

As you open the doors of your new business, the last thing on your mind may be the potential for loss of profits through employee oversight or theft - especially if you are the only employee. However, setting up some basic internal controls to guard against future loss before you hire others can save you headaches in the future.

Soon after you start making money and the world realizes that they cannot live without your goods or service, you will probably need to hire employees. Although necessary for your growing company, hiring employees increases your risk of loss through errors, oversights and theft.

Implementing internal controls to help you monitor your business can decrease the need for constant supervision of your employees. Internal controls are checks and balances to prevent fraud, limit financial losses and reduce errors or oversights by employees. For example, the most basic internal control concept requires that certain tasks be handled by different people. This process, called "separation of duties", can greatly decrease the probability of loss.

The following basic internal control checklist includes suggestions that, once implemented, can help you and your employees avoid concerns about fraud or theft in the workplace:

- Have one person open the mail and list all the checks on the deposit slip while another enters cash receipts in your financial records.
  
- Make sure someone who does not handle the checkbook or purchasing is in charge of payments to suppliers and vendors.
  
- Have your bank reconciliation done by someone who does not have access to daily checkbook transactions.
  
- Make sure that you approve all vendors and that you count all goods received. Check all orders to make sure they are correct and of the quality you intended. Sign each check and review the invoice, delivery receipt and purchase order.

As your company grows, you may want to become less and less involved with the day-to-day operations of the business. The internal controls you put into place now will help keep the profits up, the losses down, and help you sleep better at night. If you need any assistance with setting up internal controls for your business, please feel free to contact our office.