Five Ways to Tighten Control Over Company Finances

The end of the fiscal year is a good time to review policies and procedures as well as company financials. Are you managing your accounts properly? Do you have the right financial controls in place to prevent fraud? Does your accounting system give you the intelligence you need to assess the company's fiscal performance, and plan for the future? Tightening financial controls with a few simple procedures will make your assets safer, your accounts current, and gives you the latest financial data for strategic planning. Here are five procedures that will provide stricter financial controls:

1. **Require two signatures on company checks**: Having one financial officer or employee sign company checks gives that individual unwarranted authority and forces him or her to assume unnecessary risk. In certain situations it may be wise to require two signatures for every check, which tightens fiscal control, shares responsibility and reduces risk substantially. The executive team should determine who should have signatory authority for the company.

2. **Document all requests**: All company financial requests need to be supported by documentation, such as receipts or a written estimate. When processing expenses, for example, there needs to be a formalized process with an expense form and a proper receipt for each reimbursed expense. A well-formed paper trail tracks every dollar spent, providing transparency into company spending and generating valuable historical information for future planning. Adopt standardized forms such as expense reports, reimbur

sement requests, check requests and purchase orders. If you have a paper trail with supporting documentation for each transaction you will be prepared to trace transactions in the event of an audit or discrepancy.

3. **Generate monthly reports**: Have your controller prepare monthly reports of financial activity for the executive team. The monthly reports provide senior staff with a high-level view of the company's finances and offers sufficient information to address more detailed questions. Create a

standardized format of reports from your accounting software or external spreadsheets and graphs so the executive staff can track company performance and make comparisons over time.

4. **Reconcile monthly**: Everyone can make mistakes, including your accounting staff and banks. By reconciling the accounts monthly you uncover and correct data errors before they compound into more complex problems and show up on monthly reports.

5. **Audit annually**: Independent verification of financial accuracy serves as a validation for accounting best practices, and highlights financial controls and reporting areas that could use improvement. Have an objective third party perform the audit, whether it is a formal auditing or CPA firm or an independent accounting service. This minimizes the risk of fraud or hiding errors and discrepancies in the books. Ideally, the audit should provide you with a list of areas that may need fine-tuning to comply with the most important financial controls for your specific business.

Implementing even the simplest financial controls will go a long way toward protecting your company's assets and preventing theft or fraud. If you need assistance developing your own financial controls, please feel free to contact us or other financial professionals who have experience in establishing fiscal checks and balances.