Fraud Red Flags Checklist

A red flag is not proof of fraud, but it is a reason to look closer. Check any warning sign you have seen in the last 12 months, then use the steps at the bottom to respond the right way.

BEHAVIORAL RED FLAGS

	YES	PARTLY	NO	N/A
An employee's lifestyle seems far beyond their pay.	☐	☐	☐	☐
Someone in a financial role refuses vacation or won't let others cover their work.	☐	☐	☐	☐
An employee is unusually close to a vendor or customer.	☐	☐	☐	☐
Someone becomes defensive or irritable when asked routine questions.	☐	☐	☐	☐
An employee mentions serious personal financial pressure.	☐	☐	☐	☐

TRANSACTION RED FLAGS

	YES	PARTLY	NO	N/A
Duplicate payments, or invoices with the same amount and date.	☐	☐	☐	☐
A vendor with no physical address, or an address that matches an employee's.	☐	☐	☐	☐
Payments just under an approval limit, or large purchases split into smaller ones.	☐	☐	☐	☐
Frequent voids, refunds, discounts, or write-offs by one person.	☐	☐	☐	☐
Vendor bank account changes requested by email.	☐	☐	☐	☐

RECORDS RED FLAGS

	YES	PARTLY	NO	N/A
Missing, altered, or photocopied documents where originals should exist.	☐	☐	☐	☐
Bank reconciliations that are late or done by the person who makes payments.	☐	☐	☐	☐
Journal entries or adjustments with no explanation.	☐	☐	☐	☐
Expenses rising without a matching rise in activity or revenue.	☐	☐	☐	☐

Organizations lose a median 5% of revenue to fraud each year (ACFE, Occupational Fraud 2024: A Report to the Nations).

IF YOU SEE A RED FLAG

- Do not confront the person or announce a review
- Preserve records and limit who knows
- Call legal counsel before interviewing anyone

BEST PRACTICES

- Ask "How could someone steal here, and would we notice?"
- Make reviews routine so they never feel personal
- Give employees a confidential way to report concerns

Need a hand putting this into action?

If something doesn't add up, preserve the records, don't confront anyone, and call counsel. IAG can help scope a confidential review.

Talk with an advisor: integrityadvisorygroup.org/contact

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