

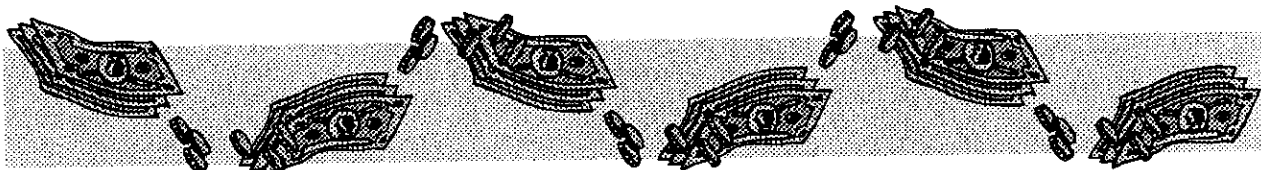
A vertical decorative border on the left side of the page, consisting of a series of overlapping illustrations of stacks of money (bills and coins) arranged in a slightly curved, descending pattern.

Batten Accountancy, Inc.

**FRAUD PREVENTION/
SMALL BUSINESS
INTERNAL
CONTROL**

**“HOW TO STOP A
PROBLEM BEFORE IT
STARTS”**

**Presented by
Jere R. Batten, CPA, CFE**



Batten Accountancy, Inc. is a full service accounting firm for businesses, individuals and organizations that are serious about growth.

Our clients are from a variety of industries and the non-profit sector. They value strategic planning and rely on accounting information to make business decisions.

We work with clients who have high ethical standards and expect the same from their business advisors.

What are your goals? How can we help? Contact us today for a complimentary consultation.

info@battenaccountancy.com

Jere R. Batten, CPA, CFE

Jere R. Batten is a certified public accountant and a certified fraud examiner who is currently the president of Batten Accountancy, Inc. in San Diego. Ms. Batten has over 16 years experience in conducting audits, preparing tax returns, and consulting for small businesses, not-for profit organizations, and individuals. She received her CFE designation in 2002 and specializes in fraud prevention with her clients. She conducts fraud investigations usually pertaining to embezzlement and financial statement fraud and performs forensic accounting engagements. She is a member of the Association of Certified Fraud Examiners, the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Ms. Batten is currently serving as the treasurer for the Association of Certified Fraud Examiners – San Diego Chapter and has been recently nominated to serve as president. In addition, Ms. Batten has been recently nominated to serve as treasurer of the San Diego Chapter of the National Association of Women Business Owners (NAWBO). She has been actively involved in the community of Ocean Beach since 1990. She served six years on the board of the Ocean Beach Town Council where she held the position of treasurer for the first three years and presided as president for the last three years of her term. As a representative of the Ocean Beach Town Council, she also served on the Sports Arena Ad Hoc Committee and was nominated, although, not appointed to, the Ethics Committee for the City of San Diego. Throughout her years of service she was a recipient of many commendations for her outstanding service to the community and was the recipient of the Citizen of the Year award in Ocean Beach in 2003.

Batten is a graduate of San Diego State University and holds a Bachelors degree in Accounting.

WHY DOES AN EMPLOYEE STEAL?



