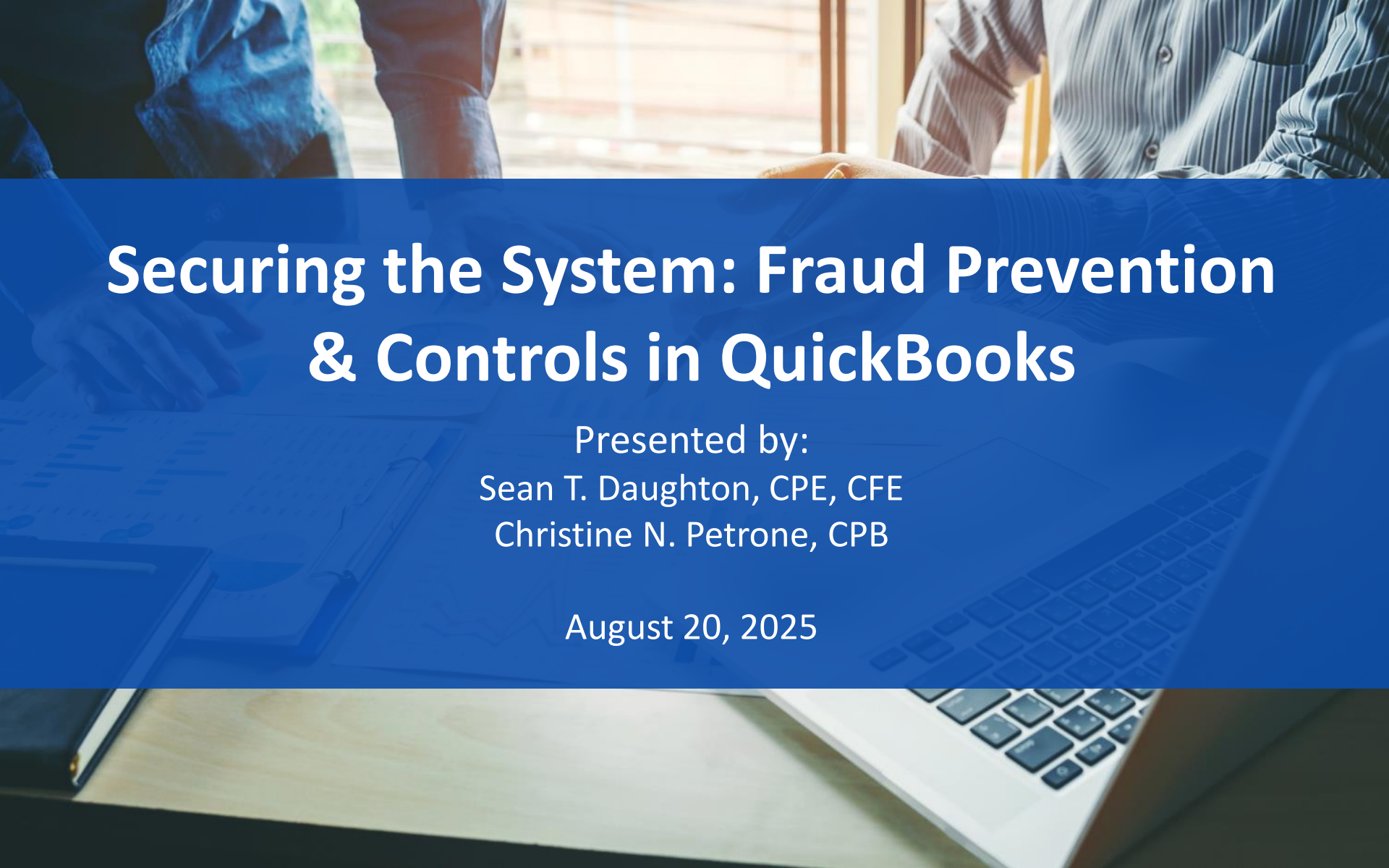




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The background of the slide features a blurred image of two people in business attire working at a desk. One person is on the left, wearing a blue shirt, and the other is on the right, wearing a striped shirt. They are looking at a laptop and some papers. The scene is brightly lit, suggesting a window in the background. A semi-transparent blue banner is overlaid on the image, containing the title and presenter information.

