Internal Control Questionnaire

Stopping Embezzlement

Answer each question “Yes” or “No”. Address “No” answers thoroughly.

GENERAL

1. Are accounting records kept up-to-date and balanced monthly?

2. Is a chart of accounts used?

3. Does the owner use a budget system for watching income and expenses?

4. Are cash projections made?

5. Are adequate monthly financial reports available to the owner?

6. Does the owner appear to take a direct and active interest in the financial

affairs and reports which should be or are available?

7. Are the personal funds of the owner and his personal income and expenses completely segregated from the business?

8. Is the owner satisfied that all employees are honest?

9. Is the bookkeeper required to take annual vacations?

CASH RECEIPTS

1. Does the owner open the mail?

2. Does the owner list mail receipts before turning them over to the bookkeeper?

3. Is the listing of receipts subsequently traced to the cash receipts journal?

4. Are receipts deposited intact daily?

5. Are over-the-counter receipts controlled by cash register tapes, counter receipts, etc.?

6. Are employees who handle funds bonded?

CASH DISBURSEMENTS

1. Are all disbursements made by check?

2. Are pre-numbered checks used?

3. Is a controlled, mechanical check protector used?

4. Is the owner’s signature required on checks?

5. Does the owner sign checks only after they have been properly completed?

6. Does the owner approve and cancel the documentation in support of all disbursements?

7. Are all voided checks retained and accounted for?

8. Does the owner review the bank reconciliation?

9. Is an impress petty cash fund used?

ACCOUNTS RECEIVABLE AND SALES

1. Are work orders and/or sales invoices pre-numbered and controlled?

2. Are customers’ ledgers balanced regularly?

3. Are monthly statements sent to all customers?

4. Does the owner review statements before mailing them himself?

5. Are account write-offs and discounts approved only by the owner?

6. Is credit approved only by the owner?

NOTES RECEIVABLE AND INVESTMENTS

1. Does the owner have sole access to notes and investment certificates?

INVENTORIES

1. Is the person responsible for inventory someone other than the bookkeeper?

2. Are the periodic physical inventories taken?

3. Is there physical control over inventory stock?

4. Are perpetual inventory records maintained?

PROPERTY ASSETS

1. Are there detailed records available of property assets and allowances for deprecation?

2. Is the owner acquainted with property assets owned by the company?

3. Are retirements approved by the owner?

ACCOUNTS PAYABLE AND PURCHASES

1. Are purchase orders used?

2. Is someone other than the bookkeeper in charge of purchasing?

3. Are suppliers’ monthly statements compared with recorded liabilities regularly?

4. Are suppliers’ monthly statements checked by the owner periodically if disbursements are made from invoice only?

PAYROLL

1. Are the employees hired by the owner?

2. Would the owner be aware of the absence of any employee?

3. Does the owner approve, sign, and distribute payroll checks?