

Accounting Internal Control Systems to Protect Your Business

“An investment in knowledge always pays the best interest.” Benjamin Franklin

The most important component of a company's market value is based on the expectations of its future earnings. Accounting reports should provide investors and other interested parties reliable information they can use to make their own forecasts of future earnings growth. Yet, ironically, the number of complaints filed against businesses because of overvaluations as a result of internal control weaknesses has been significantly higher than in previous years. What can be done about this problem?

Strengthen Internal Controls

It is critical that you test for risks and weaknesses in your procedures in advance. Isolate flaws and work on implementing improvements right away. If cash flow is a problem, look for delays in billing cycles, ineffective payment terms or chronic late paying customers.

Institute Checks and Balances

Make sure you have documented checks and balances for each accounting process. Do not have the same person perform multiple accounting functions that are not reviewed by at least one or more other professionals. The mere fact that each step may be checked by an independent and objective party can be a huge deterrent to potentially fraudulent behavior.

Utilize Secure Online Accounting Software

Online (cloud-based) accounting systems are designed to be used via the Internet instead of on servers at specific business locations. The primary advantage of Internet-based systems is that there is no need for downloading software to your computers, backup, security or IT support for these applications. Access is available from anywhere with an Internet connection.

How are Online Accounting Services Provided?

Services are provided by the online accounting software host for an annual subscription fee. Typically, the vendor only charges for the services used by the customer. This process is known as the SaaS (Software-as-a-Service) business model.

What Services are Available?

There are literally hundreds of accounting packages available online. Most of them provide mobile

apps, bank integration and many time and project management features. Their offerings tend to grow and change quickly. For example, the demand for clear and accurate multi-currency translation applications is increasing due to the ever-expanding global business environment in which we live.

What you need now will be very different than what you may need in only a few years. However, the online accounting landscape will have changed dramatically by then. The best you can do is keep up with current technology with a keen eye to the future.

Control Access Rights

Most accounting software programs give its users the ability to edit and delete previous transactions which could lead to easy concealment of misappropriation of funds.

Business owners should retain global access to the company's accounting system and restrict user access to only the areas necessary for specific functions. A review of voided and deleted transactions will show any adjustments and are instrumental in exposing irregularities.

Schedule Regular Third Party Reviews

Internal controls with independent and objective third party reviews are critical. You should have an accounting professional diligently review bank statements, check registers, bank reconciliations and payroll records regularly.

Follow-up on Customer Complaints

Follow up on any complaints from customers, vendors and financial service providers regarding inefficient accounting policies or procedures immediately. These can be early warning signals to potentially large problems looming in the future.

Understand Your Financial Statements

Business owners should review financial reports and understand the trend and changes in their financial data. Focus on understanding month to month and year to year variances between budget and actual amounts.

How We Can Help You

[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced

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solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.