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## What is your Organization's Risk for Fraud?

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### How much risk is there for fraud in *your* organization?

All organizations are subject to fraud risk. But if you can answer yes to any of the following questions, your organization may be the next one to fall due to fraud:

- Do you have one person receiving your mail, posting checks and depositing checks?
- Do you have an associate that can both post to the ledger and reconcile the account he/she is posting to?
- Do your employee incentive programs create immense pressures to perform?
- Do you have senior management with access to override controls?

### Now What?

If you answered yes to any of these questions, your best solution is the performance of a *Fraud Risk Assessment*. A structured assessment is tailored to your organization's size, complexity, industry, goals, and is performed periodically (usually annually). The assessment includes an identification of your organization's fraud universe and the associated fraud schemes/scenarios. The key fraud risks are then identified by scenario and controls that mitigate these risks are linked. Once you have performed the risk assessment, you should then assess the controls for appropriate design and operating effectiveness.

### So what do I get out of this Fraud Risk Assessment?

Your deliverables include the following (examples are below):

- A *Fraud Risk Assessment Summary* – includes fraud schemes and scenarios specific to your organization and the environment/industry in which it operates. The summary also includes the linkage of control activities to fraud risks by identifying mitigating controls, control gaps, and fraud risk responses.

- A *heat map* evaluating the likelihood and significance of each identified fraud risk.

**Examples of Deliverables:**

Fraud Risk Assessment Summary Example						
Process or Business Unit	Fraud Category	Fraud Scenario	Likelihood	Significance	Antifraud Controls or Gaps	Fraud Risk Response
Financial Reporting	Fraudulent Financial Reporting	Top-side entries are falsified by senior management	Reasonably Possible	Material	Controlled system access to general ledger	Periodic testing by IA
Revenue Cycle	Fraudulent Financial Reporting	Revenue recognition-related journal entries are back-dated	Probable	Significant	Approval/authorization of journal entries <b>Gap</b> - Reconciliation of invoice register to general ledger	Cut-off testing by IA Implementation of reconciliation to be performed by individual segregated from the posting of invoices.
Expense Reimbursement	Missappropriation of Assets	Expense reports are falsified	Remote	Insignificant	Expense report audits and monitoring	Periodic testing by IA