Securing the System: Fraud Prevention & Controls in QuickBooks

Presented by:
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Christine N. Petrone, CPB

August 20, 2025

... Learning Objectives

- Simple but powerful internal controls every organization should implement
- Best practices for configuring QuickBooks with fraud prevention in mind
- How to structure user roles and permissions effectively
- Utilizing audit trails

... What Are Internal Controls?

Definition: a comprehensive system of policies, procedures and measures implemented by an organization to achieve its objectives, safeguard assets, ensure accurate financial reporting and comply with laws and regulations

In plain terms – think of internal controls as a set of rules, procedures and actions put in place by an organization to ensure things run smoothly and correctly.



... What is Separation of Duties?

Also known as "Segregation of Duties"

Definition: an internal control principal where key tasks and responsibilities are divided among different individuals or departments to prevent fraud, errors, and abuse of authority



... What is Separation of Duties? Cont.

It ensures that no single person has control over all aspects of a critical process, thereby, creating a system of checks and balances.

This principal is crucial in fields like finance, where single points of control could lead to significant risks.

Separation of duties enhances operation integrity, accountability, and transparency within an organization.



... Types of Internal Controls

- Cash
- Disbursements
- Credit Cards
- Reconciliation
- Policies & Procedures

Internal Controls: Cash

Petty Cash

- Limit the use of Petty Cash
- Use a safe or locked drawer to store Petty Cash
 - Restrict the number of employees who have access to the key or code!
- Keep a log to track:
 - Who took the cash
 - The amount taken
 - For what purpose
- **REQUIRE A RECEIPT!**



Internal Controls: Cash Continued

Deposits

- Use a safe or locked drawer to store checks and cash for deposit until the deposit is being prepared.
 - Restrict the number of employees who have access to the key or code!
- Do not have the same person prepare the deposit AND take it to the bank
 - One person should prepare the deposit
 - A second person should bring the deposit to the bank
- Prepare documentation of deposit for records
 - Check images
 - Supporting letters or memos



Internal Controls: Disbursements

Checks

- Use a safe or locked drawer to store Checks
 - Restrict the number of employees who have access to the key or code!
- Require supporting documentation
- Do not allow the person preparing the checks to sign them!
- Require **two** signatures (Note: Your bank will still cash it with one signature)
- Limits can vary depending on size and needs of an organization

YOUR COMPANY NAME HERE
123 ANY STREET
CITY, STATE AND ZIP
123-456-7890

YOUR BANK NAME HERE
1234 MAIN STREET
CITY, STATE AND ZIP

12-345678 1001

DATE

PAY TO THE ORDER OF

\$

DOLLARS

MEMO

YOUR COMPANY NAME HERE

AUTHORIZED SIGNATURE

00001001 0021000322 123456789 Two Signature Lines

... Internal Controls: Disbursements Continued

ACH Payments

- Require supporting documentation
- Do not allow the person preparing the ACH to authorize the ACH!
- Use positive pay
- Set up procedures to use "outside" of the organization to approve ACH, like text messages between CFO/Owner, etc.

Cash Withdrawals

- Limit cash withdrawals from the bank!
- If cash withdrawals are necessary
 - Limit employees with authorization
 - Apply a threshold that requires dual authorization
 - Require supporting documentation for reason of withdrawal



Internal Controls: Credit Cards

- Restrict use of agency credit cards
 - Limit number of credit cards issued
 - Set account limits
 - Verify ALL charges
 - Require receipts
 - **NO EXCEPTIONS!**



.... Cash Withdrawal & Credit Cards Real World Example

- Company in Central New York
- Employee was the Office Manager responsible for 3 locations
- Company had a weekly payroll returned for NSF, and had to put money into the bank, and send money certified to the payroll company to pay employees that week.
- Office Manager started to take "cash" withdrawals from various bank tellers sometimes multiple times in one day.
- Owners had some health issue going on within the family and did not devote much time to the Company and "trusted" this employee.
- Office Manager started posting the withdrawals into QuickBooks as various cost of sales, and payroll accounts.
- Office Manager convinced its CPA/Tax Preparer they were paying employees in cash since they no longer trusted its payroll due to the one payroll being returned.
- Tax preparer never asked to see any 1099's; since weekly payroll was being paid every week from its 3rd party payroll company.
- Three years after this had started, the owner opened one of its bank statements and wondered what the "Bank Teller" withdrawals were for.
- Only three years were evaluated, and the alleged embezzlement was over \$600,000 in cash withdrawals and use of the Company credit card.

