



### **Warning Signs of Fraud: A Quick Test**

Concerned about financial statement fraud? If so, take this test. If you answer “yes” to many of these questions, further investigation may be warranted.

- Do high-level employees seem to be overly involved in the daily tasks of keeping and reconciling books and records? Are subsidiary books and ledgers inconsistently reconciled?
- Are internal controls ignored by management?
- Are financial responsibilities improperly segregated among employees?
- Are documents often missing?
- Is it common to find photocopies rather than original invoices in files?
- Are financial statements often late?
- Is cash flow poor?
- Are bank overdrafts frequent?
- Is post-dating checks a common practice?
- Are company profits and performance substantially outperforming industry standards?
- Do employees and customers complain excessively?
- Is employee turnover high, especially in the controller’s office?
- Are certain employees enjoying unusually lavish lifestyles?
- Are employees who are involved in financial or internal control processes always around? Never on vacation?
- Are certain employees exhibiting erratic behavior, perhaps showing signs of “cracking” under the pressure of a fraud?

