



# Checklist of 25 Elements of Appropriate Controls with QuickBooks

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- \_\_\_ 1. **Implement an Expense and Reimbursement Policy.** All credit cards should be directly billed to the employee rather than to the company. Design expense reports for each employee to turn in with original receipts with the proper coding. The policy for expenses should set a per diem limit to control the amount of cash being spent. An expense policy enables all employees and officers to know which expenses are eligible for reimbursement. Employees are subject to greater accountability for spending when they become responsible for writing the checks themselves to pay their credit card balance.
  
- \_\_\_ 2. **Limit Manual Checks.** Manual checks should always be kept to a minimum. When using QuickBooks Payroll, you are able to create “expense reimbursement” **payroll items** to properly code to the right General Ledger accounts without creating taxable income to the employee. Manual checks should be kept in a locked drawer or cabinet with a control log.
  - \_\_\_ a. **Missing Checks.** At regular intervals, use QuickBooks reports to help review the clients’ exposure. For gaps, under the **Reports** menu, choose **Banking**, then **Missing Checks** Report. This report allows you to review for any break in check numbers.
  
  - \_\_\_ b. **Voided/Deleted Transactions.** For attempted tampering, more recent versions of QuickBooks software provide another protection. Now if someone prints a check from QuickBooks, it forces the transaction to be saved before being printed. Therefore, if a check is deleted from the system after it has been issued, it can still be found under the **Reports** menu, **Accountant & Taxes**, **Voided/Deleted Transactions** Report.
  
- \_\_\_ 3. **Create a Credit Card Account to Track Business Expenses.** In QuickBooks, create a **Credit Card Liability** type account in the **Chart of Accounts** for each business credit card. This will allow you to utilize **Online Banking** and download transactions on a daily basis to monitor the charges that are being made on the company’s behalf or uncover any potentially unauthorized transactions.
  
- \_\_\_ 4. **Ensure the Undeposited Funds Account Is Cleared; Move from Use of Clearing Accounts.** The **Undeposited Funds** account in QuickBooks should always be cleared to a Bank Account. You should review this account to ensure that the funds are being deposited into real corporate accounts rather than fake accounts in QuickBooks. Additionally clearing accounts can be another way to make it harder to trace transaction flows in QuickBooks. By utilizing the features of QuickBooks and following the proper transaction flow shown on the **Home Page**, transactions can be easily tracked and clearing accounts are not necessary. When you are on a transaction screen in QuickBooks, such as with an Invoice, if you choose the **Reports** menu, and then **Transaction History**, you will be able to view a report that shows all of the transactions that are linked.
  
- \_\_\_ 5. **Perform Bank Reconciliations Once a Month for Each Bank Account.** Different individuals should handle the duty of reconciling bank accounts and credit card accounts, so that the person who is cutting checks and/or receiving customer deposits is not also reconciling the accounts. To prepare a Bank Reconciliation, choose the **Banking** menu, then **Reconcile**. Utilize the **Previous Reconciliation Discrepancy** Report to track any transactions that may have been deleted or changed after the Bank Reconciliation was completed. This report can be found under the **Banking** reports in the **Reports** menu. Additionally, compare the checks (or check copies) that come back with the bank statement against the check register in QuickBooks.
  
- \_\_\_ 6. **Review Outstanding Checks and Deposits That Have Not Cleared the Bank and Are Aging.** Typically transactions clear a bank within 2-3 days. Aged outstanding checks or deposits should be reviewed to make sure that they are not duplicate transactions, errors or way to hide fraudulent activity such as deposits that are not real. When viewing the **Bank Reconciliation Detail** report, modify the report by choosing the **Modify Report** button, then **Filters** tab, then choose the filter for **Cleared**, Choose **No**.
  
- \_\_\_ 7. **Utilize Online Banking to Match Expenses and Deposits Real-Time.** With the **Online Banking** feature, you can download transactions on a daily basis to stay on top of what has cleared the bank. The person cutting checks or making deposits should not be the person with access to Online Banking. Related duties can also be segregated among employees, so that one staff member enters Vendor Bills and another staff person uploads the Bills through Online Banking for payment.
  
- \_\_\_ 8. **Integrate Third-Party Solutions with QuickBooks.** When a client is using a third-party application outside of QuickBooks, it is best to try to integrate the software packages to provide more accurate record keeping and prevent people from completing transactions outside of QuickBooks. Under the **Edit** menu, **Preferences**, choose **Integrated Applications**. Applications that don’t integrate with QuickBooks should be upgraded or replaced with those that do integrate.
  
- \_\_\_ 9. **Review Accounts Receivable Reports and Be Sure That Customer Records Are Complete.** Customer collections are key to verifying that Sales recorded in QuickBooks are accurate. If collection calls are not made and the customer records are incomplete, there is no verification that the sale really occurred. Under the **Reports** menu, choose **Customers & Receivables**, then **Collections Report**.
  
- \_\_\_ 10. **Calculate Sales Commission on Cash Received, Not Accounts Receivable.** To help ensure that sales numbers are accurate and not inflated, commissions can be based on cash collected on Sales rather than open invoices. **Sales Reps** can be created in QuickBooks to track their sales and what has been collected. As an added benefit, this approach incentivizes the sales staff to help with collections.

