

INTERNAL CONTROL AND FRAUD PREVENTION CHECKLIST

Answer each question with a **Y** for Yes, **N** for No or **DK** for Don't Know. If you have a significant number of "no" and "don't know" responses, consider whether a more formal review is warranted.

CASH RECEIPTS AND ACCOUNTS RECEIVABLE

Y	N	DK	Does the practice use a lockbox, or are the majority of deposits transmitted electronically to the practice's bank account?
Y	N	DK	Do different people open the checks from the mail, make out the deposit slip, make the deposit and post the deposit to your receivable ledger?
Y	N	DK	Are restricted endorsements placed on checks upon receipt (e.g., "For Deposit Only")?
Y	N	DK	Does someone compare the posting of the customer accounts to the cash receipts?
Y	N	DK	Are cash receipts deposited promptly and stored in a secure location until they are deposited?
Y	N	DK	Are pre-numbered receipts used for actual cash receipts?
Y	N	DK	Does an individual without accounts receivable duties do collection calls for the practice?
Y	N	DK	Are there authorization procedures in place for writing off uncollectible accounts, and is that handled by someone other than the accounts receivable clerk?
Y	N	DK	Are actual cash receipts compared to budgets, and are variations investigated?
Y	N	DK	Are system-generated accounts receivable reports (accounts receivable aging schedules) examined and compared to the general ledger?

CASH DISBURSEMENTS AND ACCOUNTS PAYABLE

Y	N	DK	Are all disbursements made by check except for minor petty cash disbursements?
Y	N	DK	Is the person signing the check someone other than the initiator of the check or the accounts payable staff?
Y	N	DK	Are payables properly approved?
Y	N	DK	Is a second signature required for checks over a pre-determined dollar amount?
Y	N	DK	Are blank checks stored in a secure location?
Y	N	DK	If signature stamps are used, are they used only by the individual whose signature is on the stamp?
Y	N	DK	Are bank statements opened and reviewed periodically by an owner or someone outside of accounting before they are given to accounting to reconcile, or are disbursements clearing the bank periodically reviewed online?
Y	N	DK	Are vendor lists periodically reviewed by owners or upper management?
Y	N	DK	Is Positive Pay (a treasury function offered by most financial institutions) used by the practice?
Y	N	DK	Are there controls in place for the use of practice credit cards?
Y	N	DK	Are actual expenses compared to budgets, and are variations investigated?
Y	N	DK	Are system-generated accounts payable reports such as accounts payable aging schedules examined and compared to the general ledger?

ONLINE BANKING/AUTOMATED CLEARINGHOUSE (ACH) TRANSACTIONS AND WIRE TRANSFERS

Y	N	DK	Does your agreement with the bank require involvement of a practice owner to enable ACH debits, credits and wire transfers?
Y	N	DK	Are daily transaction limits set up for ACH payments?
Y	N	DK	Does the practice's ACH system require more than one person in the process to make a payment?
Y	N	DK	Do individuals at the appropriate level in the practice have access to the online banking function?
Y	N	DK	Are the controls or safeguards that are in place through your bank for ACH transactions and wire transfers documented and reviewed on occasion to determine the ongoing appropriateness of the controls?

PAYROLL

Y	N	DK	Are pay rates of employees reviewed regularly by owners or upper management to determine the accuracy?
Y	N	DK	Are employee payroll records reviewed by owners or upper management to determine whether there are any fictitious employees and to confirm that time charged by hourly employees is reasonable?
Y	N	DK	Is an outside payroll service provider used?
Y	N	DK	Are any self-directed employee savings plans periodically reviewed to determine that the withholding from the employee matches the contribution going into the employee's self-directed account?

Y	N	DK	Is there a proper system in place for authorizing pay rate changes and adding new employees into the payroll system?
Y	N	DK	Are there procedures in place to ensure payroll tax liabilities and 401(k) withholdings are paid on time?

GENERAL CONTROLS

Y	N	DK	Are vacations for the individuals in your accounting department required, and does someone else do their job while they are gone?
Y	N	DK	Are all employees who handle cash receipts and disbursements bonded, or do you have adequate insurance coverage for employee misconduct?
Y	N	DK	Are only authorized individuals given access to the accounting system and general ledger, and are appropriate user names and passwords used?
Y	N	DK	Do practice personnel know that owners and upper management take an active role in reviewing financial data and transactions?
Y	N	DK	Are bank accounts reconciled regularly by someone without cash receipt and disbursement duties?
Y	N	DK	Do you have a mechanism in place for employees to report suspected fraud anonymously?
Y	N	DK	Do you provide ethics and fraud-awareness training to all employees?