UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE CASH FLOW

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing cash flow. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

B. Exposure of funds located in foreign countries to exchange risks and the effects of government restrictions on the movement of funds across international borders are minimized.

Business risks

- Volatility in exchange markets and the significant political and regulatory developments in Europe and Asia will increase uncertainty and risk.

Control practices

1. Analyze political and economic trends in each foreign country for any risks surrounding payment delays or blockage to access of funds.
2. Establish a bank account in each country where the company operates and use it to pay local expenses.
3. Use an automated netting system (computerized systems that help reduce foreign exchange con

E. Marketable securities, investments, and other financial assets are safeguarded.

Business risks

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G. Short-term financing sources are used to manage seasonal and temporary fluctuations in cash flow.

Business risks

- Forecasting cash flows and business cycles will grow more complex.

Control practices

1. Evaluate cash flows on a monthly and weekly basis. Consider economic conditions, expected cash receipts, anticipated cash payments, and seasonal requirements.
2. Consult with professional financial advisors to locate alternative sources of financing.
3. Consider various sources of short-term financing. (For example, trade credit, bank loans, lines of credit, bankers' acceptances, finance company loans, commercial paper, receivables financing, and inventory financing).
4. Consider interest rates and collateral requirements.
5. Consider costs, including interest rates and legal fees, points, and other front-end fees.
6. Consider the effect of short-term financing on financial ratios and credit rating.
7. Consider anticipated money market conditions and the availability of future financing.
8.

H. Performance audits are used as tools to evaluate cost-effectiveness of cash management systems.

Business risks

- Management will not know whether the cash management system is operating effectively and efficiently.
- Management will miss opportunities to improve liquidity.
- Management will not know about financial risks that are not being managed effectively.

Control practices

1. Employ cash management or treasury tactical audits to survey how well the company's

Reliability of financial reporting

A. Investment transactions are properly authorized.

Business risks

- Investments will be purchased or sold for the benefit of management, emp (s)14 ().5 (e)0.5 (-1. (or)-10n1

C. Investment transactions are accurately processed and reported.

Business risks

- Investment and related receivable account balances will be incorrect.
- Investment and related receivable account balances will be misclassified.
- Payable and income accounts will be misstated due to incorrect calculations and classifications and recognition in the wrong accounting period.
- Errors and omissions will not be detected and corrected.

Control practices

E. Recorded investment balances are evaluated.

Business risks
- The company will miss changes in market values that could affect investments.
- The company will lose money on its investments.
- Currency translations will be inaccurate.
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K. All interest expense is accurately recorded.

Business risks
- Interest expense will not be reported and recorded.
- Interest expense and the related payable account balances will be misstated due to incorrect calculations and classifications or recognition in the wrong accounting period.

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Compliance with applicable laws and regulations

A. The company complies with legal or loan restrictions.

Business risks

- The company will incur fines, penalties, litigation, and/or a loss of reputation.
- The company will violate legal or loan restrictions and covenants.

Control practices

1. Require management and board approval for all significant debt, investment, and equity transactions.
2. Review compliance with legal or loan restrictions periodically.