

Internal Control Checklist

Are you leaving your company exposed to fraud?

If employees can easily take cash, inventory or supplies, alter financial records or manipulate records of cash received or paid, you could be inadvertently increasing the risk of fraud in your business. Proper internal controls must be a part of every business's procedures in order to prevent fraud. The following questions may indicate the likeliness of fraud in your business.

Employees

- Do you require your financial employees (bookkeeper, CFO) to take a vacation every year?
- Do you personally investigate customer complaints that they have not received credit for their payments?
- Are employees prohibited from taking home customer lists and other confidential documents?
- Do you have strict security procedures for terminated employees?
- Do you require all employees to sign non-disclosure agreements?
- Do you run reference and background checks for all potential new hires?

Cash

- Are cash handling and cash record-keeping duties segregated?
- Are all expenses authorized and documented?
- Do you conduct unannounced checks of petty cash and other cash accounts?
- Do you prohibit any single employee from handling a transaction from start to finish?
- Do you deposit all receipts intact to the bank daily?
- Do you prepare bank reconciliations?
- If someone else does, do you "spot-check" the reconciliations?

Accounts Receivable

- Are different employees responsible for the various duties associated with accounts receivable? (For example: taking the order, shipping the product, customer billing, collecting receivables, and depositing collections in the bank.)
- Do you account for and physically control returned merchandise?
- Do you bill customers promptly?
- Is an accounts receivable aging schedule prepared regularly?
- Do customers receive monthly statements?

Inventory

- Do you have detailed records and lists of your inventory?
- Are inventories physically counted quarterly or at least annually?
- Do you check inventory reports regularly (monthly or quarterly)?
- Do you do inventory comparison reports (business trends: year to year and month to month)?
- Is inventory adequately insured?

Sales

- Do you have proper segregation of duties to preclude an employee from pocketing cash from a sale but never reporting the sale?
- If you have too few employees to separate responsibilities, do you play an active role in monitoring sales activities?

Fixed Assets

- Are fixed assets acquired only with proper authorization?
- Do you take inventory of fixed assets regularly?
- Do you resolve discrepancies between physical counts and accounting records?
- Are fixed assets adequately insured?
- Are small tools and supplies inventoried?

Debt

- Is there proper authorization for the creation of any debt?
- Are liabilities promptly recorded?
- Are accounts payable checked for accuracy?
- Are bills paid only when the merchandise has actually been received?
- Do you take advantage of vendor discounts?

Yeo & Yeo Can Help

This checklist is not all-inclusive and is no substitute for a thorough internal control analysis. Yeo & Yeo's CPAs and forensic accountants hold the **Certified in Financial Forensics (CFF)** and **Certified Fraud Examiner (CFE)** credentials. They are experienced and thoroughly versed in modern fraud prevention, detection and investigation techniques. Yeo & Yeo's forensic accountants can set up controls to help eliminate opportunities and prevent wrongdoing. If fraud is discovered, Yeo & Yeo has the personnel and experience to begin a timely investigation, prevent further loss, determine the full extent of the fraud and prepare for litigation and recovery.

Fraud has a direct impact on your organization's financial health. It also threatens your hard-earned reputation. Contact Yeo & Yeo for more information on Internal Controls.

Controls

- Does your accountant or other independent party audit the books at least annually?
- Are your computer files and your computer network password-protected?
- Does your computer software prevent employees from easily changing financial data?
- Does the software record who made changes?
- Do you know who has keys to your office?
- Do you, as the business owner, refrain from taking money from the cash register for your own use, or taking business supplies home?
- Do you have fidelity bonds for your employees?
- Do you receive unopened bank statements and cancelled checks?
- Do you use pre-numbered checks?