Internal Controls: Reconciliations

- Reconcile bank and credit card accounts monthly!
- Assign the reconciliations to an independent person
 - Someone who does not record bank deposits
 - Someone who does not record bills and bill payments
 - Someone who does not have check signing ability
- Review outstanding deposits and checks for accuracy



Internal Controls: Policies & Procedures

- Prepare ALL fiscal policies and procedures in WRITING
- Include policies & procedures for the following:
 - Cash
 - Including Petty Cash & Deposits
 - Disbursements
 - Including Checks, ACH & Cash Withdrawals
 - Expense Reimbursements
 - Journal Entries
 - Payroll
 - Investments

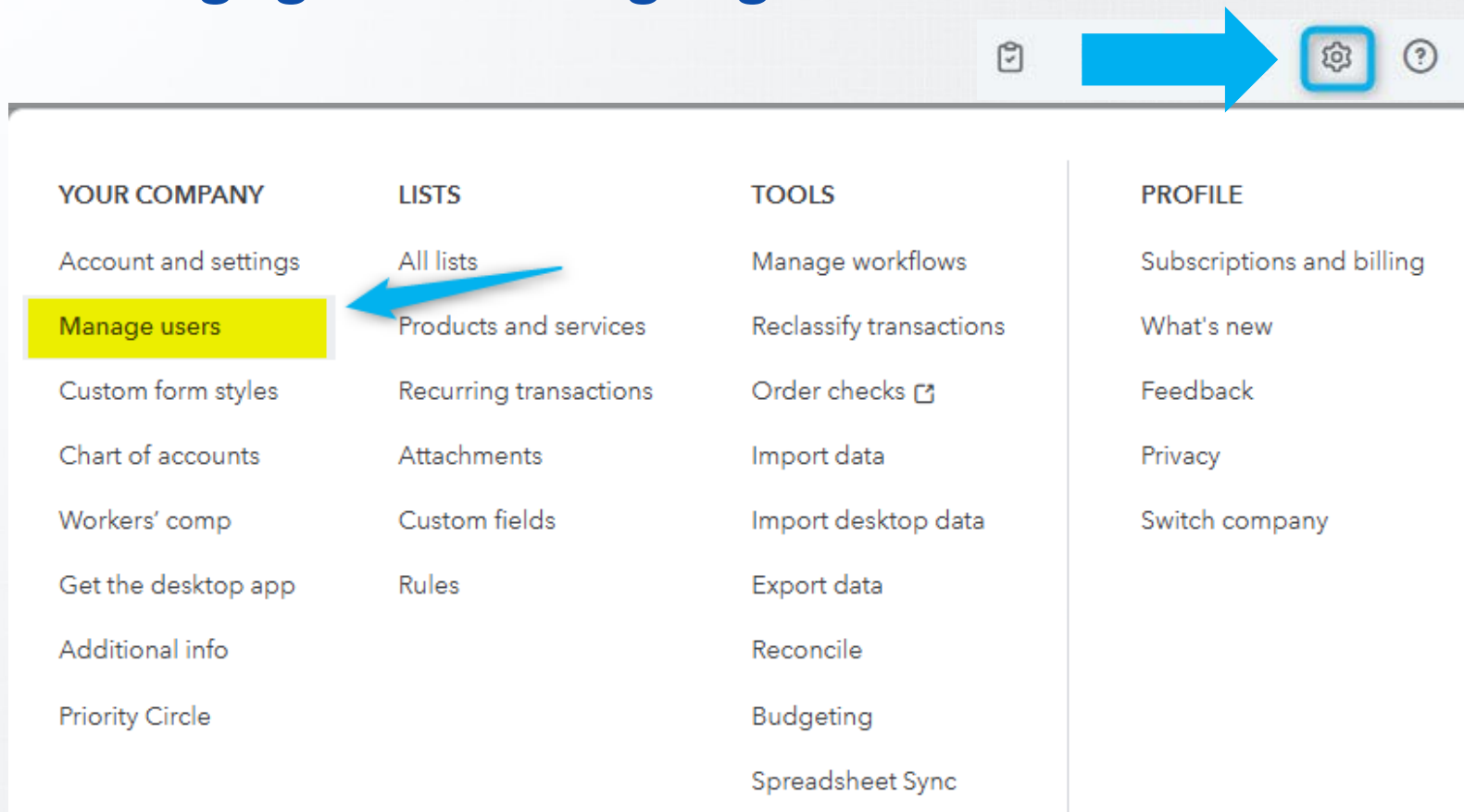


How To Prevent Fraud In QuickBooks

- User Roles
- Closing The Books
- Attaching Documentation into QuickBooks
- Utilizing the Audit Log



Managing Users & Assigning Roles



Managing Users & Assigning Roles Continued

Manage users

Users Roles Accounting Firms

Q Search...



Add user

NAME ↕

EMAIL ↕

ROLE ↕

STATUS ↕

BILLABLE ↕

ACTION

Add user

Enter personal info

We'll send them an invite to join your company with their Intuit Account.

First name

Last name

Email

Assign roles

Choose from existing roles or create your own. [View role descriptions](#)

Select a role



> View all permissions

... User Roles - Administrative

- **Primary Admin:** This role is granted all access to the QuickBooks file. This role cannot be reassigned
- **Company Admin:** Users added to this role can also see and do everything, including adding users and changing passwords
- **Standard All Access:** Users to this role, are typically accountant users and have full access without admin privileges

... User Roles Continued – Expenses

- **Bill Clerk:** Users added to this role can add bills and mark bills as paid but cannot approve or pay bills
- **Bill Payer:** Users with this role can view and pay bills and edit vendor info. They cannot add bills or complete any other actions with bills
- **Bill Approver:** Users with this role can only approve bills. They cannot pay or modify any bills
- **Expense Manager:** Users added to this role can access all expense transactions, vendors, products and services, sales tax and currencies

