



# Fraud Investigation

## Red Flags Indicating Potential Fraud or Embezzlement

*Following is a list of several common indicators of **potential** fraud or embezzlement.  
To the extent these situations exist, further investigation is recommended.*

- ▶ You notice lifestyle changes in an employee that opens the mail, accounts for cash or signs checks.
- ▶ An employee's life style appears inconsistent with their income level.
- ▶ An employee is overly nervous about questions regarding the records they keep.
- ▶ An employee will not share duties.
- ▶ An employee that handles cash or signs checks does not take allowed vacations, or even more than one day off at a time.
- ▶ An employee works excessively on weekends or after business hours.
- ▶ A suspect employee is experiencing personal financial difficulties.
- ▶ None of the company's forms or documents are pre-numbered.
- ▶ Petty cash is missing.
- ▶ Sudden and unexplained overdrafts are occurring in the checking account.
- ▶ Duplicate or out-of-sequence check numbers are appearing on the bank statement.
- ▶ Cancelled checks returned from the bank have a different font or ink than normal.
- ▶ Non-payroll checks have been issued payable to employees.
- ▶ Payees on cancelled checks do not match entries in the general ledger.
- ▶ Invoices are being received for goods or services normally not purchased by the company.
- ▶ Invoices are being received that are not prepared/printed professionally or lack detailed information (e.g. phone or fax number, invoice number, description of goods, etc.)
- ▶ Payments are being made to unusual vendors or in unusual amounts.
- ▶ Payments to regular vendors are being made at unusual times.
- ▶ Duplicate or over-stated payments to vendors have been made.