HW&Co.
Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. The checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is anti-fraud training provided to all employees of the organization?

   ☐ Do employees understand what constitutes fraud?
   ☐ Have the costs of a potential fraud to the organization and everyone in it, including lost profits, adverse publicity, job loss, and decreased morale and productivity been made clear to employees?
   ☐ Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe 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 and whom to communicate concerns about known or potential wrongdoing?
   ☐ Is there an anonymous reporting channel available to employees such as a third party hotline?
   ☐ Do employees trust they can report suspicious activity anonymously and/or confidentially and without fear or reprisal?
   ☐ Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
   ☐ Do employees understand they do not need proof of fraudulent activity to report it, but baseless allegations are inappropriate?
   ☐ Do reporting policies and mechanisms extend to vendors, customers, and other outside parties?

3. To increase employees' perceptions 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?
   ☐ Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors and management?

4. Is the management climate/tone at the top one of honesty and integrity?

   ☐ Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
   ☐ Are performance goals realistic?
   ☐ Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used 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 (i.e., Audit Committee)?

HW&Co.
CPAs & Advisors

HW&Co. Fraud Prevention Checklist

5. Are the organization's internal controls based on a risk assessment model to assure the controls are effective and efficient?

   ☐ Controls are modified as changes occur in the organization's procedures.
   ☐ Key controls are identified and monitored.
   ☐ Monitoring verifies that procedures actually performed are as designed by the control system.
   ☐ "Management override" of controls is not practiced.

6. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?

7. Are anti-fraud controls in place and operating effectively, including the following?

   ☐ Proper separation of duties
   ☐ Use of authorizations
   ☐ Physical safeguards, including IT controls (passwords)
   ☐ Job rotations
   ☐ Mandatory vacations

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
   ☐ Check references

9. Are employee support programs in place to assist employees struggling with addictions, 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 pressure before they become acute?

11. Are anonymous surveys conducted to assess employee morale?

HW&Co.®
CPAs & Advisors