... User Roles Continued

- **Accounts Payable Manager:** Users added to this role can see and do everything with expenses, bills, vendors and A/P reports
- **Accounts Receivable Manager:** Users added to this role can see and do everything with sales, customers, invoices and A/R reports
- **In-House Accountant:** Users added to this role can access all reports, bookkeeping and accounting tools. No access to payroll and cannot manage users
- **Bookkeeper:** Users added to this role can access all bookkeeping transactions and tools. There is no access to financial reports, payroll, time or budgets

Advantages of Assigning User Roles

- Creates security with individuals having their own login credentials
 - **Never share login credentials!**
- Ensures users only have access to the resources they need to perform their job, minimizing the risk unauthorized access
- User activity is traceable



... Closing The Books

The screenshot illustrates the navigation path to the 'Advanced' settings in QuickBooks. On the left, a toolbar contains icons for a clipboard, a lightning bolt, a speech bubble, a bell, a gear (highlighted with a blue square), and a question mark. A blue circle with the number '1' is positioned over the gear icon. To the right, a dropdown menu titled 'YOUR COMPANY' is open, listing several options. The 'Account and settings' option is highlighted with a yellow background. Below this, the 'Account and settings' page is shown, with a list of settings categories. The 'Advanced' category at the bottom is highlighted with a yellow background, and a blue circle with the number '2' is placed over it.

YOUR COMPANY 1

- Account and settings
- Manage users
- Custom form styles
- Chart of accounts
- Workers' comp
- Get the desktop app
- Additional info
- Priority Circle

Account and settings

- Company
- Usage
- Payments
- QuickBooks Checking
- Sales
- Expenses
- Time
- 2
- Advanced

Advantages of Closing The Books

Accounting 3

First month of fiscal year [?] January ▼

First month of income tax year Same as fiscal year ▼

Accounting method [?] Accrual ▼

Close the books [?] ☒

Closing date

Allow changes after viewing a warning and entering password ▼ [?]