- \_\_\_ 11. **Limit Permissions for People Entering the Bills So They Cannot Also Cut Checks** Select the **Company** menu, **Set up Users and Passwords**. Ensure that employees that are entering the bills are not the same people authorized to issue and sign checks for the company.
- \_\_\_ 12. **Use Purchase Orders for Approval**. A company's purchasing department should utilize **Purchase Orders** in QuickBooks to show that products or services requested are approved. Additionally, **Item Receipts** can be created to verify goods have been received. The Accounts Payable clerk will then be able to match the vendor bill to the approved Purchase Order and Item Receipt.
- \_\_\_ 13. **Implement a Physical Inventory Count (if Applicable) at Least Once a Month**. Under the **Vendors** menu, choose **Inventory Activities**. There are two functions that you can use – the **Physical Inventory Worksheet** and **Adjust Quantity/Value on Hand**. By performing a physical inventory, your client can stay on top of their inventory asset values to ensure inventory has not been stolen or is missing. Two people should do the inventory count together, if it is not done by the owner.
- \_\_\_ 14. **Ensure Vendor Records are Complete and W9's Are Requested from All Vendors before Payments Are Issued**. Make sure to always request a W9 from a vendor before payment is issued. The information from the W9 will be entered into the Vendor record in QuickBooks in the **Vendor Center**. One person should be in charge of setting up vendors and a different person assigned to enter vendor bills. Ensuring you have a W9 on file is a great way to prevent "fake vendors" from being created.
- \_\_\_ 15. **Have Sign-off Approval before Checks Are Issued to Vendors**. Under the **Reports** menu, **Vendors**, choose **Unpaid Bills Detail** report. Before vendor checks are printed or sent to Online Banking for payment, management should approve and sign off and authorize which bills are to be paid.
- \_\_\_ 16. **Reconcile Petty Cash**. Petty cash can be set up as a **Bank type** account in the **Chart of Accounts**. This will enable it to have its own register like any other bank account. Expenses then are properly tracked and recorded, and transfers between the Bank account to Petty Cash are monitored.
- \_\_\_ 17. **Prepare a Daily Flash Report Using the Company Snapshot**. The **Company Snapshot** can replace outside reports created in the past for Cash, A/R and A/P Balances. This will give management up-to-date information on the critical information they need to track within the accounting system and ensure the system is maintained.
- \_\_\_ 18. **Set User Permissions to Limit Access According to Job Description**. Under the **Company** menu, choose **Set up Users and Passwords, Set up Users**. The User Permission levels are very different depending on whether your client is on QuickBooks Pro/Premier versus Enterprise. No matter which version you are using, you should ensure that the permissions match a documented job description. Passwords should be set up for each user in the QuickBooks file.
- \_\_\_ 19. **Don't Share Passwords!** Many clients share passwords, especially when they don't set up users for each staff person or need Administrator access to make changes in QuickBooks. Try your best to prohibit your clients from sharing their password, keeping it on a post it note, or giving out in any other way. It is recommended that only the Owner or someone in upper Management controls the Administrator password to make changes requested from QuickBooks users.
- \_\_\_ 20. **Set a Closing Date and Password**. Under the **Company** menu, choose **Set Closing Date**. Then choose the **Set Closing Date** button on the Accounting Preferences screen. After month-end procedures are completed, set a Closing Date and Password so that other users in the QuickBooks file cannot modify the financial data.
- \_\_\_ 21. **Watch for Dates Being Changed on Transactions**. If someone has access to the Closing Date Password or the Password was not set, utilize the **Closing Date Exception Report**, found under the **Reports** menu, **Accountant & Taxes**. This report will help you track if any transactions had any changes such as date, amount, coding, etc. since a prior period was closed.
- \_\_\_ 22. **Utilize the Audit Trail Report**. Under the **Reports** menu, **Accountant & Taxes**, choose **Audit Trail**. This report will give you insight into anything that has been changed or modified. This report helps if you find a problem or have a concern about the accuracy of data entry. Additionally, it will let you know which user of the file made the change and when.
- \_\_\_ 23. **Perform a Physical Count of Fixed Assets at Least Once a Year**. The Fixed Assets of a company are often ignored. As a result, these important assets can sometimes "walk" and be expensive to replace. Utilize the **Fixed Asset Item** List to track the Fixed Assets of the company and keep a detailed subledger.
- \_\_\_ 24. **Make Sure the External Accountant User in QuickBooks 2009 Is Only Used for the Accountant**. The **External Accountant** user can be assigned in QuickBooks starting in 2009. This user should not be used within a client organization. This setting should only be given to an outside Accountant, Certified QuickBooks ProAdvisor or Consultant since this provides Administrator level access to the QuickBooks file.
- \_\_\_ 25. **Utilize the Client Data Review Feature Starting in QuickBooks 2009 to Track Changes in Lists**. The **Client Data Review** feature allows the Accountant to view any changes in lists such as the Chart of Accounts and Items. It will identify what has been added, changed, deleted or merged. It will also allow you to troubleshoot beginning balances, review open credits and payments in Accounts Receivable and Accounts Payable, and many more of the preventive measures that have been discussed in this list.