FRAUD PREVENTION CHECKLIST

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures. Additional guidance, resources, and tools for managing organizational fraud risk can be found at ACFE.com/fraudrisktools.

1. **Is ongoing anti-fraud training provided to all employees of the organization?**
    - ❏ Do employees understand what constitutes fraud?
    - ❏ Have the costs of fraud to the company and everyone in it—including lost profits, adverse publicity, potential job loss, and decreased morale and productivity—been made clear to all employees?
    - ❏ Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
    - ❏ Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. **Is an effective fraud reporting mechanism in place?**
    - ❏ Have employees been taught how to communicate concerns about known or potential wrongdoing?
    - ❏ Are one or more reporting channels (e.g., a third-party hotline, dedicated email inbox, or web-based form) available to employees?
    - ❏ Do employees trust that they can report suspicious activity anonymously and/or confidentially (where legally permissible) and without fear of reprisal?
    - ❏ Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
    - ❏ Do reporting policies and mechanisms extend to vendors, customers, and other outside parties?

3. **To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?**
    - ❏ Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
    - ❏ Are surprise fraud audits performed in addition to regularly scheduled audits?
    - ❏ Are data analytics techniques used to proactively search for fraud and, if so, has the use of such techniques been made known throughout the organization?
    - ❏ Do managers actively review the controls, processes, accounts, or transactions under their purview for adherence to company policies and expectations?

4. **Is the management climate/tone at the top one of honesty and integrity?**
    - ❏ Are employees periodically surveyed to determine the extent to which they believe management acts with honesty and integrity?
    - ❏ Are performance goals realistic and clearly communicated?
    - ❏ Have fraud prevention goals been incorporated into the performance measures that are used to evaluate managers and to determine performance-related compensation?
    - ❏ Has the organization established, implemented, and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

5. **Are fraud risk assessments performed to pro-actively identify and mitigate the company's vulnerabilities to internal and external fraud?**

6. **Are strong anti-fraud controls in place and operating effectively, including the following?**
    - ❑ Proper separation of duties
    - ❑ Use of authorizations
    - ❑ Physical safeguards
    - ❑ Job rotations
    - ❑ Mandatory vacations

7. **Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

8. **Does the hiring policy include the following (where permitted by law)?**
    - ❑ Past employment verification
    - ❑ Criminal and civil background checks
    - ❑ Credit checks
    - ❑ Drug screening
    - ❑ Education verification
    - ❑ References checks

9. **Are employee support programs in place to assist employees struggling with addiction, mental/emotional health, family, or financial problems?**

10. **Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

11. **Are regular, anonymous surveys conducted to assess employee morale?**