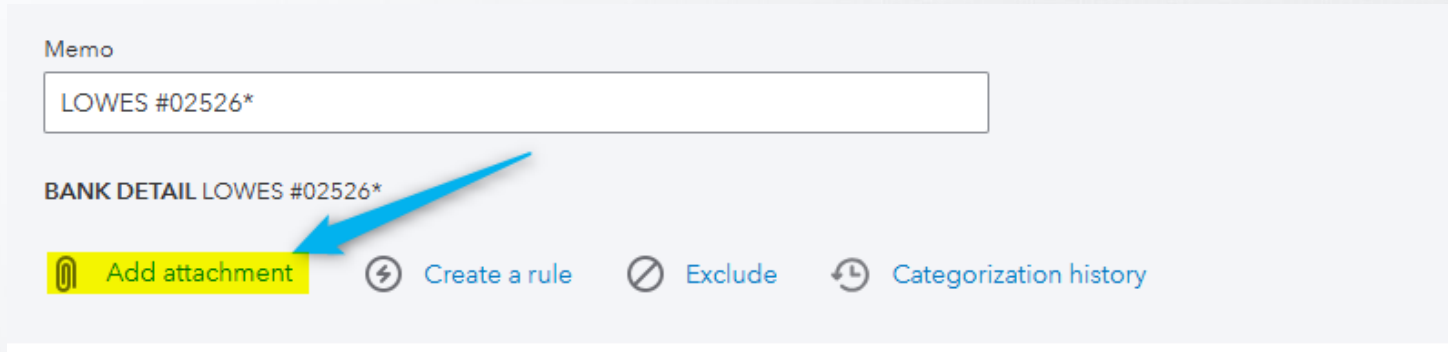
Password

Confirm Password

Cancel Save

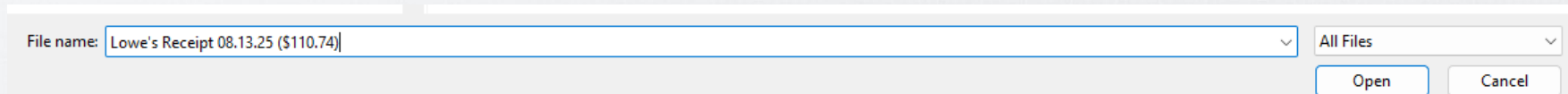
... Attaching Documentation – Banking Module

- When in the bank transactions module to categorize a transaction click add attachment:



The screenshot shows a software interface for the banking module. At the top, there is a 'Memo' field containing the text 'LOWES #02526*'. Below this, the text 'BANK DETAIL LOWES #02526*' is displayed. A row of four buttons is visible: 'Add attachment' (highlighted in yellow with a paperclip icon), 'Create a rule' (with a lightning bolt icon), 'Exclude' (with a crossed-out circle icon), and 'Categorization history' (with a clock icon). A blue arrow points from the 'Add attachment' button towards the right.

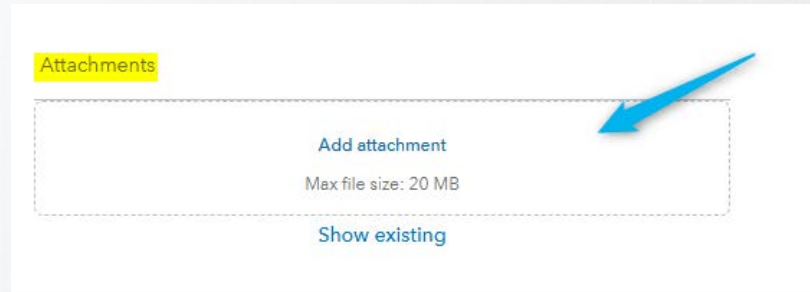
- This will open your files on your computer to upload the receipt:



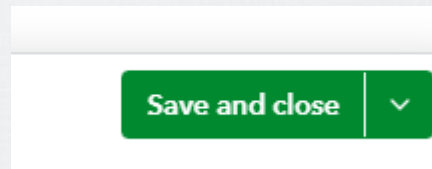
The screenshot shows a file selection dialog box. The 'File name' field contains the text 'Lowe's Receipt 08.13.25 (\$110.74)'. To the right of this field is a dropdown menu currently set to 'All Files'. At the bottom right of the dialog are two buttons: 'Open' and 'Cancel'.

