

Internal control

Business



The cashier would not have been able to make a deposit without the cooperation of another individual. All petty cash payments and deposits are then accounted for.

The situation also could have been avoided by segregating the duties of the payment from the petty cash fund and the deposit into the fund. This again would limit the ability of the cashier to make the fund appear reconciled by the diversion of other funding. In addition, bank reconciliation should be accomplished by someone other than the person writing the checks. The cashier was able to falsify the reconciliation to cover the movement of the funds. If an independent individual had done the reconciliation, his crime would have been prevented.

The cashier should also not have been allowed to alter the invoice that was sent to Customer A that reflected the \$500 payment. Here again, the cashier had access to the incoming payments as well as the customer invoice. It would be important to limit the duties of the cashier and place a barrier between the payments received and the accounts receivable. Finally, the Easy Company needs to have a policy of conducting random checks on cash accounts. This would have given the Company an opportunity to find the diverted funds and uncover the crime.

Internal controls on cash accounts can limit anyone's employee from diverting funds for their personal use. Limiting an employee's duties to either payment or deposit is mandatory. Involving more than one individual in the management of an account is also needed. The system of internal controls centers around involving multiple individuals, each with limited duties. It is then the responsibility of the company to conduct independent, random audits.