

- 1) If an employee is stealing cash from Cindy, provide two reasonable scenarios for how this could be happening based off of information provided in the case.
 - a) The hired employee could receive payment from the customer, however, doesn't record the transaction into the register machine, and record the inventory as "missing".
 - b) The employ could open the registers, and take money out of the registering machines.
- 2) Are there any segregation of duties concerns noted in the case for the 5 employees? If so, identify two segregation of duties violations by stating the employee's name and what two duties they can perform that conflict with one another.
 - a)Lisa: record sales data, and prepare bank deposits. When Lisa record sales data, she could be able to change the data around, and accordingly change the deposits amount during the preparation for bank deposits.
 - b)Lisa, Angela, Susie, Wanda, and Becky: They have full authority for entering all types of transactions in the registers. This could result in recording other transactions outside of sales transactions, for instance, purchasing inventories which should be performed by Cindy. Also, when a theft behavior take place, you would not be able to identify the person who performed the action, because everyone has full access to record any type of transactions, and either one could be able to do it.
- 3) Identify two detective controls that Cindy could enforce that would reduce the potential for theft to occur.
 - a) Review the current performances (especially different data sets) with the former periods performances to see whether if there are irregular and unexpected tendencies and results. Investigate into the odd details of the results. Compare the current budget amount to the previous budget amount. Perform reconciliation of the transactions with the payments data.
 - b) Audit
- 4) Related to the internal environment (control environment of the COSO framework) of the business, what two policies could Cindy introduce to her business that may help to reduce the potential for theft?
 - a)Set up the control environment: Give trainings to the new employees about the strict rules, procedures, policies and consequences relates to behavioral regulations in the company. Set up the first impression of the company, which will give the culture and behavioral guidance of the employee.
 - b)Monitoring: Perform control overtime with necessary corrections regarding to ongoing activities. Set up a system which check and verify daily activities. Monitoring the daily ongoing activities would be able to offer the immediate alert to the mistakes performed. By monitoring ongoing activities daily, the mistakes would be easier to identity and make corrections.
- 5) Perform an analysis of the financial information provided in Table 1. Do you see any trends in the numbers that would help to identify how theft of cash is occurring? (Hint: horizontal and vertical analysis may be helpful in identifying trends)

Looking vertically, the theft of cashing could be performed through recording an increase of the cost of sales, a decrease of net sales, a decrease in refunds, and increase the discounts. In this way, steal the cash of the differential amount.

Looking horizontally, the theft could steal the refunds that the customers pay, and record a less amount.