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From: Joe Mierendorf, Sue Cobb, and Mark Reed

RE: **Safeguarding Your Cash**

In today's economic climate, the pressure on businesses to safeguard their assets is at an all time high. Even small, family-run businesses that have trusted employees are at risk. You can start by protecting one important asset...your cash.

Copy machines and laser printers today can duplicate checks to a degree that makes it very difficult to spot the forged check. This is the case when a forged check is presented for payment, as the bank or the vendor will not have original check stock to compare with the forged check.

We recommend a couple of internal controls to help reduce the risk that a company check will be copied and used fraudulently:

- 1) Keep as close as possible to a zero balance in your business checking account and utilize a separate, interest-bearing account to accumulate cash. This will help reduce the risk that a forged check will clear your bank account, as there will not be sufficient funds to honor the check.
- 2) An additional control that may be utilized is the use of checks that are magnetically embedded so that when copied, the copy will have "VOID" appear on the face of the check. These checks can be purchased at most check supply companies, but are very expensive.
- 3) We also recommend having preprinted and pre-numbered checks to keep track of checks that are out of sequence, missing, or duplicates.
- 4) Also, we recommend that the bank statement be sent to the business owner's home for a quick review of transactions clearing the bank and possible detection of any unusual items.
- 5) You may wish to have a separate payroll account to reduce access to your general checking account.

Electronic transfers are becoming more commonplace for businesses and individuals alike. Most electronic payments, such as an individual's mortgage payment, can be made on-line with merely a bank routing and account number, which can be obtained from a paper check. Falsified electronic payments can be very difficult to overcome and police.

One control that can be set up on a business account is to limit the types of electronic transactions that will be accepted by your bank. There are CCD transfers (business to business), PPD transfers (business to personal), WEB (web initiated transfers), and TEL (telephone initiated transfers). If your business pays some vendor bills electronically and direct deposits payroll, you could set the parameters of your bank account to not accept WEB or TEL initiated transfers to help reduce the risk of unauthorized transfers.

The bank is responsible for fraudulent transactions, but only if the account holder is acting in a responsible manner. For example, in some cases, the bank will not take responsibility for a fraudulent transaction, unless it is reported to the bank in a very short period of time from the **date** of the transaction. By the time you get your monthly statement, it's too late.

These are just a few of many possible strategies that are not very costly or time consuming to help safeguard your cash. Should you have any questions regarding internal controls, please feel free to give us a call.

*Other memos include:

Cash Flow Issues
Job Cost Identification
QuickBooks® and Peachtree® Training
Buying and Selling Real Estate

Exit Strategies
Business Valuation
Detecting Fraud
Retention Schedules