

8 steps to avoid misappropriation of assets

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There are a number of other things you can do to prevent the misappropriation of assets. Consider instituting the following eight procedures.

1. **Review all bank and credit card statements.** A key executive should open the sealed statements and scrutinize them before they go to bookkeeping to be reconciled. Before paying credit card bills, insist on seeing original receipts.
2. **Monitor cash receipts and deposits.** Someone who is not involved in making deposits or recording accounts receivable should be responsible for opening mail, counting the payments, and recording the payment totals.
3. **Reconcile accounts receivable/payable and inter-fund balances monthly.** Require that all exceptions be cleared by you or a designated independent staff member.
4. **Qualify first-time vendors.** Verify the supplier's name, address, and federal tax identification number before placing an initial order. Checking with the Better Business Bureau is also a good idea.
5. **Restrict authorization and access to finances.** Password-protect computer files and set dollar limits on monetary authorizations. Be sure to change passwords regularly and to delete the passwords of former employees.
6. **Insist that all employees take their allotted vacation time off.** Mandatory vacations are particularly important for anyone who works in accounting or another cash-handling function; double-check their work while they're out of the office. Employees who've been cross-trained should take over their functions, but you or a trusted colleague should take a look, too.
7. **Watch for suspicious behavior.** Be alert to signs of substance abuse, gambling, personal debt, or any other crisis or major lifestyle change among your employees, as well as indications of unusually high job dissatisfaction. If you notice any of these signs, monitor the employee's performance closely.
8. **Conduct background checks on new hires.** Check references and employment dates, and make sure any time gaps in their resume are accounted for. Have employees with access to cash or other financial functions bonded. Obtaining a Fidelity Bond (available through your insurance broker) for high-risk employees with access to organizational assets is an essential security measure.