

## To Our Clients and Friends ....

The financial crises that have occurred have us all thinking about the safety of our resources and ways to protect them. Fraud occurrences increase during difficult economic times, so we have provided some things to consider to help protect your business from it in this newsletter. We have also summarized the new FDIC insurance rules that were enacted as part of the "bailout" legislation earlier this fall. During what may be increasingly difficult financial times, we want you to know that we are here to help you through them and ask that you call on us as soon as any possible serious financial issue appears to be likely to arise.

## Fraud - Risk Increases In Economic Downturn

By Kevin Ulrich, CPA, CFE



In recent months, here in Spokane, there have been several business related frauds. The most recent involved Mid-City Concerns' Meals on Wheels, where former employees spent some of the charity's money on personal items. Fraud just doesn't happen to the large corporations like Enron and WorldCom, but to small businesses and non-profit organizations as well.

There are three components to fraud, the Fraud-Triangle. First, there has to be an opportunity to commit the fraud. Second, the person involved justifies why they are doing it. Lastly, is a perceived need to commit the fraud. Fraud is something that can't be completely prevented but there are some steps that can be taken to help minimize the risk your company is exposed to. Here is a simple checklist that you can go through to see where you might be at risk:

1. Does one person handle cash transactions from start to finish?
2. Are all expenses documented and author-

- ized by proper personnel?
3. Are deposits done on a daily basis?
4. Are bank reconciliations done on a monthly basis and are they done or reviewed by a different employee from the one who handles cash?
5. Does one person handle the duties of accounts receivable (i.e. take the order, ship the product, bill and collect from the customer and prepare and record the deposits)?
6. Is an aged receivables report reconciled with the general ledger on a regular basis?
7. Is a physical inventory done at least annually and are inventory items adequately safeguarded?
8. Are fixed assets, like computers, tagged and listed on a separate schedule by tag number?
9. Are fixed asset purchases authorized by proper personnel?
10. Is the signing of blank checks prohibited or are signed checks always kept under the direct control of the owner?

For a small business, the hardest thing to accomplish is a proper segregation of duties, making sure one person doesn't control the flow of activity from start to finish. Once the controls are in place, they should be reviewed periodically to ensure that the controls are working as designed.

## Tax Tip-Timely Mailing Is Timely Filing If You Can Prove It

Most of you know that we regularly advise clients to file returns by Certified Mail. However, it is important to recognize that proof of mailing can only be assured if the Post Office

affixes its postmark stamp to a Certified Receipt and you retain that with the tax return being filed. We have been finding situations where the Post Office postmark stamp is not affixed and wanted you to be aware that this will probably not constitute adequate proof of mailing if it is called into question by the IRS.

## NEW FDIC INSURANCE RULES FOR CD'S AND OTHER BANK ACCOUNTS



By Robert W. Batty, CPA, PFS

Many of our clients have “fled” to the safety of the CDs (in light of financial uncertainties in other markets), so I felt a brief recap of the often discussed FDIC insurance rules would be appropriate.

On October 3, 2008, the deposit insurance limit for all insurable capacities was increased to \$250,000 through December 31, 2009. Therefore, the Maximum Applicable Deposit Insurance Amount referred to in this article is \$250,000 through December 31, 2009 and, unless extended, will revert to \$100,000 on January 1, 2010 for all insurable accounts except for IRAs and the other self-directed retirement plans and accounts identified below. The new Maximum Applicable Deposit Insurance Amount applies to CDs purchased in the primary and secondary markets. Unless the increased coverage is extended, deposit insurance coverage for CDs with a maturity date after December 31, 2009 will revert to the prior FDIC coverage on January 20, 2010, regardless of when you purchased the CD. You should not rely on a possible extension of this increased coverage in purchasing CDs.

The retirement plans and accounts described below are eligible for a Maximum Applicable Deposit Insurance Amount of \$250,000 even after 12/31/09 and all deposits held through such plans and accounts will be aggregated for purposes of the Maximum Applicable Deposit Insurance Amount. This means that all deposits of any one Issuer you hold through the plans and accounts described below will be eligible for insurance up to a total of \$250,000 even after 12/31/09:

1. Individual Retirement Accounts (“IRAs”). All deposits of the same Issuer held in traditional, Roth, SEP and SIMPLE IRAs will be aggregated for purposes of the Maximum Applicable Deposit Insurance Amount and will be further aggregated with deposits held through other plans described in this section.

2. Section 457 Plans. These plans include any eligible deferred compensation plan described in Section 457 of the Internal Revenue Code of 1986.

3. Self-Directed Keogh and 401(k) Plans. Deposits held in any plan described in Section 401 (d) of the Internal Revenue Code of 1986, generally referred to as Keogh plans, and in any plan described in Section 3 (34) of ERISA including, but not limited to, plans generally referred to as Section 401(k) plans. The plan must be “self-directed” to qualify for the \$250,000 deposit insurance limit. The FDIC defines self-directed to mean the ability of the plan participants to direct funds into a specific depository institution.

All retirement plans and accounts not listed above, including defined contribution plans and plans that do not meet the FDIC’s “self-directed” criteria, will be eligible for federal deposit insurance up to \$100,000 per participant after 12/31/09.



**Batty, Erlandsen and Associates, P.S.**  
107 S. Howard, Suite 205  
Spokane, Washington 99201  
509-624-1268  
[www.batty-erlandsen.com](http://www.batty-erlandsen.com)



*The staff at Batty, Erlandsen & Associates would like to wish each of you a happy and prosperous new year!*

Serving the Inland Northwest as a certified public accounting firm since 1946, Batty, Erlandsen and Associates, P.S. provides a variety of services to our clients. Accounting and Auditing, Internal Control Consulting, MAS 90 and QuickBooks Consulting, and Business Planning are just a few examples. Our firm is a strong team, each member having their own strengths and experience. Together, we offer a wide range of services for our clients.