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LINDLEY & ASSOCIATES LLC
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111 WEST HARRISON ST STE 200
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SUMMER TO-DO LIST:

- ▶ Find new audit (or tax) firm
- ▶ Check their references
- ▶ Send a request for proposal!

We specialize in not for profit organizations and government funded entities: audit, reviews and tax preparation. We are committed to those agencies that provide services to our community.

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SUBMIT YOUR COMMUNITY ANNOUNCEMENT

You may submit "Not for Profit Corner" announcements by email (admin@LindleyCPAs.com) or fax (206-332-0957). Call 206-332-0386 for publication dates. There is no fee for this service.

The information in this newsletter is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation. For additional information, PLEASE CONTACT US.

BOARD GROUP-THINK—GOOD OR BAD?

By Martha Lindley CPA

What is group think

Groupthink is a psychological group phenomenon in which the desire for harmony or conformity in the group results in an incorrect or deviant decision-making outcome.

Why does it happen

Group members try to minimize conflict and reach a consensus decision without critical thinking. Persons within a group perceive other members as similar to themselves and are thus more willing to give into conformity pressures. Another reason is because people value the group and are thus more willing to give into conformity pressures to maintain or enhance their relationship rather than have an evalua-

tion of alternative ideas or viewpoints. The group seeks to isolate themselves from outside influences. Loyalty to the group requires individuals to avoid raising controversial issues or alternative solutions. This creates a loss of individual creativity, uniqueness and independent thinking. The dysfunctional group dynamics of the "in-group" produces an "illusion of invulnerability" (and inflated certainty that the right decision has been made). Thus the "in-group" significantly overrates their own abilities in decision-making and significantly underrates the abilities of their opponents (the "out-group"). Antecedent factors such as group cohesiveness (do they function well as a group), faulty group structure (not a

successful working group), and situational context (such as community panic) play into the likelihood of whether or not group think will impact the decision-making process.

What are the symptoms of group think

- 1) Discussions are limited to a few alternatives, usually two, without further alternatives given.
- 2) The group does not have an outline of the objectives or if their values are projected by the choices.
- 3) The group fails to re-examine the action preferred by the majority for risks and drawbacks.
- 4) Alternatives "thrown out" in the first discussion are not re-examined.
- 5) Little or no attempt is

Continued on page 2.

ACCOUNTING DEPARTMENT EFFICIENCY

By Martha Lindley CPA

Thousands and thousands of accounting departments—that's how many I have walked through—what makes a difference and what have I learned?

BEST PRACTICES

Some accounting departments are put together like program departments, and records are kept that way. This leads to confusion. There are four accounting cycles:

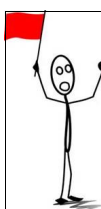
Cash receipts (and receivables) - invoices and payments are matched and filed together. Copies of checks are retained.
Cash disbursements (and payables) - approval process and supporting documentation is "no exception" - no docs, no check. The person printing checks does not have access to blank checks. Safety checks are used.
Payroll (and tax filings) - reports are retained and are reviewed. Vacation PTO records exist and payout is

monitored, updated monthly, and approved.
General ledger (reports) - a file (physical or electronic) should exist for each month's statements in PDF. Anyone can change QuickBooks ANY time (I have caught this fraud many times) and a "real" copy should exist. Each accounting cycle is unique and should have its own procedures.
Supervisory review is not perfunctory—it is the control—the lock on the open door, the password on the PC, Cont on page 2.



ACCOUNTING DEPT EFFICIENCY

Cont from page 1.



the fence around the yard—this function can not be emphasized enough.

WARNING SIGNS

There are no physical records. There are no printed or pdf financial statements.

There is no evidence of supervisory review (initial & date).

All IRS notices go directly to the payroll department.

Files are not organized (random and haphazard filing).

Or there are no files, just large binder clips of paper.

Only one person knows where “things” are.

No fixed responsibility (so no one is responsible to determine who did it).

The board doubts they can rely on the information provided.

The audited financial statements do not agree to the in-house financial statements.

Tech Corner

There are BIG differences between online and desktop versions of QuickBooks (QB). Most sites just compare cost and ease of use.

But there are other important user considerations: report size (can it display the entire general ledger at one time), export formatting (is the general ledger readable in Excel) customization (on line and PC based do not have the same reports available) and user definitions are all reduced when using online QB.

The primary advantage of online QB is that you aren't tethered and any user has access. This can be offset by change in staff or entries made by those who aren't highly skilled in bookkeeping or accounting.

