



Business Owners & Fraud Prevention

In a bad economy saturated with decreasing revenue, tightened credit lines, job cuts, reduced job security, and poor morale, it's easy for business owners to lose sight of the necessary systems, policies, or procedures that reduce the risk of fraud.

As organizations downsize, opportunities for fraud increase because the same work load that existed before the layoffs now must be done with fewer employees. The unfortunate repercussions are usually less managerial oversight and more pressure on employees.

What used to be a good system of internal controls with adequate segregation of duties now may have become a one person show that handles inventory, accounts receivable and bank activity, areas that are more susceptible to fraud.

The place to start: have a positive, anti-fraud tone-at-the-top that includes monitoring cash, check and inventory transactions. Active monitoring goes a long way towards reinforcing your commitment to fraud prevention and detection.

Another easy prevention method is to train yourself and staff in fraud awareness. Proper training will give you insight into industry standard loss prevention practices and help identify classic employee warning signs, such as financial hardships due to medical bills or spousal job loss, not to mention other troubling behaviors such as uncontrolled shopping, gambling, or drug use.

Finally, consider subscribing to a fraud or "whistleblower" hotline service. Employees can be more comfortable going to a third party to report concerns about fraud than they are to the owner or manager. More information can be found at www.acfe.org, keyword search for hotline.

Fall Office Hours

Now thru November 25, 2009, our office hours will be the following:

Monday-Thursday	8 a.m. to 5 p.m.
Friday	8 a.m. to 3 p.m.

We will be closed November 26 & 27 for Thanksgiving and beginning December 1 Friday office hours will change to 8 a.m. to 5 p.m.

Audits By-Mail are Up, While Field Audits are Down

With the continuation of budget cutting and the lack of qualified auditors, the IRS has retooled its approach to how they audit tax returns. The vast majority of audits are not on-site visits but instead take place via correspondence. According to IRS statistics for fiscal-year 2008, middle-class Americans have about a 1 in 519 chance of being selected for a field audit, but a 1 in 106 chance of receiving an audit by-mail.

These audit by-mail letters are very focused, often requesting verification of only a few numbers from the tax return. They may ask for proof of charitable contributions or unreimbursed employee expenses, for example. Then, depending on the existence or quality of available supporting documentation for those items, the scope of the audit may expand to other areas or even other tax years.

These audits of deductions, along with IRS' expanding use of computer matching for the reporting of income items, point to an ever-increasing need for you to maintain good records.

The good news is that your first line of defense is often the easiest -- get us a copy of any notice as soon as possible so we can assess the issues and provide a timely response.

BLOCKBUSTER TIPS FOR QUICKBOOKS USERS

TIP #1: SETTING A CLOSING DATE PASSWORD

Once you have completed your books for a given period and submitted them to our office for final adjustments, it is extremely important that you do not make changes in your QuickBooks file prior to the date through which we are working (closed period). These changes include adding new transactions and deleting, voiding, or modifying existing transactions. The best way to ensure that no entries are added or modified that affect a closed period is to set a password-protected closing date. To do this in your file, do the following:

1. QuickBooks must be in single user mode
2. From the "Company" Menu, choose Set Closing Date...
3. Click on Set Date/Password
4. Enter Closing Date
5. Enter Closing Date Password
6. Confirm Password and click OK

Should you discover the need to make a change to a closed period, contact our office for instructions on how to make the change in the current period.

TIP #2: FIND AND FIX BANK RECONCILIATION DISCREPANCIES

Have you ever started to reconcile your bank account and discovered that your ending balance from the last time you reconciled the account doesn't match the beginning balance on your current bank statement? These discrepancies only occur when changes have been made to previously reconciled transactions. This means that deposits and/or checks were changed after they were reconciled. QuickBooks has created a way to track these changes for you, which should easily translate into time saved. To use this feature, do the following:

1. Go to the Reconciliation screen and choose "Locate Discrepancies"
2. Select "Discrepancy Report" – This lists all changes and deletions made to previously cleared transactions
3. Review the report and re-enter the transactions in their original state (i.e. re-enter checks and deposits on their original date, for their original amount, etc.)
4. Perform the bank reconciliation(s) for the period(s) the transaction(s) initially cleared in, enter the ending balance and date per that bank statement(s), select the items as cleared, and click reconcile
5. Confirm the QuickBooks beginning reconciled balance matches your current bank statement beginning balance
6. Proceed with the current period's reconciliation

TIP #3: QUICK MOVES WITHIN A DATE FIELD

Use the following shortcuts to change dates when you are in a date entry field:

1. "+" adds one day, "-" subtracts one day
2. "w" moves back one WEEK, "k" moves forward one week
3. "m" moves back one MONTH, "h" moves forward one month
4. "y" moves back one YEAR, "r" moves forward one year
5. By pressing the character multiples times the effect accumulates

The preceding tips are based on QuickBooks 2009; instructions may vary for previous versions of QuickBooks.