



BANK REC BIBLE

What to look for

1. Excessive amount of tag refunds.
2. Are you out of compliance? Writing tag checks but never sending them?
3. Who is endorsing the back of those checks? Check tag refunds and F and I product cancellations. This is a huge area for fraud.
4. Items not posted before end of month.
5. Check numbers out of order.
6. Charges that you paid with a credit card that may also have been paid with a check.
7. Has there been a lifestyle change for the person doing the bank recs? Do they never go on vacation, or call in sick?
8. Are there any outstanding deposits greater than the last business day of the previous month?

Best Practices for Bank Recs

1. Recs should be done daily and then finalized for the month on or before the 1st or 2nd day of the new month.
2. Staff should be using a DMS supplied bank rec application. This enables you to balance monies daily and provide a real time picture of cash.
3. Have Recs reviewed by a second party on a regular basis, changing that person periodically.
4. Spot check the “history” of the outstanding check using DSDA, or other form of electronic document capture, to see if outstanding check was replaced. Why would it not be cashed?
5. Recs should never be done by the same person that does the deposits or is in charge of posting and account’s receivables. Either one of these is a true conflict of duties and can be extremely dangerous.
6. Question any aged outstanding checks older than, at the most, 60 days, if not 30-45 days.
7. Compare bank detail with book detail to ensure cash is being deposited within one business day of receipt.
8. Verify that all bank charges are being posted to the current month. This will give you a true picture of your expenses.
9. Using the bank detail, question any automatic deductions...is someone paying their electric bill through your checking account?
10. Periodically verify that all columns in fact add to the footed numbers displayed on the rec.
11. Spot check your books to the actual check numbers and amounts. A common fraud tactic is to list checks on the rec but the actual check amounts do not match books. Rec looks good, adds up, but contains bogus information.
12. Confirm copies of checks are retained and attach to the permanent daily deposit records.
13. Periodically spot audit receivable checks and verify they are applied to the proper customer. A common fraud tactic is to apply Mary Jones’ money to Frank Smith’s receivable, especially when dealing with body shops. This is sometimes referred to as “skating funds”.