

Internal Controls Checklist

Conduct an assessment of your business' accounting functions to recognize the warning signs and prevent problem situations. Used properly, good internal controls can help standardize management practices and procedures, reveal errors and omissions, discourage employee theft, and help protect company assets. Checked items may indicate a potential problem.

Segregation of Duties

Certain accounting/bookkeeping functions are designed to cross-reference each other for accuracy. If the same person is responsible for multiple duties, the system's natural checks and balances are removed.

If any of these apply, vulnerabilities could exist; consider updating your procedures:

- The person who handles your cash is also responsible for recording the cash.
- The person who pays or orders inventory also receives the materials.
- Two or fewer people are responsible for the accounting function.
- Only one person is responsible for reviewing financial statements each month.
- Financial journals are reviewed only sporadically.

Bank Reconciliations

Bank statements can spotlight discrepancies, but only if they are reconciled on a timely basis. Reconciliations should be prepared once a month with any adjustments being tracked carefully from one month to another.

These best practices should be followed:

- I review cancelled checks and endorsements on a monthly basis.
- I compare payroll checks with current employee records.
- I question funds transferred between bank accounts.
- I track the number of credit card bills signed per month.
- Bank reconciliations are performed on a timely basis.
- Someone besides the preparer reviews the bank reconciliations each month.
- I verify reconciled items.
- I have bank statements sent to my home address.

Supporting Documentation

Supporting documents enhance communication and serve as a final checkpoint.

If any of these apply, vulnerabilities exist; consider updating your procedures:

- I sign blank checks.
- I sign checks without original supporting documentation.
- I sign checks without cancelling supporting documentation.
- Funds have been transferred between accounts without review or verification.
- I have signed checks for new business vendors without knowing or verifying their names and association with my company.

Employees/Personnel

Know your employees and be aware of any changes in their behavior.

If any of these apply, take notice and be mindful:

- I have employees who are extremely possessive of their work records and reluctant to share their tasks.
- I have employees who are apprehensive about vacations and time off, while always being the first in the office and the last out.
- I have noticed a substantial change of lifestyle in one of my employees.
- I have employees who may have a substance abuse problem.
- I have employees who appear to be living beyond their means.
- I have hired an employee before checking references.
- I permit my accounting personnel to work longer than a year without taking a vacation.
- I have accounting staff or key personnel who have not been secured with a fidelity bond.

Safeguarding Assets

Limit and monitor access to important documents and supplies.

Ensure these procedures are followed:

- Blank check stocks and signature stamps are safely secured.
- All checks are restrictively endorsed when received. (They include "For Deposit Only.")
- Cash and checks are deposited daily.
- Office furniture, equipment, and company vehicles are tracked on a detailed list.

Implementing best practices as security measures can be very beneficial for your peace of mind and can assure your employees that your business is a safe and secure environment.

Contact us to learn more.



it's the people behind the numbers[®]

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