

FOR IMMEDIATE RELEASE

Shwiff, Levy & Polo Names Top Five Pitfalls of Cash Businesses

SAN FRANCISCO, CA – February 9, 2010 – Shwiff, Levy & Polo, LLP (www.slpconsults.com), a San Francisco boutique CPA firm, today announced its list of the top five pitfalls of cash businesses that lead to loss of revenue.

One of the most significant audit issues for cash based businesses is the underreporting of gross receipts. In audits of these businesses, the IRS uses various indirect methods to estimate gross revenue. The IRS could assess additional tax, penalties and interest for underreported income based on the results of their tests. Shwiff, Levy & Polo advises owners to take proactive steps to avoid these common pitfalls by developing sound business practices in maintaining adequate and accurate records of income.

Increased sales and profitability are a small business owner's objective. A small business faces pitfalls when a substantial part of its revenue collections is in the form of currency. Restaurants, convenience stores, and many other businesses require special procedures and investment in proper equipment to control cash and maintain proper accountability. Without these procedures and controls in place, the business owner is subject to losses due to: theft, improper controls over cash, inaccurate or erroneous accounting results, and inventory controls.

Shwiff, Levy & Polo advises small businesses to control their cash business, avoid loss of revenue, and maintain control over assets by using the following five tips:

1. **Employee Theft** – Business owners must take steps to remove the incentive for employee theft. Cash driven businesses are more prone to theft because employees handle cash frequently. A cash drawer or register must be able to generate a sales summary report that can be reconciled to the till at the end of a shift. These reports become increasingly important in businesses with multiple cash registers. Sound policies for owners to implement that are also good investments are to: require employees to provide a receipt to consumers, educate consumers to request a receipt for each purchase, and conduct employee background checks.
2. **Excess Cash Accumulation** – Business owners should remove excess cash during seasonal or daily business cycles. (An example is a confectionary store where sales increase dramatically during holidays like Valentine's Day, Mother's Day, or the Christmas holidays.) Many businesses do have a process to remove an excess cash buildup in the cash register, however. By removing cash from the drawer more often during these special holidays, the owner takes a proactive step to manage the business procedures wisely and eliminate risk of loss.
3. **Inventory Control** – Many businesses have taken steps to control sales and inventory by using a point of sale system. Many small convenience stores do not

have this level of sophistication, however, which results in poor controls and potential loss of revenue, as well as poor inventory management. Making an investment in a POS system facilitates many facets of a business operation and the accounting and financial reporting process.

4. Payment to Vendors – Owners must have a strict accounts payable policy and not be pressed to make payments prematurely out of the cash in the drawer. Businesses may get too comfortable in paying vendors or restaurant waiters out of the cash accumulated in the cash register. Many errors in the accounting of the business operations will occur without the proper controls to account for this process.
5. Asset Protection – Cash is the most liquid of assets. The owner must have tight controls over cash and start with protective policies that a business develops, trains employees, and implements so all employees across the business understand and accept responsibility. A parking management company with responsibility to manage several large parking lots, such as airport parking structures, needs a sophisticated process and policies that all employees must follow in order to obtain the proper controls over cash. Drop boxes are very common in such situations, along with policies that employees drop bundles of cash so as to maintain only a base amount available for change in the register. This is a sound business practice and procedure to protect assets and prevent loss.

Putting the proper procedures in place allows a business owner to maintain control over their business assets and accountability, and thus over operations as a whole. Without these procedures, business owners may never know they have a problem in some or all of these areas.

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