FINANCIAL NEED



**OPPORTUNITY
EXISTS**



**MORAL CHARACTER
OF EMPLOYEE**

**HIRING AND MAINTAINING
QUALIFIED PERSONNEL**

**(YOUR BEST ATTEMPT AT
DETERMINING CHARACTER)**



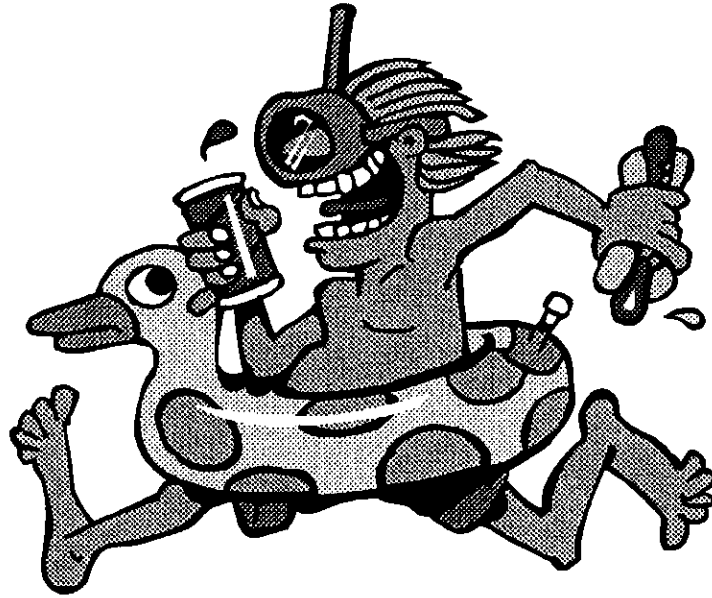
**JOB APPLICANT SCREENING
PROCEDURES**



**PERIODIC PERFORMANCE
EVALUATIONS**



KNOW YOUR BUSINESS



(ARE YOU AN ABSENTEE OWNER?)



**KNOW YOUR ACCOUNTING
SYSTEM**

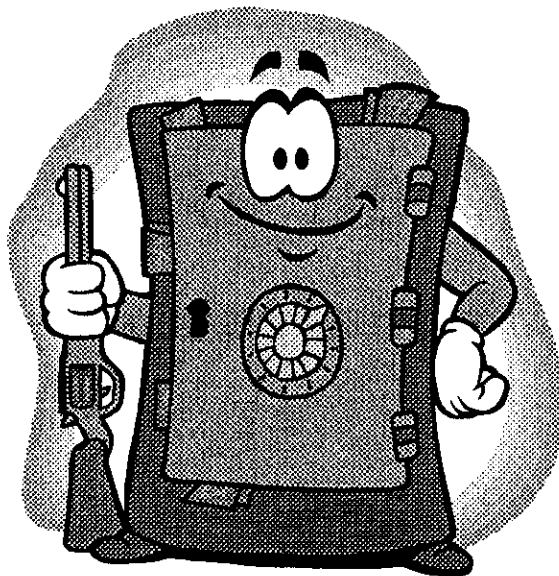


**STAY AWARE OF YOUR
FINANCIAL POSITION**



**PROMOTE ETHICAL DEALINGS
WITH VENDORS & CUSTOMERS
& FINANCIAL REPORTING
OBLIGATIONS**

WATCH OUT FOR YOUR ASSETS



KEEP CASH ON HAND TO A MINIMUM



**KEEP BLANK CHECK STOCK IN A LOCKED
CABINET**



**IF YOU USE A SIGNATURE STAMP-KEEP IT
SAFEGUARDED**



MARK YOUR TERRITORY

CHECK SIGNING



**ARE CHECKS SIGNED ONLY WHEN NEEDED
(NEVER IN ADVANCE)?**



**DOES THE CHECK SIGNER REVIEW ALL
SUPPORTING DOCUMENTATION?**



**IS SUPPORTING DOCUMENTATION CANCELED
WHEN THE CHECK IS
PREPARED AND MARKED WITH THE
CHECK NUMBER?**



**IS THE CLERICAL ACCURACY OF THE
DISBURSEMENT CHECKED?**



WHERE DO THE CHECKS GO AFTER SIGNING?



