

University of California San Diego
Audit & Management Advisory Services
Fraud Assessment & Checklist

University administrators have a responsibility to safeguard University assets from loss or unauthorized use. A periodic assessment of fraud exposure in your area is one way to help minimize risk of misappropriation of University assets.

STEP 1 - Ask yourself the following questions:

1. What are the weakest links in my department's internal controls?
2. What deviations from acceptable business practices are possible?
3. How can someone get a check issued or get their hands on cash?
4. How can someone get access to sensitive or valuable information or equipment?
5. What accounting documents are the easiest to access and forge?
6. What potential losses (both financial and non-financial) could the department experience?
7. What is the probability of the loss occurring?
8. Who (internally and externally) would be in a position to cause the loss?

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STEP 2 - Complete the following checklist with the above answers in mind:

This checklist was adapted from "How to Detect and Prevent Business Fraud," ©1982, Prentice-Hall, Inc. According to the authors of the original questionnaire, "it is designed so that a "yes" response indicates an area of concern. Upon completing the questionnaire, give careful consideration to the reasons underlying any of the "yes" responses. While a single, or even many, "yes" answers do not guarantee that existence of fraud, the probability increases as "yes" answers become more frequent, more serious, or more unjustified." We have modified the questions included in the questionnaire to fit the University environment.

Situational Pressures				
A. Individuals Against the University				
#	Question	Yes	No	N/A
1	Are you aware of any key employees that have unusually high personal debts or financial losses (i.e. high enough that they probably could not meet them with their own level of income)?			
2	Do any of your key employees appear to be receiving incomes that are inadequate to cover normal personal and family expenses?			
3	Do any of your key employees appear to be living beyond their means?			
4	Are you aware of any key employees that are involved in extensive stock-market or other speculations (i.e. extensive enough so that a downturn would cause them severe financial difficulty)?			
5	Are you aware of any key employees that are involved in excessive or habitual gambling?			
6	Do any of your key employees have unusually high expenses resulting from personal involvement with other people (e.g. maintenance of separate apartments)?			
7	Do any of your key employees feel undue family, community, or social expectations or pressures?			
8	Do any of your key employees use alcohol or drugs excessively?			
9	Do any of your key employees strongly believe that they are being treated unfairly (e.g. underpaid, poor job assignments)?			

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#	Question	Yes	No	N/A
10	Do any of your key employees appear to resent their superiors?			
11	Are any of your key employees unduly frustrated with their jobs?			
12	Is there an undue amount of peer pressure to achieve in your department, so much that success is more important than ethics?			
13	Do any of your key employees appear to exhibit extreme greed or an overwhelming desire for self-enrichment or personal gain?			
B. Individuals on Behalf of the University				
14	Has your department recently experienced severe cutbacks in funding sources?			
15	Is your department attempting to operate with insufficient funding?			
16	Does your department have unusually high balances due to suppliers?			
17	Is your department caught in a funding squeeze (i.e. costs and expenses are rising higher and faster than funding)?			
18	Is your department experiencing an urgent need to report favorable results?			
19	Do employees in your department believe there is a need to gloss over a "temporary bad situation" in order to maintain management position and prestige?			
20	Does your department depend heavily on only one source of funding?			
21	Does your department suffer from severe obsolescence (i.e. a significant percentage of physical facilities are obsolete)?			
22	Has your department expanded rapidly through new academic or research programs or ventures with private entities?			
23	Are there currently, or have there recently been, unfavorable economic conditions within your department's industry or is your department's performance running counter to industry trends?			
24	Is your department experiencing undue difficulty collecting amounts due?			
25	Does your department face unusually heavy competition, heavy enough that its existence appears threatened?			
26	Is your department facing significant litigation?			

