

Fraud Risk Self-Assessment Tool

This tool is for management's use only and does not guarantee that fraud has not or will not occur in your organization. This is only a guide. The authors of this tool and "[What are the risks?](#)" March 2013, page 40, are Valerie Trott Williams, CPA/CFF, an assistant professor of accounting at the Palumbo Donahue School of Business at Duquesne University in Pittsburgh, and Robert J. Kollar, CPA, an assistant professor of accounting and director of the Master of Accounting Program at the Palumbo Donahue School of Business at Duquesne University

#	Description	Yes/No	Score* (If not applicable, score is 0)	Score
1	Human Resource Functions			
1.01	Are employment background checks performed?: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Past employment ■ Eligible for rehire (according to past employer, based on their work habits) </div> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Criminal background ■ Drug testing ■ Education and licensing ■ References </div> </div>		For every yes, add 1 point for this question (maximum of 5 points).	
1.02	Are employees required to take vacations?		If yes, add 1 point. If no, subtract 1 point.	
1.03	Are employees who handle cash bonded?		If yes, add 1 point. If no, subtract 1 point.	
1.04	Do employees job-share or rotate positions?		If yes, add 2 points. If no, subtract 1 point.	
1.05	Is the hiring process separate from the processing of payroll?		If yes, add 1 point. If no, subtract 1 point.	
1.06	Are employee hours worked verified?		If yes, add 2 points. If no, subtract 1 point.	
1.07	Is payroll processed internally?		If yes, subtract 2 points. If no, zero points.	
1.08	Are any employees paid on commission?		If yes, subtract 2 points. If no, zero points.	
2	Miscellaneous			
2.01	Do employees have access to the company's equipment after business hours?		If yes, subtract 1 point. If no, add 1 point.	
2.02	Are company cars or vehicles used after business hours?		If yes, subtract 1 point. If no, add 1 point.	
2.03	Have large amounts of equipment been disposed of within the last two years?		If yes, subtract 1 point. If no, zero points.	
3.0	Sales and Cash Receipts			
3.01	Have sales increased more than 10% from the prior year?		If yes, subtract 1 point. If no, zero points.	
3.02	Does the person who handles incoming cash receipts also record transactions?		If yes, subtract 5 points. If no, add 3 points.	
3.03	Is a cash register used in the business?		If yes, add 1 point. If no, subtract 1 point.	
3.04	Is a bank lockbox used for processing customer payments?		If yes, add 1 point. If no, subtract 1 point.	
3.05	Are deposits made daily and secured prior to depositing in a safe?		If yes, add 2 points. If no, subtract 1 point.	
3.06	Are incoming checks restrictively endorsed?		If yes, add 1 point. If no, subtract 1 point.	
3.07	Is the monthly bank statement received and reviewed by someone other than the person handling the cash and checks?		If yes, add 3 points. If no, subtract 1 point.	
3.08	Is a monthly bank reconciliation completed by someone other than the person handling the deposits or with check-signing authority?		If yes, add 3 points. If no, subtract 1 point.	
3.09	If credit is extended to customers, is a credit review performed prior to granting credit?		If yes, add 1 point. If no, subtract 1 point.	
3.10	Does someone other than the salesperson approve credit?		If yes, add 1 point. If no, subtract 1 point.	
3.11	Is there a standard price list?		If yes, add 1 point. If no, subtract 1 point.	
3.12	Are discounts or coupons used?		If yes, subtract 2 points. If no or not applicable, zero points.	
3.13	If there are discounts/coupons, are they approved by management?		If yes, add 1 point. If no, subtract 1 point. If not applicable, zero points.	
3.14	Are returns, voided transactions, and credit memos greater than 10% of all sales transactions?		If yes, subtract 3 points. If no or not applicable, zero points.	
3.15	Are customer complaints directed to the owner with no screening?		If yes, add 1 point. If no, subtract 1 point.	
3.16	Do cash transactions exceed 20% of all sales transactions?		If yes, subtract 5 points. If no, zero points.	
4.0	Purchasing and Cash Disbursements			
4.01	Are inventory or supplies secured in a warehouse or place that is restricted?		If yes, add 1 point. If no, subtract 1 point.	
4.02	Are inventory or supplies counted on a periodic basis (at least annually)?		If yes, add 3 points. If no, subtract 1 point.	
4.03	Are inventory counts reconciled to the perpetual inventory listing maintained by the company?		If yes, add 3 points. If no, subtract 1 point.	
4.04	Is there a perpetual inventory system that is updated after each transaction?		If yes, add 1 point. If no, subtract 1 point.	

