

All organizations issue payments for expenditures, whether inventory purchases, repairs and maintenance expenses, utilities, or contract services. Consequently, manipulation of the cash disbursement process represents an inherent fraud risk in every organization. And while the use of electronic payment methods has increased sharply in recent years, many business payments are still made in the form of paper checks. Organizations must be aware of the ways both electronic and paper-based payments can be tampered with, as well as how to proactively combat this risk. Do you know how to help prevent check and electronic payment tampering? Would you recognize the warning signs of these schemes? Take this quiz to test your knowledge.

1. Check and electronic payment tampering schemes are the \_\_\_\_\_ form of asset misappropriation.



a. Most common.



b. Most costly.



c. Least common.



d. Least costly.

2. Green Inc.'s auditors received a tip that one of the company's accounting clerks has been stealing blank company checks and writing them to herself. In response, the audit team is searching for warning signs of such a scheme. **Which of the following findings is most likely to indicate that the tip was valid?**



a. Complaints from Green Inc.'s customers about delays in payments being posted to their accounts.



b. Unexpected past-due notices from company vendors.



c. Practice signatures or indentation marks in the accounting clerk's work area.



d. Lacks of breaks in check numbers on the cash disbursements journal.

3. Elm Co. has several vendors that have requested payments via electronic checks. Elm's management wants to comply with the requests but is concerned about the potential fraud risks that might accompany these transactions. Consequently, management has asked the company's controller to look into best practices in internal controls with these types of

payments. **Which of the following controls would enable Elm Co. to restrict electronic check payments from its bank account to only those transactions that meet a set of predefined criteria?**



a. Automated Clearing House (ACH) filters.



b. Positive pay.



c. ACH blocks.



d. Proxy account number.

**4. To prevent check tampering, organizations should do all of the following EXCEPT?**



a. Prohibit authorized signers from presigning checks.



b. Have an authorized signer perform the bank reconciliation each month.



c. Establish a maximum dollar amount for checks drawn on the bank account.



d. Rotate authorized check signers and keep track of who should sign checks on a given day.

**5. The results of the fraud risk assessment at Blanco Inc. indicated that check tampering poses a significant risk to the organization. To help monitor for warning signs of check tampering, Blanco's internal audit group is planning to set up some automated recurring data analytics tests. Which of the following tests would be helpful in identifying potential check tampering?**



a. Extracting transactions just under authorization thresholds.



b. Summarizing voided checks by user.



c. Identifying all checks with a zero-dollar payment.



d. All of the above.