

# Gap case study

Business



This report must include: a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting; management's assessment of the effectiveness of internal control as of the end of the most recent fiscal year; and a statement that the independent public accounting firm that audited the company's financial statement included in the annual report has issued an attestation report on management's assessment of the company's internal control over financial reporting.

Also under the new rules, there is a requirement that management evaluate changes in the firm's internal control during the fiscal quarter that affected, or is reasonably likely to affect. 2.

Positive Company Procedures. One thing the company is doing right is completing the monthly bank reconciliation. This ensures there are no errors within the company or with the financial institution they are currently using. Another thing the company is doing is using pre-numbered invoices.

This will ensure no invoices are being paid twice and are paid in a timely manner within the regulations of GAP. The company should not purchase the Indelible ink machine to purchase their checks.

That is an expense that can be saved, leaving the cash on hand to go to correcting issues within the organization. 3. Violations and Improvement Below are a list of items that should be addressed immediately along with recommendations to correct. 1 . Separation of Duties; the accountant should not be acting as treasurer and controller.

If possible, another currently employed accountant should take over one of the positions, if not another accountant should be hired. 2. Distribution of roles; the accountant should not be responsible for purchasing and paying for supplies. This issue will be rectified with the hiring of an additional accountant. 3. Securing of paychecks; to properly secure employee pay, it should be distributed via direct deposit, if this is not possible, the paper paychecks should be locked in a secure location.

4. Security and handling of petty cash; as

Ninth paychecks, the petty cash should be held in a locked secure location, there should be one person responsible for the documentation of the fund. 5. Hiring of employees; there should be one person responsible for the hiring of employees, preferably a person responsible for human resources and all potential employees should be subject to a background check that includes criminal activity. If there is no current Human Resources person, the owner of the company or other employee can be responsible.

Also and external hiring firm can be used. 6.

Internet access; employees should have very limited access to internet websites that are not work related. Inappropriate (restricted) websites should be blocked to limit access. T can be done either by utilizing current IT staff or hiring an external IT company. 7.

Implementation of Policy and Procedures; a manual that contains all procedures and penalty(s) for not adhering to policies and procedures should be created and implemented as soon as possible. Whether LBS. Company

wants to go public or not, basic internal control procedures must be put into place.