Lux & Associates, P.S.

Certified Public Accountants

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Many people wonder what the expression "Internal Control" means, if they want it, and if they do, how to do it. Internal control is the term used to describe the system of accounting procedures used to protect assets from theft. Business owners and managers need to install and maintain internal controls to make sure the information reported in the accounting and tax records is accurate. The following list of activities describes internal controls that if prepared regularly and consistently should provide reasonable assurance that assets are properly safeguarded.

1. Management/the owner has applied the following procedures to the bank statement:
   - Reviewed the cash receipts
   - Reviewed the cancelled checks
   - Reviewed the reconciling and outstanding items
   - Reconciled the account balances on the bank statement and bank reconciliation

2. Management/the owner has applied the following procedures to the monthly financial statement prepared by Company's accounting system:
   - Reviewed the revenue and expenses
   - Reviewed the accounts receivable and accounts payable detail

3. Management/the owner has applied the following procedures to the monthly billings prepared by Company's accounting system:
   - Reviewed the bills prepared for missing invoice numbers, numbers out of sequence or unusual invoice numbers
   - Reviewed the accounts receivable aging for uncollected amounts, bad debt write offs and long past due amounts

4. Management/the owner has applied the following procedures to the monthly payable recorded by Company's accounting system:
   - Reviewed the accounts payable aging or vendor payments processed for unusual or unknown vendors

5. Management/the owner has instituted adequate records retention policies.

No system is foolproof and each business should tailor their activities to match their individual needs and risks. Please call us if you would like to review this information with us and discuss how you can protect YOUR assets using simple accounting steps.

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