

# MORRISON & ASSOCIATES, CPA'S PLLC

## INTERNAL CONTROL PROCEDURES FOR CASH

### OBSERVATION

1. Owner or stockholder should open bank statements received each month. The canceled checks should be scanned on front and back for proper payee and endorsement. Investigate any suspicious payee names or unusual endorsements. Route bank statement and canceled checks to accounting after this procedure.

### PREVENTION

1. The disbursement check can be made more difficult to replicate by using multiple colors of ink, employing a highly detailed background, by printing the dollar amount in a reverse color, and by using an unusual type font for the dollar amount.
2. Divide un-issued check stock into two categories:
  - a. Reserve supplies. Checks which are held in sealed boxes are sequentially numbered and stored in a secure area available only to key treasury department staff. This supply may be located in the data processing department where the checks are printed, provided that access is limited to treasury staff.
  - b. Working supplies. Treasury should maintain a log to record the release of checks to data processing, accounts payable, and payroll staff.
3. All checks must be accounted for, including those destroyed in the alignment of the computer printer, voids, stop payments, and mutilated checks.
4. Facsimile signature plates, cartridges, and IC cards must be secured under lock and key (preferably in a safe or vault) with access permitted only to authorized check signers or other similarly trusted employees.
5. Duties should be separated. Staff who are involved in generating checks, including validating the input and printing the checks should not be involved in handling checks after they are printed (and vice versa). Staff involved in reconciling bank accounts should not be involved in producing checks or preparing input that would result in production of checks.
6. Shred any obsolete check stock, even if the bank account has been closed.
7. Review procedures employed by the printing company that manufactures the company's check stock, to ensure that only check orders that are properly authorized are accepted, and that all manufactured checks are accounted for.
8. Review mail room procedures to ensure the prevention of tampering by unauthorized personnel. Mail room clerks know when and to whom checks are being mailed, and can be a potential source of collaboration in a check fraud scam.

### DETECTION

1. **Consider bank account reconciliation as a security function, not an accounting function.** Reconcile disbursing bank accounts to the general ledger promptly and take immediate action on spurious items. If a scam has been perpetrated, it usually is uncovered when the bank account is reconciled. The sooner the reconciliation can take place, the more able the company is to limit its losses.
2. Track large items from the time they are issued to the time they are paid. This will also help manage and forecast volatile cash disbursements.