks stored securely?				
2. Does your bookkeeper pay bills electronically?				
3. Does your bookkeeper sign checks?				
4. Are checks signed and mailed immediately?				
5. Do you review vendor statements for late fees and invoices due?				
6. Do you review the checks with the bills as you sign them?				
7. Are bank reconciliations completed immediately upon receipt?				
8. Do you review bank statements and canceled checks?				

Question	Yes	No	N/A	Comments
9. Do you receive bank statements at a secure location such as your house?				
10. Does your bookkeeper have a procedure for voided checks?				
11. Do you leave blank signed checks?				
12. Do you use a check stamp endorsement?				
13. Do you review all handwritten checks after they cleared?				
Cash Register Scheme				
1. Do you review refunds, voids and discounts regularly?				
2. Do you require customers to provide contact information for returns?				
3. Does a supervisor approve refunds, voids and discounts?				
4. Are register tapes reviewed regularly for accuracy and unusual entries?				
5. Do cashiers have separate access codes?				
6. Are all "no sale" receipts accounted for?				
Billing and Purchasing Scheme				
1. Is the same person responsible for purchasing as paying the bills?				
2. Do you approve all purchases before they are made?				
3. Are the purchase orders, receiving reports and invoices matched and verified before being paid?				
4. Do you manually write purchase orders?				
5. Are the forms pre-numbered?				
6. Do you require competitive bidding?				
7. Are returns and credit memos verified?				
8. Do you review new vendors and receive all vendor information before issuing payments?				
9. Do you review vendor accounts for unusual changes in purchases?				

Question	Yes	No	N/A	Comments
10. Do you issue credit cards for employees?				
11. Do you review credit card statements?				
Payroll Schemes				
1. Do you prepare payroll in-house?				
2. Do you review the payroll reports when payroll is run?				
3. Do you sign payroll checks?				
4. Do you periodically review employee files?				
5. Do you use a separate bank account for payroll?				
6. Do you verify canceled checks to confirm the employee endorsement?				
7. Do you review employee checks for withholdings and accuracy of wages?				
8. Do you allow managers to approve raises?				
9. Do you know all of your employees?				
10. Do supervisors approve overtime?				
11. Are timecards verified and have an approval signature?				
12. Are commissions compared to sales registers for accuracy?				
Expense Schemes				
1. Do you review your expense accounts for accuracy?				
2. Do you question unusual entries and ask for backup documentation?				
3. Do you review all employee reimbursements with original receipts?				
4. Do you require employees to submit a detailed expense report with the original receipts?				
5. Do you enforce a spending limit on employee reimbursements?				
6. Do you pay reimbursements without a receipt?				

Question	Yes	No	N/A	Comments
7. Are supervisors allowed to approve reimbursements?				
8. Do you review reimbursement accounts for duplicate payments?				
Theft of Inventory & Equipment				
1. Do you maintain a detailed list including serial numbers for all equipment?				
2. Are unexplained entries to inventory reviewed?				
3. Is the company showing shrinkage in inventory numbers?				
4. Does the company show increases in inventory without comparable sales?				
5. Do you personally verify inventory balances with physical counts or trust what the employee says?				
6. Do you investigate differences between physical counts and perpetual reports?				
7. Do you allow employees to take scrap inventory?				
8. Are quantities received compared to quantities ordered?				
9. Are customer's shipping orders compared to customer's sales orders for accuracy?				
10. Do you allow employees to take vehicles home?				
11. Do you periodically check mileage in company vehicles and compare them to gas receipts?				
12. Do you do a visual comparison of assets to what is listed on the books and tax returns?				
13. Do you allow employees to borrow equipment?				
Corruption				
1. Do you have a company policy for accepting gifts, discounts or special services?				
2. Do you have a bidding policy?				
3. Do you review purchases for out-of-line costs and excessive amounts?				
4. Do you review purchases for favored vendors?				

Question	Yes	No	N/A	Comments
5. Are bids kept confidential?				
6. Are bidders verified?				
7. Are vendors and employees compared for similar addressees and association?				
Fraudulent Financial Reports				
1. Are accounting records in acceptable form?				
2. Do you have any internal control functions in place?				
3. Have your financial reports ever been reviewed for accuracy?				
4. Are there unrealistic changes in company's financial reports and account balances?				
5. Have there been significant changes in company's revenues and expenses?				
6. Are there large transactions and journal entries that occur near the end of a reporting period?				
7. Are financial reports verified for consistency?				
8. Do you have unrealistic sales or profitability requirements?				
9. Are you on the verge of bankruptcy?				
10. Do you constantly have a cash flow problem?				
11. Do you have difficulty collecting on accounts receivables?				
Financial Assessment				
1. Do you know how to use your accounting software?				
2. Do you understand the accounts on your balance sheet?				
3. Do you know how to read your profit and loss statement?				
4. Do you know how to read your tax returns?				
5. Do you ever have doubts about your company's bookkeeping?				
6. Do you place all of your trust in your bookkeeper or accountant?				
7. Do you feel their work is good and your company is in safe hands?				

Question	Yes	No	N/A	Comments
8. Do you receive detailed financial reports every month?				
9. Do you receive a lot of tax notices in the mail for payroll, personal or company?				
10. Does the company have a lot of large debt?				
11. Has the company experienced large operating losses?				
12. Has the company's credit been reduced or denied?				
13. Has the company's sales drastically dropped?				
14. Is the company currently suffering from a cash flow problem?				
15. Do you have poor accounting records?				
16. Do your books show a large number of journal entries or unusual entries?				
17. Are confidential files kept in a locked or safe area?				
18. Is the computer system protected from unauthorized access?				
19. Is the accounting software set up to record audit trails?				
20. Do you periodically review files, reports and documents for accuracy?				
21. Does your bookkeeper procrastinate in providing financial reports to you or your outside accountant?				
22. Are you too busy to be involved in the financial aspect of your business?				
23. Do you demand that your bookkeeper make unsubstantiated entries into your accounting records?				
24. Do you always file an extension on your personal and business tax returns?				
25. Do you know how your employees feel about you?				