COOKING THE BOOKS WITH QUICKBOOKS

Summary of Presentation:

QuickBooks is the number one small business accounting software. Without proper controls, it's also extremely easy to use to cover up misappropriation. Learn how forensic accounting experts have used QuickBooks to crack complex fraud cases.

Abstract Details:

QuickBooks is the number one small business accounting software. With easy to use and intuitive software, many small business owners (and their accounting/bookkeeping staff) rely on this software to handle all aspects of their accounting system. The 2008 ACFE “Report to the Nation” indicates that small businesses are disproportionately affected by fraud. Unfortunately, savvy fraudsters are keenly aware of how easy it is to cook the books using QuickBooks. This presentation will reveal several key steps forensic accounting experts have used to crack several fraud cases! Learn how to use and interpret the audit trail function in QuickBooks; discuss key internal controls that should be in place when your clients are using QuickBooks; and learn quick and easy tests to use in an audit or investigation.

Learning Objectives:

- Learn how to use and interpret QuickBooks audit trail feature in a financial investigation. - Learn how QuickBooks is commonly used to cover-up asset misappropriation schemes. - Quick and easy tests CPAs, Auditors, and Investigators can use in financial investigations - Top internal controls that should be in place if your clients are using this software. - Expand your QuickBooks knowledge base to provide resources and information to your small business clients

Presenters:

Linda Saunders, CPA/CFF, CFE, CGFM, will moderate the two hour segment and Carol Bacon, CFE and aspiring CPA, will demonstrate through live examples within a fictionalized QuickBooks embezzlement case to show how they data mine and document evidence in QuickBooks files. Their joint presentation is based on their actual forensic case where the perpetrator is now a convicted felon, courtesy Linda’s important forensic report.

Linda's firm, Forensic Accounting Consulting, concentrates on forensic engagements where fraud or misreporting is suspected for cases such as: divorce work, employee embezzlements, and financial exploitation cases. Carol’s firm, Forensic Accounting Specialties specializes in construction contracting and elder exploitation engagements and is currently completing an accounting certification program to enable her to sit for the CPA exam as her next credential.

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Introduction & Overview

- This is not a QB how-to session—You can receive that training from the QB hands-on computer classes.

- Interviewing is a prerequisite to QB analysis & goes hand in hand to maximize what you can find in QuickBooks. Who controls QB? Passwords?
  (Linda’s example of the benefit of the interview.)

- Initial threshold questions—Do tax returns/bank statements reflect QB information?

- Cash thresholds—How can you tell if QB is reconciled to bank statements? Look for check marks to determine whether bank statements are actually reconciled to QB.

- Cash adjustments—What are the “allowable” adjusting journal entries to cash? Show examples of journal entries.

- Insist on QBB file, not just reports—Linda’s example of how attorneys can compel the opposing side to provide the QuickBooks back-up files.

Contacts

Our contacts if we can help with QuickBooks questions:

- Linda Saunders, CPA/CFF, CFE, CGFM
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HANDS ON SPECIFIC SEARCHES:

- Search on Names/Payees/Other (e.g. Dan Miller) – MEMORIZED REPORT

- Search for blank payees on checks – Via review of ALL checking account transactions – WALK THROUGH THIS

- Search for Out of Sequence checks or invoices – MEMORIZED REPORT

- Search on Memos (e.g. BONUS) - WALK THROUGH THIS

- Audit Trail—

GOOD NEWS! Audit tracking is now always ON. Per instructions beginning in the 2006 QuickBooks software versions, the audit tracking feature is permanently enabled and cannot be turned off.

This is accessed by choosing Reports / accountant & Taxes /Audit Trail.

- Importance of looking at entire Audit Trail, then drilling down to specifics
  - Sorted in order of transaction type
  - Search on key dates, memos, etc.
QB has a built-in Voided/Deleted Transactions report— WALK THROUGH THIS

- The importance of source documents
- Discussions on verifying tax return info to QB
  - Cash vs. Accrual
  - Total deposits instead of total income
    (Linda’s example where invoices charged items to unearned revenue—a liability vs. income)

- The importance of source documents

MISCELLANEOUS TIPS:

These items may have been covered in the previous hands-on illustrations, but if not, we will walk through these as time permits:

TRANSACTION REMINDERS—

When a transaction more than 90 days in the past is posted, a transaction reminder comes up: Are you sure you want to make this change?

- This is set by going to the Edit / Preferences / Accounting.
- QuickBooks recommends that a closing date and password be set to prevent changes that could impact previous accounting periods.

- Find out who controls what functions of QB.
### WORKING IN THE BACKGROUND—

Attorneys now use WI-FI or Broadband services while in the courtroom. We can work cases live during trial. Exhibits can be developed instantly and printed during court by the attorney’s staff or even the bailiff. You may never see us moving through QuickBooks.

### REMEMBER, ALL REPORTS CAN BE FILTERED, SO BE WARY OF PRINTOUTS NOT COMPILED BY YOUR TEAM!

### KEY INTERNAL CONTROLS WHEN USING QUICK BOOKS—

**Segregate, segregate, segregate!**

- Mail bank statements offsite—to CEO, owner, or Board of Directors for initial review prior to reconciliation.

- Be sure organization receives copies of fronts and backs of checks from bank each month.

- Compare not only voided checks to bank statements, but review payee names on check copies to Quick Books entries.

- Require that money is collected and logged by someone other than person posting to Quick Books. Do not allow QB poster to deposit funds.

- Password protect Quick Books and assign only one administrator who can control the Admin functions.

- Never share passwords and change them regularly.
### KEY INTERNAL CONTROLS

(Con’t.):

- Routinely review Add/Delete transactions and voided checks.

- Do not allow invoicing outside of the Quick Books functions. Sending out invoices produced by Excel schedules is asking for trouble. This is the recipe for off-book fraud.

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Did we have these concepts illustrated? If not, we will as time permits near the end of the session.

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**NOTE OTHER ITEMS OF INTEREST OR REPORTS OF INTEREST FROM PARTICIPANTS –**