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Critical List of Internal Control Points

1) The bank statements should be sent directly to, opened and reviewed by one of the owners before it is handed to the accounting department for reconciliation.

The owner should review the statement and cancelled checks carefully to look for any unusual activity (unfamiliar payees, altered checks etc.). Every month you should ASK QUESTIONS. This lets the accounting department know that someone is monitoring their work and reduces the risk of altered checks and fictitious suppliers or employees. In addition, the owner should review the bank reconciliation once it is complete to look for any unusual activity (miscellaneous reconciling items, old checks etc.).

2) Randomly, two to three times a year, someone else should prepare the bank reconciliation

They should specifically be looking at the cancelled checks, signatures and endorsements to see that everything is in order

3) Close Dormant Accounts

Owners should maintain an inventory of company bank accounts and be sure that any dormant accounts are closed. Dormant accounts tend to be overlooked and invite problems.

4) Oversee the Vendor list

Only the owner or a designated manager should supervise the creation of new vendors and review the list frequently. Access to vendor creation should be limited through user access limits and passwords.

5) Proper Documentation

When signing checks, ensure that proper back-up (invoices, purchase orders etc.) is attached to the check and the expense/cost is reviewed for reasonability and proper authorization.

6) Once checks are signed, they should be sent out immediately (not returned to the preparer).

Only the invoice package should be returned to the check preparer.

7) Control blank and voided checks

Blank and voided checks should be secured in lockbox that can only be accessed by authorized personnel. In addition, authorized personnel (limited) should only order the checks.

If your system prints the check number on the checks, the blank checks should also have an inventory control number (on the back of the check) and the inventory of checks should be reconciled at the end of the day.

8) Control authorization devices

First and foremost, companies that don't have adequate personnel to allow for proper segregation of duties should consider eliminating signature stamps and automatic signing machines. If this is not possible due to the volume of checks then procedures must be implemented to control access to the stamp.



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9) Utilize positive pay through your bank

This is a system where the company electronically sends the bank the check numbers, payees and related amounts. The bank will only cash checks that match the list.

In many cases, there is very little or no additional cost to add this service.

10) Non-negotiable Incoming Wire Transfer account

Accepts incoming transactions only, money is swept out daily.

11) Prepare a check log for received checks before they are given to the accounting department

The check log should then be compared to the deposit list to make sure that all checks received are deposited to the Company's bank account.

12) Prepare annual budgets and compare actual results to budgets. Analyze the variances and ask questions until completely satisfied of reasonability.

13) Background checks should be performed for all incoming employees and owners.

It is much easier to deal with a problem prior to hiring an individual than it is once they have started with the firm.

14) A mandatory vacation policy should be in place for all employees.

All employees should be forced to go on vacation at least once per year. In addition, cross training of critical duties to ensure that these duties do not stop when an employee is out. While that employee is off, someone else should fulfill their duties.

15) Someone other than the person preparing payroll should receive the paychecks (or pay stubs), review and distribute them.

16) If you have Company credit cards, someone independent should review the actual statements.

In general, company credit cards are not recommended. If you have company credit cards, the statements should be closely monitored.