

I-05.06

Form a team with four other classmates. This problem requires your team to visit a business that is willing to share some information about their control procedures, so try to form teams such that at least one team member has a contact or relationship that will facilitate the business visit.

Visit the business and discuss their general control environment and control procedures. Inquire about how such procedures were created, and the necessity for such controls. Determine if any specific problems prompted the implementation of any unique controls. Finally, each team member should focus on one of the following control dimensions and identify an example of how it is utilized by the entity:

- Member #1 Limited access to assets -- identify some entity owned asset that is protected by limited access. Prepare a brief report to share with your class about the nature of the protected asset, how it is protected, and why.
- Member #2 Separation of duties -- identify some accounting task or transaction that requires multiple parties to complete. Prepare a brief report to share with your class about the nature of the task or transaction, and how the involvement of multiple parties reduces the risk of error or irregularity.
- Member #3 Duty authorization -- identify some activity that requires specific management action to authorize. What prevents this activity without appropriate authorization? Prepare a brief report to share with your class about the nature of the activity and the system for authorization.
- Member #4 Prenumber documents -- identify some document type that is prenumbered. How are the "numbers" utilized for control purposes? Prepare a brief report to share with your class about how prenumbering of the particular document aids in the control environment of the business.
- Member #5 Independent verification -- identify a verification process within the entity. What is verified and why? Prepare a brief report to share with your class about the verification procedure and its importance.

Hint: Provide, in advance, a copy of this assignment to the person(s) you will be meeting with at the business. This make for a more meaningful and efficient visit.