



### **Red Flag #1**

Look for transactions that are out of the ordinary. These would include transactions that take place in the middle of the night, a point of sales transaction in a distant city or an amount that seems excessively high or low.

### **Red Flag #2**

Note any accounting discrepancies. At the end of the month, check for overstated or understated. Examine any out of place entries, such as last minute adjustments to vendor accounts. Finally look for records and transactions that aren't supported with a receipt or an explanation.

### **Red Flag #3**

Uncover suspicious activity in your accounts receivable ledger. Note the number of voids and credits made. Excessive voids can indicate fraud. Also, examine the check record for gaps in your check registry. Review your statement for gaps, duplicate check numbers and other suspicious activity.

### **Red Flag #4**

Evaluate the behavior of your accounts payable employees. Employees quitting suddenly without reason can be a red flag for fraud.

Consider the facts. Small and mid-sized companies are especially vulnerable to fraud, because they usually don't segregate duties. One person may be in charge of accounting records and cash receipts, making it easier to conceal fraud.

# Graham & Graham, P.C.

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Certified Public Accountants  
Business Advisors and Management Consultants