**DOES SOMEONE ELSE HAVE CHECK SIGNING
AUTHORITY?**

DOCUMENTS

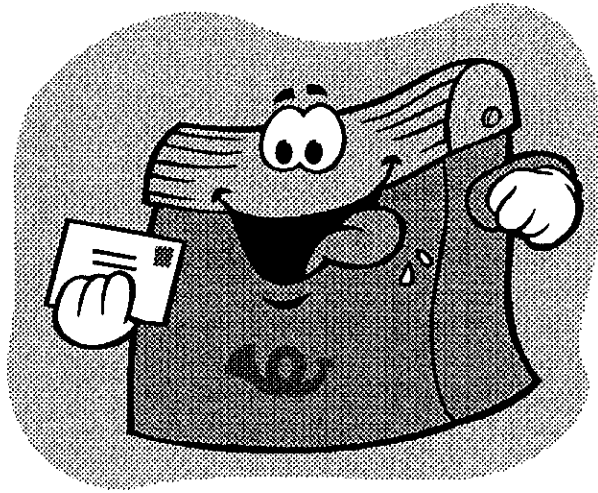


ARE CHECKS PRENUMBERED, IS THE SEQUENCE ACCOUNTED FOR AND ARE UNISSUED CHECKS CONTROLLED?



ARE PURCHASING DOCUMENTS (PURCHASE ORDERS, RECEIVING REPORTS, ETC.) PRENUMBERED? IS THE SEQUENCE ACCOUNTED FOR, AND ARE UNISSUED FORMS CONTROLLED?

MAIL



IS MAIL OPENED AND A LIST OF DAILY RECEIPTS PREPARED INDEPENDENT OF THE ACCOUNTS RECEIVABLE FUNCTION?



WHO OPENS THE BANK STATEMENTS AND CREDIT CARD STATEMENTS?



CONSIDER HAVING BANK STATEMENTS SENT TO YOUR HOME.

CASH RECEIPTS



ARE CASH RECEIPTS DEPOSITED INTACT AND PROMPTLY STORED IN A SAFE LOCATION?

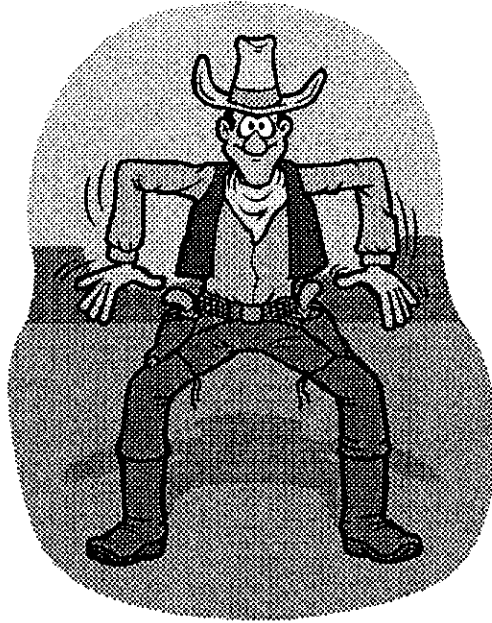


ARE CHECKS STAMPED "FOR DEPOSIT ONLY" WHEN THEY ARE RECEIVED?



IS CASH ON HAND KEPT IN A SECURE LOCATION AND KEPT INDEPENDENT FROM MAIL RECEIPTS?

OTHER GENERAL



CUSTOMER/VENDOR COMPLAINTS - WHO HANDLES THESE?



WHAT ARE YOUR PROCEDURES FOR APPROVING AND RECORDING INTERBANK TRANSFERS?



DO YOUR EMPLOYEES TAKE VACATIONS?



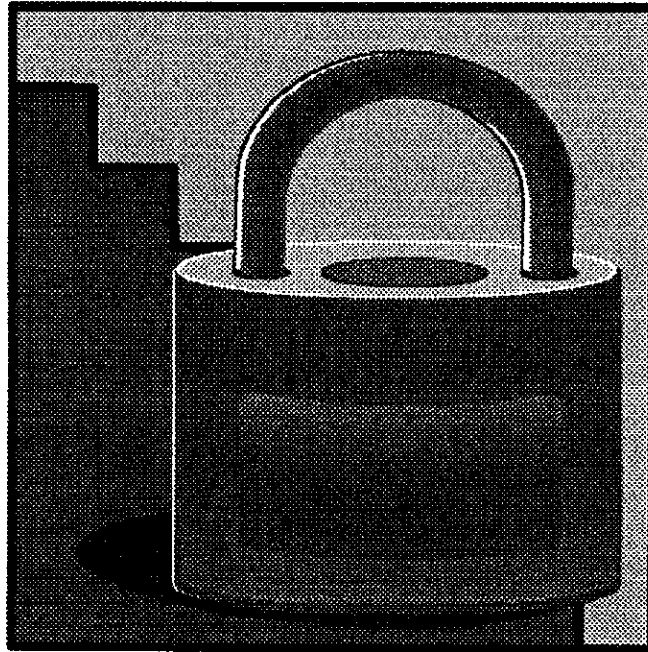
WHO IS ACCESSING YOUR COMPUTER?