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Opportunities				
C. Individuals Against the University				
#	Question	Yes	No	N/A
27	Do any of your key employees have close associations with suppliers or key individuals who might have motives inconsistent with the University's welfare (e.g. external private firms).			
28	Does your department fail to inform employees about rules of personal conduct and the discipline of fraud perpetrators?			
29	Is your department experiencing a rapid turnover of key employees, either through their quitting or being fired?			
30	Have any of your key employees recently failed to take annual vacations of more than one or two days, or has your department failed to periodically rotate or transfer key personnel?			
31	Does your department have inadequate personnel screening policies when hiring new employees to fill positions of trust (e.g. check on secondary references, background checks, etc.)?			
32	Does your department lack explicit and uniform personnel policies?			
33	Does your department fail to maintain accurate personnel records of dishonest acts or disciplinary actions?			
34	Do individuals working in your department fail to file required disclosures (e.g. personal investments or incomes)?			
35	Is your department dominated by only one or two individuals?			
36	Does your department appear to operate continually on a crisis basis?			
37	Does your department fail to pay attention to details (e.g. are accurate accounting records unimportant, do accounts or travel advances go unreconciled for a long period of time)?			
38	Does your department place too much trust in key employees and overlook traditional controls?			
39	Is there a lack of good interpersonal relationships among key employees in your department?			

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#	Question	Yes	No	N/A
40	Does your department have unrealistic productivity measurements or expectations?			
41	Does your department have poor compensation practices (i.e. is pay not commensurate with the level of responsibility)?			
42	Does your department lack a good system of internal security (e.g. locks, safes, fences, gates, guards, passwords)?			
43	Does your department lack adequate training programs?			
44	Does your department have an inadequate systems of internal controls, or does it fail to enforce the existing controls?			
D. Individuals on Behalf of the University				
45	Has your department recently had any significant related-party transactions or activities (e.g. research funding or purchases from companies with whom employees have a financial interest)?			
46	Is your department, or are key individuals, reluctant to provide auditors with data needed to complete an audit examination?			
47	Does your department use outside bank accounts?			
48	Does your department seem to have continuous problems with regulatory agencies?			
49	Does your department possess an unduly complex organizational structure?			
50	Is your department highly computerized? If so, are there insufficient controls over hardware, software, computer personnel, etc?			
51	Does your department have an inadequate internal control system or does it fail to enforce the existing internal controls?			
52	Is your department in a "hot" or high risk industry?			
53	Does your department have a number of large year-end, or project-end, or unusual transactions or adjustments?			
54	Does your department have unduly liberal accounting practices?			
55	Does your department have poor accounting records?			

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#	Question	Yes	No	N/A
56	Does the accounting area of your department appear to be inadequately staffed?			
57	Does your department fail to disclose questionable or unusual accounting practices?			
58	Does your department have an unusually high number of cost transfer transactions between research projects/account?			
59	Does your department experience an unusually high number, or high dollar amount, of variances on projects?			
60	Does your department fail to monitor budget versus actual expenditures?			

Personal Characteristics

#	Question	Yes	No	N/A
61	When confronted with difficulty, do any of your key employees appear to consistently rationalize contradictory behavior?			
62	Do any of your key employees appear to lack a strong personal code of honesty?			
63	Do any of your key employees appear to be "wheeler-dealers" -- individuals who enjoy feelings of power, influence, social status, and excitement associated with financial transactions involving large sums of money?			
64	Do any of your key employees appear to be intrigued by the personal challenge of subverting a system of controls (i.e. do they appear to have a desire to beat the system)?			
65	Do any of your employees have criminal or questionable backgrounds?			
66	Do any of the your employees have poor credit ratings?			
67	Do any of the your employees have poor past work records or references?			

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STEP 3 - If you are concerned that your department or business unit may be at risk due to the number of yes responses you have checked, request a consultation with Audit & Management Advisory Services and discuss the situation and responses with your management.

STEP 4 - Develop a corrective action plan with a specific time line. What can you do to minimize the risk of fraud in your department, while containing costs?