

## CONTROLS TO DETECT & PREVENT CHECK FRAUD

- ◆ Checks should be kept in locked storage and only those responsible for preparing and issuing checks should have access to blank company checks.
- ◆ Monthly bank statements should be reviewed by management prior to release for preparation of the reconciliation.
  - ✓ Review canceled checks for signatures, payees, endorsements, amounts, and evidence of any alteration.
  - ✓ Review bank charge-backs, notices and debit memos.
  - ✓ Review bank statement for any unusual or irregular items.
- ◆ Segregate duties relating to:
  - ✓ Preparation of checks.
  - ✓ Preparation of bank deposits.
  - ✓ Receipt and review of bank correspondence relating to charge-backs,
  - ✓ NSF checks and other returned items.
  - ✓ Preparation of bank reconciliations.
  - ✓ Access to the vendor master file to add or delete names.
  - ✓ Preparation of or access to accounting books and ledgers.
  - ✓ Preparation of monthly financial statements.
- ◆ Monthly reconciliation should be reviewed by management.
  - ✓ Verification of balance to bank statement.
  - ✓ Verification of balance to company's books.
  - ✓ Review of outstanding check listing.
  - ✓ Review of outstanding deposits and investigation of amounts outstanding for a long time.
  - ✓ Review of all other reconciling items, especially bank charge-backs.
- ◆ Procedures to increase controls over company checks:
  - ✓ Use checks pre-numbered by the printer, periodically account for all check numbers and store blank checks in a secure area.
  - ✓ Use check protectors to prevent manipulation of amounts.
  - ✓ Submit checks for signature with accompanying documents supporting the disbursement and properly cancel the documents to prevent re-use.
  - ✓ Properly control canceled or voided checks.
  - ✓ Use two signatures on all checks, or limit the amount where only one signature is required.
  - ✓ Prevent issuing checks to "CASH" or signing blank checks in advance.
  - ✓ Use "Void after 90 Days" on checks.

COURTESY OF: Association of Certified Fraud Examiners and Safeguard Business Systems



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