DO YOU CARRY EMPLOYEE FIDELITY BOND COVERAGE?

CREDIT CARDS

KEEP YOUR PERSONAL INFORMATION SECRET!



**ALL A PERSON NEEDS TO STEAL YOUR
CREDIT IS YOUR NAME, SOCIAL SECURITY
NUMBER AND BIRTH DATE**



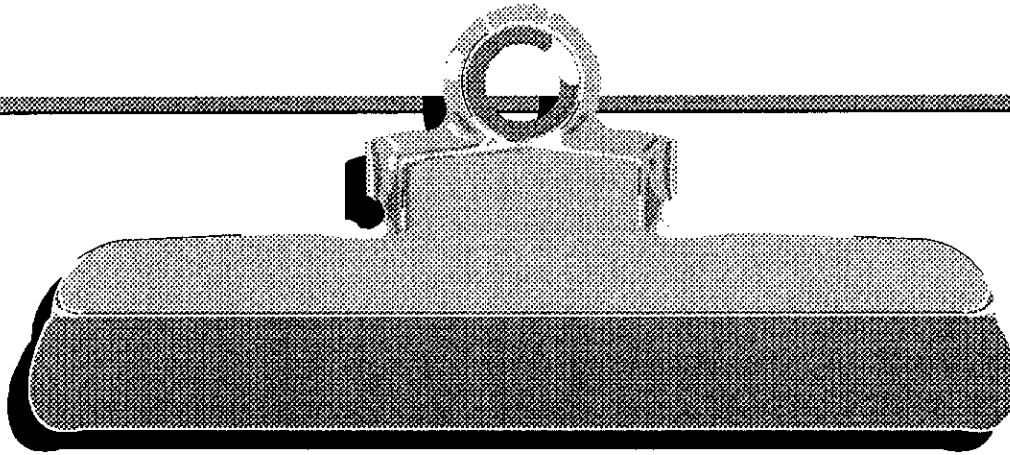
**RECORD TRANSACTIONS FROM RECEIPTS
AND RECONCILE TO CREDIT CARD
STATEMENT**



**TREAT CREDIT CARD TRANSACTIONS LIKE
CASH.**

RECONCILIATION AND REVIEW





MONTHLY REPORTS



BANK RECONCILIATIONS



RECEIVABLES AGING



PAYABLES



BALANCE SHEET



INCOME STATEMENT

**TAKE THE TIME TO LOOK
OVER THE INFORMATION
PROVIDED**



DOES IT MAKE SENSE?



**DISCUSS AND OBTAIN EXPLANATION ON
UNUSUAL ITEMS**



LOOK AT BACK UP DOCUMENTATION AGAIN

WHAT ARE YOU SUPPOSED TO BE LOOKING AT ANYWAY?



ARE BANK ACCOUNTS RECONCILED REGULARLY?



DO YOU FOLLOW UP ON OUTSTANDING CHECKS?



