

Model Internal Controls Policy

Disclaimer concerning the Use of this Model Policy: This Model Policy is designed for local Associations of REALTORS® in Texas to use as a guide in the adoption of an Internal Controls Policy. Texas REALTORS® does not represent or warrant that this model document addresses all items that should be addressed in an internal controls policy or that compliance with this model document will eliminate any potential responsibility or liability by the association.

An effective internal control system is a MUST if your organization is serious about protecting itself against employee dishonesty. The adequacy of your system can be gauged quickly by answering the following questions.

	YES	NO
1. Are copies of the bank statements forwarded directly to your CEO and are they reviewed before accounting receives the statements?	_____	_____
2. Do all checks required two signatures?	_____	_____
3. Are accounting personnel allowed to be signers on bank accounts?	_____	_____
4. Are checks received in the mail endorsed by whomever opens the mail before other employees come into contact with checks and is a log of checks maintained?	_____	_____
5. After the checks are endorsed, do you prohibit employees other than accounting from coming into contact with original checks?	_____	_____
6. Is the check amount on manual checks protected with a check protector machine?	_____	_____
7. Does your CPA firm evaluate your internal controls annually and do you take their suggestions seriously?	_____	_____
8. Are all employees who handle checks and cash bonded?	_____	_____
9. Do you require employees to take vacation?	_____	_____
10. Is your check supply under lock and key?	_____	_____
11. Is your check stock high quality so it would be difficult	_____	_____

	YES	NO
to scan or erase?	_____	_____
12. Does your endorsement stamp spell out the full legal name of your firm and does it include your bank's name and your account number?	_____	_____
13. Are two people involved in computing payroll and remitting payroll taxes?	_____	_____
14. Do you have written internal control policies?	_____	_____
15. Do you periodically review the adequacy of your fidelity bond?	_____	_____
16. Does your CPA firm do unannounced checks on bank statement reconciliations?	_____	_____
17. Do you check the bank's records as to authorized signers on signature cards?	_____	_____
18. Are your cash transaction policies tested?	_____	_____
19. Do you have an effective computer back-up system?	_____	_____
20. Are credit card and loan applications shredded?	_____	_____
21. Do you have an effective audit committee?	_____	_____
22. Do you have an exit audit when key employees leave?	_____	_____
23. Do you have an insurance committee?	_____	_____
24. Are your controls on credit cards adequate?	_____	_____
25. Do you use a bank's Positive Pay service?	_____	_____
26. Do you prohibit making checks payable to acronyms?	_____	_____
27. Do you use a bank's Lockbox service?	_____	_____

Are all your answers "yes"? If not, give serious consideration to changing your procedures where the answers are "no."

Remember:

Fact: in almost every situation where fraud was discovered, the guilty party is the person above suspicion.

Fact: it is becoming increasingly difficult to receive honest references from prior employers.

How is fraud detected?

During the course of a CPA audit	2%
As a result of an internal audit	18%
Whistle blowers	30%
Sheer accident	50%

SAMPLE