

*Critical List of Internal Control Points*

- 1) **The bank statements should be sent directly to, opened and reviewed by one of the partners before it is handed to the controller/bookkeeper for reconciliation.**  
This partner should review the statement and cancelled checks carefully to look for any unusual activity (unfamiliar payees, altered checks etc.). This lets the controller/bookkeeper know that there is someone monitoring their work and reduces the risk of altered checks, fictitious suppliers and employees. In addition, this same partner should review the bank reconciliation once it is complete to again 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's is in order
- 3) **When signing checks, ensure that proper back-up is attached to the check and the expense/cost is reviewed for reasonability and proper authorization (if applicable).**
- 4) **Once the check is signed, it should be sent out immediately (not returned to the preparer).**  
Only the invoice package should be returned to the check preparer.
- 5) **Control blank and voided checks**  
Blank and voided checks should be secured in lockbox that can only accessed by authorized personnel. In addition, authorized personnel (limited) should only order the checks.  
If the client 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.
- 6) **Suggest use of the following for checks and checks with at least 7 security features:**
  - Dot matrix Printer - Cloth ribbon (not vinyl)
  - Laser Printer – “Laserlock” (toner anchored to paper)
  - Controlled paper stock (Cannot be purchased from anyone but the supplier)
  - 12 point font or higher (More difficult to cover-up if changed)
  - Multiple signature over \$X,XXX
  - Avoid signature stamps but if needed control stamp closely
  - *See attached check security features*
- 7) **Company utilizes positive pay (or reverse positive pay) through their bank**  
Positive Pay – Company send the bank the check #'s and related amounts and bank only cashes checks that match the list.  
Reverse Positive Pay – Bank sends the Company a listing of all the checks that are in processing at the end of the day and the Company must contact the bank by 11:00am the next morning if there are any on the list that should not be cashed.
- 8) **Non-negotiable Incoming Wire Transfer account**  
Accepts incoming transactions only, money is swept out daily.

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- 9) **Prepare a check log for received checks before they are given to the A/R clerk**   
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.
- 10) **Preparing annual budgets and comparing actual to budgets and analyzing the variances.**
- 11) **Background checks should be performed for all incoming employees and partners.**   
It is much easier to deal with a problem prior to hiring an individual than it is once they have started with the firm.
- 12) **A mandatory vacation policy for all employees should be in place.**   
In addition, cross training of critical duties to ensure that these duties do not stop when an employee is out. All employees should be forced to go on vacation at least once per year. While that employee is off, someone else should fulfill their duties.
- 13) **Someone other than the person preparing payroll should receive the paycheck and review and distribute them.**
- 14) **If you have Company credit cards, someone independent should review the actual statements.**