

Client Update

W e need help, where do we start looking?


By: Pat Hoffert, CPA, Partner phoffert@rpblp.com

One of the most satisfying things about being a CPA is serving our clients in an advisory capacity. Our CPAs regularly answer financial and business management questions from our clients. We want you to know that if you have a question, you can always turn to us first.

Our desire to be your most trusted advisor is one of the reasons Reilly, Penner & Benton chose to join the BDO Seidman Alliance last year. As a member of the Alliance, we have access to the Business Resource Network (BRN), a wide variety of firms that provide unique services to specific types of businesses and solve specific business problems. Each firm is carefully vetted for quality, so we can be completely comfortable recommending them to you. In addition, each firm is a completely independent entity, so there are no conflicts of interest that could potentially impair our independence with our audit clients and impartiality for all clients.

Services offered by BRN members include human resource/management consulting, operations, collections and merchant account services, and niche tax services. In future newsletters, we will be spotlighting BRN members whose services could be useful to you. For example, one BRN member is the Ft. Sheridan Group (fsgconsulting.com). Located in Northern Illinois, the Ft. Sheridan Group provides IT solutions to small and middle market organizations. Services include:

- **CIO Services** – providing strategic direction and counsel to organizations regarding their current and future IT needs. On an interim basis, their cadre of former CIOs can serve as CIOs during periods of transition.
- **Application Software Services** – helping clients select the right software packages for their needs and challenges as well as providing implementation support to ensure that the software works properly and is used to support the business.
- **IT Governance Services** – more than just software selection, IT Governance Services help clients establish policies and procedures as well as prioritize their investments in IT.
- **IT Transaction Services** – for clients involved in Merger & Acquisition activity, during buying or selling processes, as well as during integration after a merger.

At Reilly, Penner & Benton, we want you to turn to us when you have any type of financial, organizational or operational questions. We will always do our best to help you ourselves, but you can rest assured that if you need a service we don't provide, we are able to direct you to a qualified resource that has the full confidence of the BDO Seidman Network. 



T he impact of internal fraud on businesses and nonprofits

(and what you can do about it)

By: Joel Joyce, CPA, CFE, Partner jjoyce@rpblp.com

Internal fraud is a much bigger problem than most people suspect. According to a 2009 PriceWaterhouseCoopers survey, 76 percent of fraud cases in the U.S. were committed by an employee or officer of a company. Internal fraud also tends to impact smaller firms and not-for-profit organizations to a greater degree. These small organizations tend to be highly susceptible to internal fraud, and although the dollar amounts of small business or nonprofit fraud schemes are smaller than schemes conducted at larger organizations, the effects are often felt more intensely.

Small business and nonprofit organizations usually have a small staff, a lack of segregation of duties, and can be a tight-knit group. Perpetrators understand the inner workings of the business, making it easier to facilitate crimes and remain undetected for longer periods of time. According to the Association of Certified Fraud Examiners (ACFE), fraud schemes in 2010 lasted an average of 18 months before being detected. We often find in our examinations that fraud is initially perceived as a lack of technical ability or organization skills in a trusted employee. It appears that the employee is in over his or her head, and unable to complete assigned responsibilities due to time constraints or complex circumstances. Typically, account reconciliations and other duties are not being completed in a timely fashion. Unfortunately, by the time the suspicions turn to fraud, the situation has snowballed and significant damage may have been sustained by the organization.

Preventing fraud is also more difficult at smaller organizations. One of the best ways to prevent internal fraud is to establish good internal controls, including the separation of duties among the four main financial functions. In an ideal world, smaller organizations would be able to separate duties the way larger organizations do. This involves dividing responsibilities for processing and reconciling transactions among, at a minimum, four different people. Using cash disbursements as an example,

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To suggest future topics, please contact
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QuickBooks Tip: Creating an accountant's copy

By: Lori Saqer, Certified QuickBooks ProAdvisor |saqer@rpblp.com

There are times when you need to transfer your company's QuickBooks information to your accountant. If your accountant will be preparing journal entries or adjustments to your file, the easiest way to accomplish this is to create an Accountant's Copy of your QuickBooks file. Whether you are sharing your information for tax planning or preparation purposes, or so that we can help you solve a problem, sending the Accountant's Copy will enable your accountant to make the changes for you and send you a file with those changes that you will simply import with a few mouse clicks.

When you create an Accountant's Copy, you will choose a dividing date for your transactions. A dividing date is a date you choose to separate your accountant's adjustments from your work in QuickBooks. Your accountant can work on transactions prior to this date, while you work on transactions after this date. You should work with your accountant to choose the right date for your business and needs.

There are two ways to create an Accountant's Copy. The method you choose will depend on whether you want to deliver your file to your accountant on a CD or flash drive, or if you would like to electronically transfer the file to your accountant.


If you would like to create an Accountant's Copy for physical delivery to your accountant for uploading into a portal available to you from your accountant at Reilly, Penner & Benton:

1. Go to the **File** menu, click **Accountant's Copy**, and then click **Save File**.
2. Confirm you want to create an Accountant's Copy and click **Next**.
3. Choose a dividing date.
4. Select a location to save your file. If you want, you can change the file name to something you will recognize. Note: the file must have a .qbx extension.
5. Click **Save**.
6. Give or upload the Accountant's Copy transfer file (.qbx file) to your accountant and continue work.

After saving the Accountant's Copy, QuickBooks displays "Accountant's Changes Pending" in the title bar.


