



A Professional Association of Certified Public Accountants

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FRAUD AWARENESS AND COMPANY POLICY

	<u>YES</u>	<u>NO</u>
Has management assessed each employee's opportunity level to commit fraud, and has a minimum amount been determined that would represent a tolerable risk that the employee could defraud the company?	<input type="checkbox"/>	<input type="checkbox"/>
Has management assessed the catastrophic opportunity level at which an employee, or group of employees acting together, could commit a fraudulent act that would place the company in imminent risk of survival, such as the destruction of computer software?	<input type="checkbox"/>	<input type="checkbox"/>
Has company policy been established requiring consideration of immediate dismissal of any employee found to have committed fraud?	<input type="checkbox"/>	<input type="checkbox"/>
Has company policy been established requiring that acts of employee fraud and commercial crime be reported to the appropriate authorities?	<input type="checkbox"/>	<input type="checkbox"/>
Have all frauds committed against the company been evaluated to determine the reasons they occurred, the methods used and the appropriate corrective action taken?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company's Mission Statement include, as an objective, good corporate citizenship?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company have a written Code of Ethics and Business Conduct that is communicated to all employees?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company have ongoing ethical and security training programs for new and existing employees?	<input type="checkbox"/>	<input type="checkbox"/>
Does management set an example by adhering to the Code of Ethics and Business Conduct?	<input type="checkbox"/>	<input type="checkbox"/>
Does corporate culture avoid characteristics that promote unethical behavior such as a hostile, acutely competitive environment, pushing employees to the point of burnout, rigid and/or petty policies, and over-centralization of authority?	<input type="checkbox"/>	<input type="checkbox"/>
Do hiring policies assure that new employees will be of high moral character?	<input type="checkbox"/>	<input type="checkbox"/>

	<u>YES</u>	<u>NO</u>
Does the company have a screening program for psychological and drug testing (where permitted by law)?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company provide and/or encourage counseling for employees?	<input type="checkbox"/>	<input type="checkbox"/>
Are mechanisms in place that ensure fair and impartial dealing with employee grievances?	<input type="checkbox"/>	<input type="checkbox"/>
On balance, does management exhibit an awareness of fraud and its manifestations in the workplace?	<input type="checkbox"/>	<input type="checkbox"/>

INTERNAL CONTROLS

Has consideration been given to fraud prevention and detection in the design, implementation and maintenance of internal controls?	<input type="checkbox"/>	<input type="checkbox"/>
Has the company established policy requiring that sensitive and confidential information and records containing personnel, payroll, customer and vendor lists, corporate strategies, marketing plans, research and other records be locked and secured while unattended and after business hours?	<input type="checkbox"/>	<input type="checkbox"/>
Are user ID/passwords required for entrance into computer systems and files?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a policy that limits access to systems and files by job function, and prohibits employees from sharing keys, passwords, etc?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company have specific job descriptions, and are they adhered to?	<input type="checkbox"/>	<input type="checkbox"/>
Are incompatible duties (e.g. handling receipts and preparing bank reconciliations) properly segregated?	<input type="checkbox"/>	<input type="checkbox"/>
Is the purchasing function properly segregated to ensure that one individual cannot requisition goods and services, approve and make the related payment, and access accounts payable records?	<input type="checkbox"/>	<input type="checkbox"/>
Is the dual signing of checks over a specified amount required?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a company policy requiring that all employees take annual vacations, and that their duties be performed by other employees during their absence?	<input type="checkbox"/>	<input type="checkbox"/>
Do supervisors and managers have adequate fraud awareness training?	<input type="checkbox"/>	<input type="checkbox"/>
Do supervisors and managers review the work of subordinates (e.g. replicate the work when appropriate)?	<input type="checkbox"/>	<input type="checkbox"/>

	<u>YES</u>	<u>NO</u>
Is supervisory or management override of, or interference in, the work of subordinates strictly prohibited, and is there a mechanism in place alerting appropriate personnel if such a situation occurs?	<input type="checkbox"/>	<input type="checkbox"/>
Is there an independent Internal Audit staff that reports directly to the Board of Directors or an Audit Committee appointed by the Board?	<input type="checkbox"/>	<input type="checkbox"/>
Does the Internal Audit staff regularly verify that fraud prevention and detection mechanisms are in place and operating as intended?	<input type="checkbox"/>	<input type="checkbox"/>
Are independent, external audits performed on a regular basis?	<input type="checkbox"/>	<input type="checkbox"/>
Do external auditors receive full cooperation from the Board of Directors (and/or Audit Committee) regarding their work generally, and fraud matters in particular?	<input type="checkbox"/>	<input type="checkbox"/>
Are bank accounts, accounts receivable and accounts payable reconciled regularly?	<input type="checkbox"/>	<input type="checkbox"/>
Is a variance analysis of the general ledger accounts (e.g. budget to actual, current to prior year) performed?	<input type="checkbox"/>	<input type="checkbox"/>
Is a vertical analysis of the income and expense accounts (e.g. as a percentage of sales) performed against historical and/or budget amounts?	<input type="checkbox"/>	<input type="checkbox"/>