Is online QB right for you? There are points for and against it. But it is not a simple apples to apples comparison—PC based and on-line QuickBooks are not the same product. It is not as simple as where the data resides and not as simple as what is the cost difference.

-Ryan Kauzlarich, Audit Manager

GROUP THINK

Cont from page 1

- made to obtain outside expert advise.
- 6) Selective bias is shown by group reaction to factual information from experts.
- 7) Members spend little time on contingency plans should the selected plan not be viable.

What are the problems with Group Think?

- 1) Overestimation of group power—invulnerable, optimistic, morally right in decisions made,
- 2) Closed-mindedness—alternative ideas are dismissed, negative and stereo-typical view of opponents are created.
- 3) Pressure to conform—members with questions remain silent. “Illusions of anonymity” members protect the group from adverse information that might shatter their shared complacency.

How does Group Think Occur

It occurs when there is a lack of interaction with others — group cohesiveness, not wanting to disturb the group; group isolation; leader intimidation of group members and the absence of an actual decision making process.

What are solutions to Group Think

Solutions include implementing meeting procedures, including a written agenda and presenting competing viewpoints. Decision making should include a discussion template which outlines the problem, the options and the recommendations. All input should be included.

Group think is the result of flawed procedures, poor leadership, insulation and the unmanaged desire for the maintenance of group cohesion and its good feelings. These factors can be addressed positively and group decision making improved, while keeping Group Think to a minimum.

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Requirements: annual budget less than \$1M and location is in certain Puget Sound counties.

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For details and application form.

LINDLEY CLOCK TOWER LOGO

Lindley & Company LLC, CPAS has officially changed its name and website address. We are now Lindley & Associates LLC. Our logo incorporates the Lindley Clock Tower and new name.

The Lindley Clock Tower is the most prominent landmark in Lindley, England, standing at the junction of Lidget Street and Daisy Lea Lane. It is registered as a historical landmark, in the top 8% of historical buildings in the UK. The tower is 83 feet high and two feet thick.

Built in 1902, it represents the Art Nouveau period of 1890– 1905. It is adorned with many sculptures, an important feature of this art style. TIME at the front entrance stands on a winged world globe, with YOUTH to his right and OLD AGE to his left. Above TIME is a sculpture representing. ETERNITY. Next to the clock faces are standing human figures representing TRUTH, LOVE, PURITY and JUSTICE. The gargoyles protruding from the four corners of the roof are dogs, “The Beasts Fleeing the Towers of Time”.

And why is the Lindley Clock Tower our logo? The clock serves others, it is reliable and timely. That is Lindley & Associates LLC (and of course, it has family significance as well!)



INTERNAL CONTROLS YOU CAN DO TODAY

Internal controls—the auditors and the board—always making recommendations and “having concerns”! Do not get lost in the idea that it would take a multi-layer flow chart to understand IC!

Here are a couple of excellent ideas you can do today!

1) Really review the bank statement and bank reconciliation if you are the supervisor.

A) Does the opening balance, deposits, checks cleared and ending balance on the reconciliation agree with the bank statement?

B) Does the payee (the person the check is written to) agree with the check? Is the date & \$ correct?

C) Are there checks made to “cash” or “employees” that cannot be explained?

D) What are all the “uncleared” items on the rec—do they make sense?

E) Are there items older than 90 days in the past/future-what are they?

F) Review the check image of the check that cleared the bank—are they yours, did you approve this check, is that your signature??

2) Safeguard incoming mail like it was a stack of \$100 bills. The mail contains checks and credit cards—and what happens to the mail when it comes in—put on the desk of the person at lunch? Put in a folder marked “Money”? And it is small and attractive and fits in a pants pocket!

3) Where are those laptops? Organizations are encouraged to be with the times and hand out laptops for off-site use. The initial check out is very procedural—sign out on a log sheet with the serial number. Are there ANY procedures to locate those floating assets annually? When I worked at the State (and everyone had a laptop), they had a very effective practice. As we were field auditors, we were always out of the office. A staff meeting would be announced, and the day before, a notice to bring all equip-

ment to the main office was announced. Upon entering the meeting room, all equipment was surrendered to the asset manager. They also checked for personal use of business equipment, unauthorized software, etc.

4) “Checks are safe, aren't they”? Frauds seen this year: taking checks and dissolving the ink (remember, review the checks that cleared the bank), name dissolved and employee's name written in, check preparer writing check to self (this is the number one fraud, no one coming in on ropes from the ceiling to crack the vault),

But most important—you never know what event or circumstance will make a person steal—reduce the opportunity for your employees to make the wrong decision.