If you would like to create and send your Accountant's Copy using QuickBooks file transfer:


1. Go to the **File** menu, click **Accountant's Copy**, and then click **Save File**.
2. Confirm you want to create an Accountant's Copy and click **Next**.
3. Choose a dividing date.
4. Enter your accountant's email address, your name and your email address.
 - Enter your accountant's email address and reenter it to confirm it is correct. QuickBooks uses this email address to send your Accountant's Copy to your accountant.
 - Enter your name so your accountant knows who sent the Accountant's Copy
 - Enter your email address. You will receive a confirmation email when the Accountant's Copy is successfully uploaded to the Intuit server.
5. Choose a password to protect the Accountant's Copy. Your accountant will use this password to access the Accountant's Copy. You can use the same password you use for your Admin password. Be sure to tell your accountant this password. Note – strong passwords include:
 - At least seven characters
 - At least one number
 - At least one uppercase letter
6. (Optional) Write a note to your accountant with instructions for the Accountant's Copy. For security reasons, do not include the password created in step 5 in this message.
7. Click **Send**.

Your accountant will receive an email with a link that downloads your Accountant's Copy. He or she will then use the password you created to open the file and begin working on your QuickBooks files. 



News & Notes

 "Educate Board Members About Fiduciary Aspects," an article by Dan Brophey, CPA, Partner appeared in the August 19 issue of *BizTimes* Milwaukee. The article explained the importance of educating nonprofit board members about their fiduciary responsibilities and explained the differences between a nonprofit and a for profit balance sheet.

 On November 2, 2011, Reilly, Penner & Benton LLP, along with Alinea and PNC Bank, will host a seminar for not for profit organizations. The seminar, "The Formula for Effective Community Engagement," will explain how nonprofit organizations can develop an effective case statement, which can help lead to fundraising success. The seminar will be held at PNC Bank, 9330 W. Greenfield Avenue, West Allis. RSVP to Deborah Lukovich, 414-803-3229.

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Why your personal auto should not be listed on your commercial auto policy

It is very common for small, closely-held businesses to insure vehicles that are purchased, leased, and/or titled under the personal names of the business owners on the business' commercial automobile policy. However, doing so creates a coverage gap for the owner of the vehicle, even though the vehicle is scheduled on the policy.

This coverage gap is created because, although the Standard ISO Automobile policy defines the insured as "You," this language on your policy document does not mean you personally. "You" means the Named Insured – which for a commercial automobile policy is the Corporation, LLC, or LLP, not the individual who owns the vehicle. "You" also includes anyone else, that is using (with permission) the covered vehicle you own, hire or borrow. But be careful! The owner of the vehicle is considered an exception to a company insurance policy and is not included in the coverage. (Even if you have permission to use the vehicle.)

Simply stated, if you are involved in an accident while driving a vehicle you personally own, and this vehicle is insured on a company automobile policy, you are not personally covered.

How can you prevent this gap in coverage?

- The simplest way would be to take that vehicle off of the commercial policy and insure the vehicle on a personal automobile policy since the title or lease is in the name of an individual person.
- If the owner is also the primary owner of the business, you may be able to add that individual to the Commercial Automobile policy as an Additional Named Insured.

A similar situation can occur when a vehicle owned by an employee is put on a commercial policy.

In that case there is a solution to the coverage gap, but it is more complicated. A formal lease agreement should be drawn up between the individual and the business entity. The vehicle should then be scheduled on form CA 99 47—Employees as Lessor. This endorsement provides that any "auto" described in the Schedule (on the form) will be considered a covered vehicle that you own and not a covered vehicle you hire, borrow or lease under the coverage. This endorsement also provides that while any covered vehicle described in the schedule (on the form) is leased to "you" by one of your "employees," the "Who Is An Insured" is changed to include that employee as an insured. The coverage provided by CA 99 47 is on a primary basis, since the vehicle is now considered as one that is owned by the Named Insured.

This lease should be reviewed by your CPA to take into account any tax ramifications and reviewed by legal counsel to assure that the document is valid. 

This article is based upon material that originally appeared in the West Bend Insurance newsletter, *The Trend*.

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(The impact of fraud... continued from page 1)

there should be no overlap of personnel involved with **Custody** – signing checks, **Authorization** of purchases, **Recordkeeping** of transactions, and **Reconciling** the checking account. This kind of separation is often impossible at an organization that is too small to have four people handling the organization's finances. However, there are some ways a small organization can attempt to prevent fraud.


- **Outsource some accounting functions.** By using an external bookkeeper, you can save money compared to the cost of hiring another employee and provide better segregation of duties.
- **Set a signing threshold for large transactions.** Establish an amount over which checks must

be signed by an officer or board member. The documentation for these transactions should be reviewed by the person signing these checks.

- **Review a random sample of checks every month.** In addition to a signing threshold, the officer or board member should pull a random sample of checks and verify the check amounts and accompanying documentation.
- **Involve your board.** Small organizations can draw upon board members with financial or business ownership experience to review checks or reconcile bank statements.

If you are not sure how you can most effectively implement internal controls, feel free to ask your Reilly, Penner & Benton CPA. We are happy to work with clients on a consulting basis, helping you

develop a set of internal controls that will work for your specific situation.

The proper control environment, the perception that good internal controls are in place, and that activities and transactions are monitored can go a long way towards preventing fraud. Our fraud examinations have found that most of the time, the employee perpetrating the fraud believed that nobody was watching them, thus they were reasonably confident that the fraud would go undetected. By simply making employees aware that you are monitoring your financial situation, you are much less likely to fall victim to a fraud scheme in the first place. 

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