

MEMORANDUM

TO: Clients

SUBJECT: Safeguarding Assets

DATE: May 21, 1996

There are many steps that can be taken to safeguard business assets, but one of the most important steps is owner or senior management involvement in the control over cash management. The following are suggestions for tightening cash control:

1. Examine the front and back of canceled checks included in your **UNOPENED** monthly bank statement. Look for the appropriate signature, payees, and amounts. Also inspect the endorsement on the back of the check. If an employee opens the mail, request that the bank statement be given to you unopened so that none of the canceled checks can be removed or tampered with.
2. If an employee prepares Company checks for your signature, require that an invoice, not a statement, accompany the check, and only pay from original invoices, never from copies. Make sure the invoice is stamped "Paid."
3. Keep all cash locked up, and keep control over check stock making sure it is locked up.
4. Have as much separation of duties as possible to create checks and balances. For example, one employee should open the mail and list the checks and another should prepare the bank deposit.

5. Make daily deposits.
6. Restrictively endorse checks as they are received prior to deposit.
7. Look at your checking account balance on a daily, or frequent basis.
8. Make sure you have an employee fidelity bond endorsement on your insurance policy.
9. Be careful about letting employees sign checks. If employees sign checks, consider requiring two signatures over a set amount (i.e, \$500.00).

As a normal part of our engagements to prepare unaudited financial statements we do not review canceled checks, and many times do not receive an original bank statement. We do recommend that this procedure be performed by someone in your Company. If you do not feel comfortable performing this examination, we can perform this service for you on a regular, or periodic basis.

We would be pleased to assist you in reviewing your system of internal accounting controls to improve your system and decrease the risk of theft.

If we can be of any assistance, please contact our office.