... Attaching Documentation

- When in an expense or deposit transaction, there is the option to attach documentation to the bottom left:

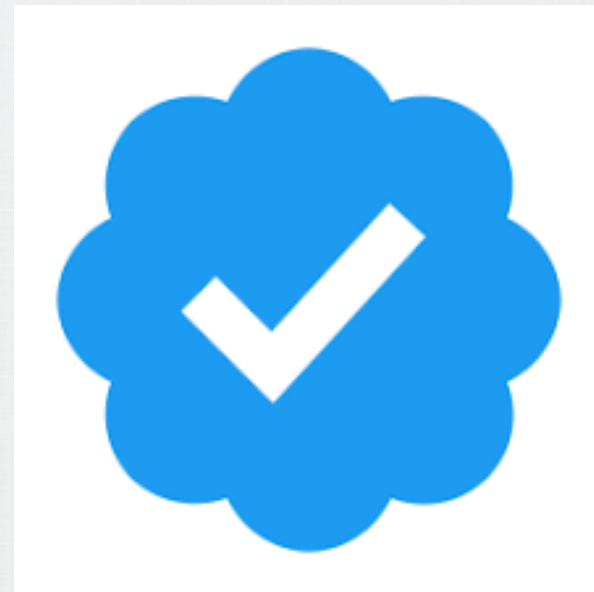


- Attachment types include, Excel, PDF, and Image files. These can be added via drag & drop or by clicking "Add attachment"
- Once the documentation has been added click save & close on the bottom right:



Advantages of Attaching Documentation

- Provides a clear and verifiable picture of the transactions
- Demonstrates the legitimacy of financial entries
- Ensures the organization's relevant documents are organized and readily accessible
- Simplifies the audit process



Utilizing The Audit Log

- Filter by User
- Filter by Time Frame
- Filter by Event

User

All Users

▼

All Users

Craig Carlson

Online Banking Administration

Support Representative

System Administration

Date Changed

Last Month

▼

Custom

Today

Yesterday

This Week

This Month

This Quarter

This Year

Events

▼

Permissions changes

▼

All events

All transactions

Budgets

Forecasts

Data exchange

Deleted/Voiced transactions

Lists

Utilizing The Audit Log Continued

Jul 18, 2025, 4:00 pm Eastern Daylight Time	Craig Carlson	Completed Deposit	View
Jul 18, 2025, 3:59 pm Eastern Daylight Time	Craig Carlson	Applied Payment to Cool Cars	View
Jul 18, 2025, 3:59 pm Eastern Daylight Time	Craig Carlson	Edited Invoice No. 1004 for Cool Cars	View
Jul 18, 2025, 3:57 pm Eastern Daylight Time	Craig Carlson	Created Invoice No. 1035 for Mark Cho	View
Jul 18, 2025, 3:56 pm Eastern Daylight Time	Craig Carlson	Added Bill Payment (Credit Card) No. 1 to Norton Lumber and Building Materials	View
Jul 18, 2025, 3:55 pm Eastern Daylight Time	Craig Carlson	Added Bill Payment (Credit Card) No. 1 to Cal Telephone	View
Jul 18, 2025, 3:52 pm Eastern Daylight Time	Craig Carlson	Applied Payment to Sushi by Katsuyuki	View

Utilizing The Audit Log, Cont.