**ARE OTHER ACCOUNT RECONCILIATIONS
PERFORMED?**

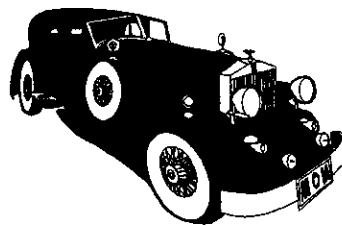
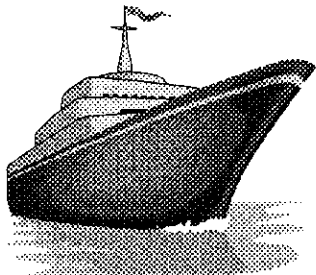


**ARE ADJUSTMENTS OF CASH ACCOUNTS
APPROVED?**

CONSIDER SEEKING PROFESSIONAL HELP



WARNING SIGNS - SUSPICIOUS BEHAVIOR



**AN EMPLOYEE'S STANDARD OF LIVING
INCREASES**



BILL COLLECTORS START CALLING



EMPLOYEE REFUSES TO GO ON VACATION



**EMPLOYEE PERFORMS BANK
RECONCILIATIONS AFTER WORK HOURS**

**WHAT TO DO IF YOU
SUSPECT...**

**CONTACT YOUR
ATTORNEY**



SMALL BUSINESS INTERNAL CONTROL

(HOW TO STOP A PROBLEM BEFORE IT STARTS)

- ❖ **BACKGROUND: WHY DOES AN EMPLOYEE STEAL?**
 - FINANCIAL NEED
 - OPPORTUNITY EXISTS
 - MORAL CHARACTER OF EMPLOYEE
- ❖ **HIRING AND MAINTANING QUALIFIED PERSONNEL-(OR YOUR BEST ATTEMPT AT DETERMINING CHARACTER)**
 - JOB APPLICANT SCREENING PROCEDURES
 - PERIODIC PERFORMANCE EVALUATIONS
- ❖ **KNOW YOUR BUSINESS - (ARE YOU AN ABSENTEE OWNER?)**
 - KNOW YOUR ACCOUNTING SYSTEM
 - STAY AWARE OF YOUR FINANCIAL POSITION
 - PROMOTE ETHICAL DEALINGS WITH VENDORS AND CUSTOMERS AND FINANCIAL REPORTING OBLIGATIONS
- ❖ **WATCH OUT FOR YOUR ASSETS**
 - KEEP CASH ON HAND TO A MINIMUM
 - KEEP BLANK CHECK STOCK IN A LOCKED CABINET
 - PUT IDENTIFICATION MARKINGS ON SMALL, PORTABLE, EXPENSIVE ITEMS LIKE - TOOLS, EQUIPMENT, COMPUTERS
- ❖ **SEGREGATION OF DUTIES (YES, YOU ARE BIG ENOUGH)**
 - OPEN ALL BANK STATEMENTS FIRST - LOOK AT THEM
 - ONCE THE CHECKS HAVE BEEN PREPARED - MAIL THEM OUT YOURSELF
 - MARK YOUR INVOICES TO SHOW THAT YOU HAVE APPROVED THEM
 - OPEN THE MAIL (AT LEAST PERIODICALLY)
- ❖ **CREDIT CARDS - ALL A PERSON NEEDS TO STEAL YOUR CREDIT IS YOUR NAME, SOCIAL SECURITY NUMBER AND BIRTHDATE**
- ❖ **SUPERVISION/REVIEW**
 - REQUIRE PERIODIC FINANCIAL REPORTS - LOOK AT THEM - DO THEY MAKE SENSE?
 - CONSIDER USING A CPA
- ❖ **WARNING SIGNS-SUSPICIOUS BEHAVIOR**
 - BILL COLLECTORS ARE CALLING
 - AN EMPLOYEE'S STANDARD OF LIVING INCREASES
 - EMPLOYEE REFUSES TO GO ON VACATION
 - EMPLOYEE PERFORMS BANK RECONCILIATIONS AFTER WORK HOURS OR AT HOME
- ❖ **WHAT TO DO IF YOU SUSPECT - CONTACT YOUR ATTORNEY**

Batten Accountancy, Inc.

CALL JERE BATTEN CPA, CFE AT (619) 501-6359 FOR MORE INFO.

