

Guard dog company – identify the internal control



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Scenario - (P4-1A) principles and their application to cash disbursements of Guard Dog Company.

The internal control principles and their application to cash disbursements for Guard Dog Company area as follows: 1. That all checks should be pre-numbered to facilitate proper control over their use and issuance. The application for the company is found in the new policy of having all checks to be now pre-numbered and written by using the new check writer purchased by the company. This corrected the earlier practice of unnumbered and manually prepared checks.

2. Checks should be accompanied by vouchers and other supporting documents when presented for signature so that the signer may satisfy himself that payment is in order. Vouchers should contain evidence of such examination to discourage perfunctory check-signing. The application in the principle may be found by the new requirement that before a check can be issued, each invoice must have the approval of Jane Bell, the purchasing agent, and Dennis Kurt, the receiving department supervisor. The same principle is further applied with the requirement that checks must be signed by either Tom Kimball, the treasurer, or Karen Thews, the assistant treasurer. It is further required that before signing a check, the signer is expected to compare the amounts of the check with the amounts on the invoice and that after signing a check, the signer stamps the invoice "paid" and inserts within the stamp, the date, check number, and amount of the check.

3. Unused checks should be kept under the proper control to prevent their use and issuance. The principle is applied in the new requirement for blank checks are stored in a safe in the treasurer's office, where only the treasurer and assistant treasurer know the combination to the safe 4. Bank reconciliation should be prepared monthly to enable prompt detection of irregularities. This principle is applied where each month the bank statement is reconciled with the bank balance per books by the assistant chief accountant.

2. 3 (P4-2A) The board of trustees of a local church - (a) Indicate the weaknesses in internal accounting control in the handling of collections. The following are the weakness internal accounting control in the handling of collections: 1. The practice of just allowing the head usher to count alone the collections without the presence of any one could be tempting for the head usher to commit some irregularity. 2. The practice of allowing the head usher to volunteer to serve for 3 months detaches accountability from the board of trustee who must person ultimately responsible for the church finances.

3. The practice of allowing the financial secretary to open the safe and recounts the collection without the presence of another person could also be another chance to commit fraud since it secretary has access to records which may be altered. 4. Allowing the secretary to withhold \$150 to \$200 in cash, to pay for cash expenditures expected for the week and depositing the remainder of the collections in the bank violates the principle of imprest fund system (Newman, 1964; United Nations Publications , 2006) where all disbursements must be made by check not from undeposited collections. 5.

The practice of having church members who contribute by check to make their checks payable to "Cash" should be discouraged. 2. 3 (P4-2A) - (b) List the improvements in internal control procedures that you plan to make at the next meeting of the audit team for (1) the ushers, (2) the head usher, (3) the financial secretary, and (4) the finance committee. The improvements in internal control procedures that this researcher plans to make at the next meeting of the audit team should include the following: The ushers should count their collections in the presence of head usher. The head usher must not be a volunteer but must get an appointment from the board of trustee. The financial secretary must have only access to records and never the custody of funds.

The finance committee should not have the responsibility for the audit of the financial records as it may conflict with its financial management function. Audit function should be given to an independent audit committee to be created by the board of trustees. 2. 3 (P4-2A) - (c) What church policies should be changed to improve internal control? The church should adopt the imprest fund system where all cash collections for the day should be deposited daily at the bank and no disbursement should be taken from these collections. All disbursements should be made by check. For petty cash expenses the same could be established by the issuance of a check and having a responsible custodian to handle the same.

The church should create an independent audit committee to conduct regular audit for the church funds and records and it should carry fidelity insurance for those with custodial functions. 3. Conclusion: This paper was able to demonstrate how a company could use the five basic principles of <https://assignbuster.com/guard-dog-company-identify-the-internal-control/>

cash management to increase accuracy for a business. Accuracy of business reporting is part of the installing responsibility for decision making and business which requires also certain principles as applied in the individual cases above.

References: Newman (1964), Auditing, J. Wiley United Nations Publications (2006), Financial Report and Audited Financial Statements for the Biennium Ended 31, United Nations Publications.