Transaction History

×

View Mode

Show Timeline ▾

08/08/2025, 1:48 pm EDT

Edited by Chelsea Moore

08/01/2025, 8:08 am EDT

Indirect edit by Christine Petrone

07/16/2025, 1:00 pm EDT

Edited by Chelsea Moore

07/03/2025, 10:32 am EDT

Indirect edit by Christine Petrone

07/03/2025, 10:28 am EDT

Indirect edit by Christine Petrone

06/16/2025, 9:04 am EDT

Added by Chelsea Moore

Fundraising Program
Expenses Expense
Supplies

... Advantages of Using Audit Log Include:

- **Detects and Prevents Fraud:** Reviewing the audit log helps identify unusual or suspicious activities that may indicate fraudulent behavior
- **Improves Accountability:** The audit log allows team members to see who made changes, ensuring accountability and compliance with procedures
- **Ensures Data Accuracy:** By tracking all changes, the audit log helps confirm the accuracy of financial data and prevents human error
- **Resolves Issues Quickly:** The audit log allows for quick tracing of user actions, helping to identify the source of problems and resolve them efficiently
- **Maintains Transparency:** The audit log provides transparency into user activities, enhancing accountability and trust within the organization

Real World Example: Lessons from an 8 Million Dollar Fraud

- Fraud lasted for 4 years and 3 months
- Started with his wife becoming pregnant and his salary was \$80,000 a year and with the financial PRESSURES was not being able to cover his monthly bills of student loans, mortgage, credit cards, etc.
- Worked for a very large company; however, his division only had a Controller, Assistant Controller, Accounting Manager (Perpetrator) and three employees under him.
- Due to the small size of the department, employees would often share login and passwords (explained as a simple work around when people were sick or on vacation)
- No one in systems realized they had given him and another employee approval for checks/ach up to \$250,000; and the perpetrator had discovered this by accident one day.
- Started to think, if I could just get my debt paid off, I would be doing ok and could stop

... Real World Example: Lessons from an 8 Million Dollar Fraud

- Started very small with only a payment to his credit card company for \$1,100
- He went into his coworker's computer on a Friday evening and requested the check to "Universal" a company they did business frequently with but also had the same name as his credit card company.
- He went into his computer and approved the check and mailed it into his credit card company. The payment was applied with no problem.
- Guilt started to sink in. He thought I may go to jail for only \$1,100. So, he decided to try it again two weeks later for \$1,800 and it worked.
- After almost having it all paid off, a check for \$4,500 was never applied to his statement; he started to get worried. However, he forgot to write the credit card number on the check, and it was returned to the office in Atlanta, who didn't look into it; and instead, sent it back to him. This panic made him immediately stop with the check fraud.

... Real World Example: Lessons from an 8 Million Dollar Fraud

- So, after waiting about a year, he decided to create a company and added them to the accounts payable system.
- He started "small" with only requesting a \$27,000 check. He went onto his coworker's computer and posted the payable. He then went back to his computer and approved the payment.
- Company's internal control procedures were that checks were printed at a location next door and a different employee NOT in accounting would collect the printed checks and mail them. However, if that employee was off for the day, it was the accounting managers job to go take care of that.
- He would request the checks the night before he knew he would be getting the checks.

... Real World Example: Lessons from an 8 Million Dollar Fraud

This went on for 3 more years. In the first year he embezzled \$1 million, in year 2, \$2 million, in year 3, \$4 million and the year he was caught another \$1 million for a grand total of **\$8 million!**

- He used the money for living beyond his means and gambling. Ultimately, the stress took a toll on his marriage, and he divorced during year 3 of the fraud.
- In the end his ex-wife who was friends with his boss were having lunch and she started telling him about his gambling and drinking and something seemed off
- The boss started to investigate and used audit reports that looked at all checks approved by the perpetrator
- He called him in and asked for all supporting backup to the fake company he had created.

... Real World Example: Lessons from an 8 Million Dollar Fraud

Conclusion

This case is a good reminder of the importance of controls related to ERP systems. Authentication controls identify the person accessing the accounting system and ensure that only legitimate users can access the system. These controls include passwords, smart cards, and biometric identifiers. In this case, the authentication controls failed because he effectively impersonated either the co-worker or himself. His fraud could have been prevented if the company had used multifactor authentication, perhaps by requiring both a password and a smart card inserted into a card reader.

Questions





View past seminars on our YouTube Page!





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