Internal accountant’s report to management

Business

It is my opinion that a full financial status review would be in the best interest of the Company. We have taken pride in the fact that we qualify for Government contracts.

We should not let anyone else find any fault within our Company. In conducting such a review, we would be able to thoroughly examine aspects of not only our control systems but our personnel and practices. Through a full financial status review we will also be able to determine if there is any fraud or abusive actions being enacted against the Company. Occupational fraud is “ the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets’. No one knows the exact dollar amount that fraud can cost a company.

Not only because not all fraud is detected or reported but also there are direct and indirect costs associated with fraud and Company abuse. Just adding up the dollars lost through fraud can be daunting enough, however, add to that the effort and regular operational loss that is required to dissect the fraud and reconstruct records. Additional money maybe spent on consultants and auditors to help the Company secure them from further fraud. What happens to the good name that the Company has built through the years of good business? The reputation of a Company can also take an immeasurable toll which would mean lost sales or opportunities. There is the Public Company Accounting Oversight Board that is a private-sector, non-profit corporation created by the Sarbanes-Oxley Act, a 2002 US Federal law, to oversee the auditors of public companies. Its stated purpose is to protect the interests of investors and further the public interest in the preparation of informative, fair and independent audit reports.

The Securities and Exchange Commission’s mission of the U. S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The agency has front-line responsibility to help limit the use of creative accounting practices in financial reports filed with it. Both of these governing bodies educate auditors, company executives and accountants on how to effectively handle the risk of fraud but to deter it as well. It has been researched that corruption schemes, a common type of fraud, were ar less common than other fraud cases, such as, asset misappropriations, however, they were more costly.

There are four types of corruption schemes: bribery, illegal gratuities, economic extortion, and conflict of interest. Three of these schemes bribery, illegal gratuities, and economic extortion cases all bear a great deal of similarity in that they all involve an illicit payment from one party to another, either to influence a decision or as a reward for a decision already made. (Wells, 2005) Bribery is an unethical or illegal business transaction. Bribery is a form of buying favoritism and it closely associated with politics. It can be broken down into two broad categories; kickbacks and bid-rigging schemes.

A kickback is the seller’s return of part of the purchase price of an item to a buyer or buyer’s representative for the purpose of inducing a purchase or improperly influencing future purchases. Bid-rigging is considered an illegal conspiracy in which competitors join to artificially increase the prices of goods and/or services offered in bids to potential customers. It may also include carving up the potential business between the conspirators. Illegal gratuities it could be described as something of value that a person offers, gives or promises to, or because of, an official act to be performed by the recipient that the person would not other wise be entitled to. That would be a purchasing manager giving a contract to a company and then using that company’s villa for a vacation.

Economic extortion is the exact opposite of a bribe. Economic extortion is when the person demands something from the vendor in order to give them a contract. Conflict of interest is the fourth of the corruption schemes. A conflict of interest occurs when an employee, manager, or executive has an undisclosed economic or personal interest in a transaction that adversely affects the company. Conflict of interest can be of economic benefit to the person committing the fraud or it could be to benefit a relative or a friend. These are just some of the many schemes that can be happening with in the company.

It is easier to put controls into place to deter fraud than it is to find it. This is one of the reasons to not only have the full financial status review, but also regular audits. References Singleton, T. , Singleton, A. , Bologna, J.

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