



***From the Desk of
Joseph-Paul Timpano, CPA***

Commentary from the President of JPT Financial Solutions, Inc.



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Internal Control Measures for the Business Entity

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Internal control is the name of the game for success in any type of business organization. It isn't enough for an entity to only seek to expand its revenue goals or marketing strategies. Businesses need to strengthen their internal controls to ensure integrity in reporting, efficiency in processing and consistent standards to reduce costs and redundancy. Making rules is not enough – the business organization needs to set goals and to establish crisp and consistent policies and procedures to achieve those goals through effective measures of internal control.

Adequate levels of internal control have an effect on both the internal and external matters of the business establishment:

Internal Business Establishment

Within the internal business entity environment, the development and maintenance of internal control standards requires an organizational structure to establish, oversee and enforce internal control measures over its financial reporting process. Quality control checks and balances are then built into the financial process to maintain integrity and accuracy while reviewing various levels of spending to assess financial inconsistencies. Control standards add a needed level of structure to the business environment, thereby serving as the basis for detecting fraud activities to mitigate risk. Basic controls

are then established and enhanced, including segregation of duties, periodic reconciliation of accounts, and strict authorization processes.

External Business Establishment

The external impact of internal controls can best be seen by the clients and customers that the company deals with. Adequate internal controls put a good face on the company by demonstrating to clients that their relationship with the company is a guarded and prized relationship. One of the most valuable parts of any service organization is its increased internal control presence. As more and more companies relate with their clients over the internet through various online applications, it is imperative to demonstrate to the client that their privacy is being protected, screen presentation is adequate and crisp, and efficiencies are built with the customer to improve communication and exchange information.

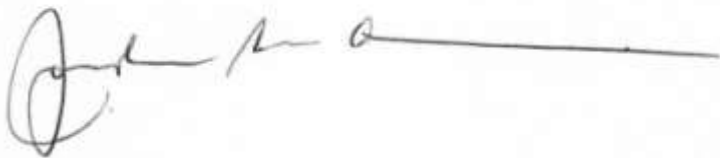
Benefits of internal control are numerous. Consistent financial control guidelines and standards strengthen the business entity by offering solutions to stabilize expenditures and increase revenues, eliminate waste, offer opportunities, and deliver service and integrity to the public. Organizations are counseled to seek out a CPA specializing in internal control implementation who will troubleshoot the financial reporting process, evaluate and identify inadequacies, uncover weaknesses where they exist, and deliver candid recommendations for improvements. The CPA internal control SME (subject matter expert) will leverage on his or her expertise and organizational skills to develop and implement internal control standards and consummate logic to design, devise, strengthen, streamline and upgrade processes, procedures and new reporting mechanisms where required.

Many times the business entity lacks documentation over their internal processes and procedures. Such weaknesses in the control process serve as the catalyst for reporting breakdown, inconsistencies in job performance among employees, and gaps in the production line. It is recommended to the business entity to obtain the services of the CPA internal control SME to develop formal written communication and presentation of disbursement and revenue generating standards and guidelines. Such formal documentation will serve as the basis for education and formulation of production policy and controls and will set the tone for the overall business environment, giving staff the ability to seek out consistent guidance. The CPA internal control SME will orchestrate and circulate project and spending proposals including the definition of plan objectives, identification of methodologies to achieve objectives, formulation of data analysis and control standards, and the outlining of plans to disseminate or implement project goals and strategies. In addition, the CPA internal control SME will assist and advise management as the author of an

official company-wide resource communication and manual for defining overall controls and reporting procedures.

The development of a stellar internal control process also includes the initiation and creation of defined internal reporting tools to allow the organization to adopt to the ongoing reorganization and ever changing environment of the business entity. Such tools offer measurability during changes in business activity to ensure compliance to established company standards and procedures. The CPA internal control SME will orchestrate, coordinate and develop global business audit and control measures over financial reporting, data feeds, policies and procedures to strengthen financial completeness during the production cycle. Reconciliation and analysis of data feeds and testing of control procedures will be conducted during regular business cycles as well as off-cycle intervals to mitigate risk and confirm compliance to mandated defined standards.

Finally, the CPA internal control SME will strengthen the policies and procedures of the business entity through strategic organization planning as a measure of guidance and consultation. Various levels and procedures related to spending are assessed to identify financial inconsistencies between different segments of the organization to institute efficiencies and innovations where possible. As a result, cost savings are realized and effective measures of internal control are instituted. The CPA internal control SME serves as an overall financial advisory to provide strategic planning, coordination and guidance over all disbursements and revenue collection targets. A periodic analysis of operating results is prepared (expenditures and revenues) as a measure of internal control to review accounting entries, confirm general ledger integrity and identify suspicious and irregular spending patterns against planned and projected forecast targets. The control process is further enhanced through a review all proposals for expenditures and an assessment of proposed solutions to confirm that spending is in line with overall targets and goals.

A handwritten signature in black ink, appearing to read 'Joseph-Paul Timpano', with a long horizontal line extending to the right.

Joseph-Paul Timpano, CPA

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We specialize as key internal consultants, bringing exemplary analytical & problem solving skills, acumen, & expertise to improve bottom line performance, and cultivate a one on one personal niche and relationship to uncover & resolve reporting & financial management issues, weaknesses in internal control, lack of organization & coordination, and budget & planning deficiencies.

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