

Check Fraud Prevention Checklist

Check fraud is a serious crime affecting retail businesses. Check fraud and counterfeiting produce annual estimated losses in the billions of dollars. Check fraud can be internal, from employees, or external, from customers. Therefore, to prevent check fraud, businesses should consider both their internal and external exposures. The following questions can be used to assess a business' exposure to check fraud.

Internal Exposures	Yes	No	Action to be taken
1. Have background checks been performed on employees in positions of financial responsibility? Know your employees - check their references and contact their past employers.	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are employees with financial responsibilities bonded?	<input type="checkbox"/>	<input type="checkbox"/>	
3. Is check stock provided with security features, purchased from well-established vendors, and stored in a secure location?	<input type="checkbox"/>	<input type="checkbox"/>	
4. Are check books or bank records kept in a locked drawer, and not left unattended?	<input type="checkbox"/>	<input type="checkbox"/>	
5. Have sound procedures been established for accounts payable? The check writing and account reconciliation functions should be separated by making two people responsible.	<input type="checkbox"/>	<input type="checkbox"/>	
6. Are the number of personnel with the authority to sign checks limited?	<input type="checkbox"/>	<input type="checkbox"/>	
7. Are two signatures required on checks for large dollar amounts?	<input type="checkbox"/>	<input type="checkbox"/>	
8. Are check disbursements and deposits (i.e., bank statements) reconciled regularly, and the authorized signers not the same people who reconcile the account?	<input type="checkbox"/>	<input type="checkbox"/>	
9. Are surprise audits of all financial functions performed?	<input type="checkbox"/>	<input type="checkbox"/>	
10. Are vacation policies enforced? Embezzlers are often reluctant to take vacation for fear of being caught.	<input type="checkbox"/>	<input type="checkbox"/>	

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Internal Exposures - continued	Yes	No	Action to be taken
11. Are accounts payable processed through a service bureau? A copy of the service bureau's security procedures should be kept on file.	<input type="checkbox"/>	<input type="checkbox"/>	
12. Are bank services, such as positive payment and signature verification systems, used to protect accounts payables? A positive payment system records pertinent information about a check, such as the amount, the check number, and date, and then transmits it to the bank to be verified, before the check can be paid.	<input type="checkbox"/>	<input type="checkbox"/>	
13. When a payment account is fraudulently used, is it standard procedure to close the account as soon as possible?	<input type="checkbox"/>	<input type="checkbox"/>	
14. Is communication maintained with your bank so that it knows as soon as possible of any changes in company policies? Bank contracts should be read and understood regarding the company's liability for fraud.	<input type="checkbox"/>	<input type="checkbox"/>	

External Exposures			
15. Are two forms of identification required for all payments by check and are they listed on the check?	<input type="checkbox"/>	<input type="checkbox"/>	
16. Is it company policy to not accept third-party checks, such as payroll or government checks, since these may be stolen?	<input type="checkbox"/>	<input type="checkbox"/>	
17. If you accept a large number of payments by check, has consideration been given to the use of electronic check verification services?	<input type="checkbox"/>	<input type="checkbox"/>	
18. Do you make it a habit to know your business customers?	<input type="checkbox"/>	<input type="checkbox"/>	

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