#	Description	Yes/No	Score* (If not applicable, score is 0)	Score
4.05	Has inventory been missing?		If yes, subtract 2 points. If no, zero points.	
4.06	Does the business have more than 20 vendors?		If yes, subtract 1 point. If no, add 1 point.	
4.07	Is there a competitive bidding process?		If yes, add 1 point. If no, subtract 1 point.	
4.08	Does the owner approve purchases over a specific dollar amount?		If yes, add 2 points. If no, subtract 1 point.	
4.09	Does the owner approve new vendors?		If yes, add 2 points. If no, subtract 1 point.	
4.10	Are purchase orders (POs) used for ordering?		If yes, add 1 point. If no, subtract 1 point.	
4.11	When inventory or supplies are received, is the amount matched with the purchase order?		If yes, add 2 points. If no, subtract 1 point.	
4.12	When vendor invoices are received, are they reconciled against receiving reports and POs?		If yes, add 2 points. If no, subtract 1 point.	
4.13	Are discounts taken for early pay terms?		If yes, add 1 point. If no, subtract 1 point.	
4.14	Does the owner sign checks?		If yes, add 5 points. If no, subtract 1 point.	
4.15	Are blank or unused checks kept secured (locked cabinet, safe, etc.)?		If yes, add 1 point. If no, subtract 1 point.	
4.16	Are two signatures ever required on checks?		If yes, add 2 points. If no, subtract 1 point.	
5.0	Employee Expense Reimbursement			
5.01	Does a travel and business expense reimbursement policy exist?		If yes, add 1 point. If no, subtract 1 point.	
5.02	Does the company reimburse employees for business travel?		If yes, subtract 1 point. If no or not applicable, zero points.	
5.03	Does the company provide a corporate credit card for employees to use while traveling?		If yes, subtract 2 points. If no or not applicable, zero points.	
5.04	Are travel "per diems" permitted?		If yes, subtract 1 point. If no or not applicable, zero points.	
5.05	Are actual, itemized receipts required for reimbursement?		If yes, add 1 point. If no, subtract 1 point.	
5.06	Is a formal expense report completed?		If yes, add 1 point. If no, subtract 1 point.	
5.07	Is a detailed list of the names of guests and the type of business activity or entertainment required for expense reimbursement?		If yes, add 1 point. If no, subtract 1 point.	
5.08	Does the owner approve the reimbursement?		If yes, add 2 points. If no, subtract 1 point.	
5.09	Is there any comparison of expenses between employees to identify unusual expense patterns?		If yes, add 1 point. If no, subtract 1 point.	
6	Reporting and monitoring			
6.01	Do you have an external financial statement audit, review, or compilation completed?		If yes, add 10 points. If no, subtract 1 point.	
6.02	Are "surprise audits" conducted by management, supervisors, or auditors?		If yes, add 1 point. If no, subtract 1 point.	
6.03	Are employees encouraged to report concerns about fraudulent activities to the owner?		If yes, add 2 points. If no, zero points.	
6.04	Is there a fraud hotline?		If yes, add 1 point. If no, subtract 1 point.	
6.05	Is the owner or president typically at the company on a regular basis?		If yes, add 3 points. If no, subtract 3 points.	
6.06	Does the business have a code of ethics and conflict-of-interest policy, with a mechanism for employees to report ethical problems and conflicts of interest?		If yes, add 1 point. If no, subtract 1 point.	
6.07	Is there an internal audit function?		If yes, add 10 points. If no, zero points.	
6.08	Are financial statements prepared each month or quarter and reviewed by the owner?		If yes, add 3 points. If no, subtract 1 point.	
6.09	Are accounts (accounts receivable to the general ledger, accounts payable to the general ledger) reconciled each month and reviewed by the owner?		If yes, add 1 point. If no, subtract 1 point.	
6.10	Are financial statements submitted to banks?		If yes, add 3 points. If no, zero points.	
6.11	Is a cash flow statement prepared for the company?		If yes, add 3 points. If no, zero points.	
6.12	Are there any reward programs for employees or others to report concerns?		If yes, add 1 point. If no, zero points.	

*Scoring: For any questions that do not apply to your organization, indicate not applicable (NA) and do not add or subtract points.
Score greater than 50: The company has strong controls, and fraud risk is reduced.
Score is between 49 and 10: Controls can be improved.
Score is less than 9 or negative: Fraud risk is high. Inventory and cash could be at risk for theft.