FRAUD PREVENTION

Does the Company have written policies indicating that it will not tolerate the following:

Conflicts of interest	<input type="checkbox"/>	<input type="checkbox"/>
Accepting gratuities, gifts and entertainment from vendors and contractors	<input type="checkbox"/>	<input type="checkbox"/>
Compromising or bribing customers	<input type="checkbox"/>	<input type="checkbox"/>
Disclosing company trade secrets	<input type="checkbox"/>	<input type="checkbox"/>
Fixing prices with competitors	<input type="checkbox"/>	<input type="checkbox"/>
Gambling on-the-job	<input type="checkbox"/>	<input type="checkbox"/>
Drug and alcohol abuse	<input type="checkbox"/>	<input type="checkbox"/>
Fighting on-the-job	<input type="checkbox"/>	<input type="checkbox"/>

	<u>YES</u>	<u>NO</u>
Stealing company property		
Falsifying time/attendance reports	<input type="checkbox"/>	<input type="checkbox"/>
Falsifying production reports	<input type="checkbox"/>	<input type="checkbox"/>
Falsifying personnel data on job applications	<input type="checkbox"/>	<input type="checkbox"/>
Falsifying or forging accounting records	<input type="checkbox"/>	<input type="checkbox"/>
Destroying accounting records	<input type="checkbox"/>	<input type="checkbox"/>
Falsifying expense accounts	<input type="checkbox"/>	<input type="checkbox"/>
Allowing unauthorized access to records, and critical work areas	<input type="checkbox"/>	<input type="checkbox"/>
Loaning building access ID cards/badges, or door keys to unauthorized persons	<input type="checkbox"/>	<input type="checkbox"/>
Disclosing computer log-in codes or passwords, or allowing unauthorized persons use of computer facilities and/or equipment	<input type="checkbox"/>	<input type="checkbox"/>

Does the Company conduct background inquiries to confirm:

Identity of applicants	<input type="checkbox"/>	<input type="checkbox"/>
Educational achievements	<input type="checkbox"/>	<input type="checkbox"/>
Credit standing	<input type="checkbox"/>	<input type="checkbox"/>
Past employment	<input type="checkbox"/>	<input type="checkbox"/>
Criminal convictions	<input type="checkbox"/>	<input type="checkbox"/>
Reputations	<input type="checkbox"/>	<input type="checkbox"/>
Character	<input type="checkbox"/>	<input type="checkbox"/>

Does the Company utilize, or provide:

Security orientation training for new hires	<input type="checkbox"/>	<input type="checkbox"/>
On-going security awareness training for all employees	<input type="checkbox"/>	<input type="checkbox"/>
Written rules of employee conduct	<input type="checkbox"/>	<input type="checkbox"/>

	<u>YES</u>	<u>NO</u>
Annually updated and signed employee declarations acknowledging their awareness and adherence to the company's code of conduct	<input type="checkbox"/>	<input type="checkbox"/>
Administrative hearings (with representation) for employees charged with legally punishable offenses that may lead to their dismissal	<input type="checkbox"/>	<input type="checkbox"/>
Job descriptions	<input type="checkbox"/>	<input type="checkbox"/>
Organization charts	<input type="checkbox"/>	<input type="checkbox"/>
Standards of performance, and performance appraisals	<input type="checkbox"/>	<input type="checkbox"/>
Counseling of employees whose work is unsatisfactory	<input type="checkbox"/>	<input type="checkbox"/>
Counseling of employees with substance abuse problems	<input type="checkbox"/>	<input type="checkbox"/>
Technical training programs	<input type="checkbox"/>	<input type="checkbox"/>
<u>Does the Company utilize, or provide:</u>		
Human resource development programs	<input type="checkbox"/>	<input type="checkbox"/>
Quality of worklife programs	<input type="checkbox"/>	<input type="checkbox"/>
Employee involvement and job enrichment programs	<input type="checkbox"/>	<input type="checkbox"/>
Exit interviews for departing employees	<input type="checkbox"/>	<input type="checkbox"/>
<u>Does the Company have:</u>		
Internal auditors	<input type="checkbox"/>	<input type="checkbox"/>
EDP auditors	<input type="checkbox"/>	<input type="checkbox"/>
A Data Security Officer or Administrator	<input type="checkbox"/>	<input type="checkbox"/>
A Corporate Security or Loss Prevention Unit	<input type="checkbox"/>	<input type="checkbox"/>
An investigative staff	<input type="checkbox"/>	<input type="checkbox"/>

RISK MANAGEMENT

	<u>YES</u>	<u>NO</u>
Has management reviewed operations to determine the nature and extent of potential losses from fraud and commercial crime?	<input type="checkbox"/>	<input type="checkbox"/>
Has management reviewed the extent to which the company is capable of self-insuring the risk?	<input type="checkbox"/>	<input type="checkbox"/>
Has an appropriate person (e.g. Risk Manager) determined alternative types, levels, and cost of insurance coverage, compliance with policy provisions, and accumulation of documentation required for "Proof of Claim" submissions?	<input type="checkbox"/>	<input type="checkbox"/>