

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	
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Does the practice use a lockbox, or are the majority of deposits transmitted electronically to the practice's bank account?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are restricted endorsements placed on checks upon receipt (e.g., "For Deposit Only")?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Does someone compare the posting of the customer accounts to the cash receipts?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are cash receipts deposited promptly and stored in a secure location until they are deposited?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are pre-numbered receipts used for actual cash receipts?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Does an individual without accounts receivable duties do collection calls for the practice?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are there authorization procedures in place for writing off uncollectible accounts, and is that handled by someone other than the accounts receivable clerk?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are actual cash receipts compared to budgets, and are variations investigated?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are system-generated accounts receivable reports (accounts receivable aging schedules) examined and compared to the general ledger?
Cash disbursements and accounts payable	
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are all disbursements made by check except for minor petty cash disbursements?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Is the person signing the check someone other than the initiator of the check or the accounts payable staff?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are payables properly approved?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Is a second signature required for checks over a pre-determined dollar amount?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are blank checks stored in a secure location?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	If signature stamps are used, are they used only by the individual whose signature is on the stamp?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are vendor lists periodically reviewed by owners or upper management?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Is Positive Pay (a treasury function offered by most financial institutions) used by the practice?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are there controls in place for the use of practice credit cards?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are actual expenses compared to budgets, and are variations investigated?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are system-generated accounts payable reports such as accounts payable aging schedules examined and compared to the general ledger?

continued ►



FPM Toolbox To find more practice resources, visit <https://www.aafp.org/fpm/toolbox>.

Developed by Randall K. Domigan, CPA, CFE, Brady Ware. Copyright © 2011 American Academy of Family Physicians. Physicians may duplicate or adapt for use in their own practices; all other rights reserved. Related article: <https://www.aafp.org/fpm/2011/1100/p20.html>.

Online banking/automated clearinghouse (ACH) transactions and wire transfers	
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Does your agreement with the bank require involvement of a practice owner to enable ACH debits, credits and wire transfers?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are daily transaction limits set up for ACH payments?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Does the practice's ACH system require more than one person in the process to make a payment?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Do individuals at the appropriate level in the practice have access to the online banking function?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are pay rates of employees reviewed regularly by owners or upper management to determine the accuracy?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Is an outside payroll service provider used?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Is there a proper system in place for authorizing pay rate changes and adding new employees into the payroll system?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are there procedures in place to ensure payroll tax liabilities and 401(k) withholdings are paid on time?
General controls	
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are vacations for the individuals in your accounting department required, and does someone else do their job while they are gone?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are all employees who handle cash receipts and disbursements bonded, or do you have adequate insurance coverage for employee misconduct?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are only authorized individuals given access to the accounting system and general ledger, and are appropriate user names and passwords used?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Do practice personnel know that owners and upper management take an active role in reviewing financial data and transactions?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Are bank accounts reconciled regularly by someone without cash receipt and disbursement duties?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Do you have a mechanism in place for employees to report suspected fraud anonymously?
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> DK	Do you provide ethics and fraud-awareness training to all employees?