

Embezzlement/Fraud Prevention "Starter" Self-Audit *(by no means all-inclusive!)*

By Nancy Byerly Jones

1. Does your firm handle large sums of client money due to the nature of your practice areas?
2. Who handles your trust account(s) and what initial and ongoing training do they receive regarding your ethical rules, safe accounting practices, etc.?
3. Ditto the above question regarding personnel handling general operating accounts.
4. Any of your employees or partners under abnormally high financial or other stress?
5. Any employees requesting advance payments more than normal?
6. Do you have thoroughly trained backup personnel for employees who handle financial matters for the firm?
7. Are revenues down for *unknown* reasons and if so, what investigative steps have you taken to find out why?
8. Do you trust your employees handling financial matters completely and if so, is that used as an excuse not to audit them regularly or to otherwise require regular reports of their activities?
9. Do you have an in-house auditing system for firm systems to ensure they are up to date, that employees are using systems correctly and that the firm's risk management systems are comprehensive enough to timely red flag potential or existing inconsistencies and improper or misuse of firm procedures? Better yet, have you asked a true fraud/threat analysis/risk prevention expert to assess your firm's security (**highly recommended!**)?
10. Do at least two firm attorneys understand the ins and outs of all financial responsibilities carried out by support staff? Do these attorney carry out their supervisory duties in a regular and conscientious manner?
11. Does the same person who opens all mail also handle check writing or other financial duties for the firm?
12. Are two signatures required on firm checks?
13. Do you have any employees handling financial matters who are very resistant to delegating, work often beyond normal working hours, reluctant to take vacation time off, and/or very defensive when asked questions about their work product?
14. Do you use a check-protector machine for entering the monetary amount on checks?
15. Do you have bank statements sent to a partner's non-office (or home) address instead of to the office?
16. Has the firm received past due notices from creditors that have surprised you? If so, how frequently?
17. If financial documents or related materials are missing, are you too busy to investigate in a timely manner?
18. Does your firm have an up-to-date "Use of Technology" policy that clearly sets forth the firm's right to review email data, web searches and the like? Is it in sync with relevant state and federal laws?
19. Do you have comprehensive exit policies and procedures for resigning or terminated employees?
20. Have your employees been trained as to how to spot fraudulent activities and to whom they should immediately report any suspicious behavior? (**Reread #9 above**)