

Llc company case study

Business



Also, senior leadership roles will be held expensible for making sure that the internal controls are effective and auditors from outside the company will verify the information. In addition, the Committee of Sponsoring Organizations to the Tramway Commission () is a Joint initiative to SOX that is meant to provide a framework that will guide a company on risk management, internal control, and fraud deterrence.

First off, in regards to risk management, LLC Company should place great emphasis on accountability of leadership roles in order to guarantee that each position is doing their job to the best of their knowledge and to prevent wrong-doing. This in return would be an internal control where management will have to check each other's roles in order to deter fraud. Cisco created six principles of internal control which are as followed: establishment of responsibility, human resource controls, independent internal deterioration, physical controls, documentation or procedures, and segregation of duties.

In all, the company needs to follow a strict internal control in order to prevent fraud and wrong-doing. LLC Company definitely has different areas of strengths. To being with, they are invested in their long-term employees. Generally, when a company treats their employees well and emphasizes longevity, the employees will perform to benefit the company. This is a great for internal control if employees can trust each other and at the same time internally checking one another's work.

In addition, the accountant moves the checks into the safe in his office, which is a great practice in order to prevent theft; it is important to secure the checks in the safe. Also, it is good practice for the accountant to use pre-

numbered invoices and the purchase of an indelible ink machine would be a wise investment. The invoices and indelible ink would be a great tool in preventing check fraud as well as having documentation that records transactions and events.

Overall, it would be a good decision to make in order to strengthen the internal controls for the company. Though the company has different areas of strengths, it is important to consider areas of improvement. First off, it is important that the accountant stores the check in the safe at the end of the week however on payday, the checks should never be left on his desk.

The checks should be secured until they are given to the employees. In order to improve this aspect, employees should be able to set up a direct deposit.

This will guarantee that their checks will not be misplaced or stolen and they will also receive their check in a more timely and efficient manner. To add onto this, the accountant in the company is managing more roles and fulfilling more duties than he should. It is not a good idea to have the accountant also serve as the treasurer and controller.

There are more room for him to make mistakes because of his many duties and there is a lack in internal control. A suggestion for the company is to find ore people to separate the roles and duties.

For instance, the company should hire treasurer and a controller and these three positions can check on each other's work and progress. Not only will the work get done quicker but it is more efficient. In addition, a control that needs to be addressed is how the company manages petty cash.

All employees should not have access to the petty cash at the desk drawer. There should be at least two people who manage the drawer and records all transactions themselves into a computer data storage system. This will prevent theft and mismanagement of money.

One person can handle the transaction and another person will check to make sure the transactions are correct at the beginning of everyday. Lastly, the company had a problem with hiring an employee that was not fit for the position. A control that the company can take is to have human resources perform a background check on the employees that they may want to consider hiring.

This would have prevented the company from hiring a convicted sex offender, because this information is made public and a background check would be able to detect this.

The background check would also save the company money and time. In addition to a background check of all potential employees, instead of allowing employees to openly use the computer, they should include controls on the computer. For instance, the company can set a specific surname and password for all employees. That way, the company will know what the employees are using company computers to access. In addition to his, the company should set certain controls on the computers to prevent them from visiting inappropriate sites.

In all, my implementing these controls? a background check and monitor computer usage, many can save themselves time, money, and detect wrongdoing early on. All in all, before LLC Company goes public, they will need to <https://assignbuster.com/llc-company-case-study/>

implement the internal controls to abide by the guidelines of SOX and to use the internal framework suggested by CISCO. This will insure that the company will conduct business ethically. And though there are good controls and practices in place such as long- term employees that the company can trust, security of paychecks on weekends, and pre-numbered invoices, the company has improvements that they can make.