

Advantage

1st Quarter, 2007

DON'T PUT YOUR PROFITS AT RISK

Paper checks were once the standard currency for business transactions. Today they are at greater risk of becoming a thief's tool, thanks to advances in laser printing, scanning, color copying and desktop publishing that make checks easier to counterfeit or alter. An estimated 500 million checks are forged annually in the United States, causing losses that approach \$10 billion.

While we normally think of check fraud in terms of forged signatures on the check's front or back, there are many more variations to check fraud crime. Perpetrators have been known to print counterfeit checks with legitimate bank codes, alter the payee or check amount in virtually undetectable ways to suit their purposes, or simply use company checks in an unauthorized manner to divert funds to their own account.

In more sophisticated schemes such as "paperhanging," checks are written and cashed against closed accounts. With check kiting, the criminal writes checks from an account at one institution and deposits them in another account using the interim "float" time to create fraudulent balances.

No business is completely safe from check fraud, and every business shares responsibility for detecting and deterring it. At one time, banks were liable for losses resulting from check fraud; however, recent regulatory changes now allow banks to share liability with their corporate clients relative to a determination of fault.

Precaution = Prevention

The best ways to prevent check fraud involve common-sense procedures such as:

- Conducting business background checks on employees;
- Having more than one employee responsible for accounts payable;
- Limiting the number of people authorized to sign checks; and
- Requiring two signatures on checks over a specified dollar amount.

Reconciliation of bank statements should be performed promptly each month, preferably by someone other than the people who prepare and sign the checks. With online access to your disbursement accounts, you can monitor activity daily.

Take Nothing For Granted

Controlling access to your supply of new and cancelled checks is also important. Check stock should be kept in a locked facility, where keys or entry codes are changed periodically. The same applies to cancelled checks, which carry your bank code and authorized signatures. When destroying cancelled checks, be sure to shred them. If you depend on check-writing software, use its security layers to limit access and change passwords periodically.

Use Available Bank Services

Banks can help you prevent check fraud by helping you arrange electronic payments wherever practical. A "Positive Pay" service on high-use disbursement accounts provides daily reconciliation and immediate notification of suspicious checks. As a result, you can identify and stop a bad check before it clears your account.

Enlist Help From Your Auditor

A thorough forensic audit will usually uncover any instances of check fraud, while a risk assessment audit will reveal opportunities for check fraud that you may have overlooked. Surprise audits are another way of keeping employees honest. Be sure you use your auditor to maximize your advantages in establishing, testing and revising good internal controls.

Remember that check fraud is a crime. If you suspect you are the victim, notify your bank and your local law enforcement immediately.

THE COMPLEXITIES OF HIRING NON-U.S. CITIZENS

Due to the tight labor market in the United States, many companies are turning to hiring non-native employees. As more companies face domestic skills shortages, they are increasingly seeking foreigners to bridge the gap. However, dealing with all of the legalities and administration regarding the visa process can be very challenging.

You should be aware of some of the problems you may face when assisting a foreign worker in the visa process. The U.S. government allows only 85,000 skilled, non-native professionals to enter the country each year on an H1-B visa. This quota includes 65,000 people who hold the equivalent of a Bachelors degree, and an additional 20,000 workers who hold a Masters degree from a U.S. college or university. This type of visa allows foreign professionals to work in the U.S. for three years and extend their stay for another three years.

Some points to consider about H1-B visas:

The H1-B visa holder can apply for a green card if a company wants to sponsor the employee. There are rules that must be followed carefully; otherwise, the government can impose fines on the company.

The company only needs to demonstrate that the job requires specialized knowledge when seeking to hire a person with a H1-B visa. The company does not need to prove a lack of qualified candidates in the U.S. unless they are assisting the worker in obtaining permanent residence.

The employer is responsible for return transportation costs for an employee terminated prior to the end of the approved period of employment.

If an employee plans to work for more than one employer, each employer must file separate H1-B petitions.

H1-B visa holders can purchase real estate in the U.S.

Other visa options are as follows:

Companies with international operations can consider an L1-A or L1-B visa, which allow companies to transfer foreigners between affiliated locations. However, the petitioning company must be doing business in the U.S. and in a country abroad where the visa applicant is an employee of the company.

The O-1 visa can be used for jobs that require "extraordinary ability" in the science arts, education, athletics, or in business.

Employment must be in a capacity that requires the extraordinary ability of the applicant.

The TN-NAFTA visa for Canadian and Mexican residents allows professionals from either country to work at prearranged jobs in certain areas. The maximum period of admission into the U.S. is one year; however, it can be extended each year for an additional year. There is no limit on the extension, but the visa status is not for permanent residence.

The visa process is very complex and should be performed only with the advice of an immigration and employment law attorney.

DOING BUSINESS IN CHINA

Since adopting market reform in 1978, China has been among the world's fastest growing economies. There are significant opportunities for U.S. businesses in China; however, China's form of government and changing regulatory and legal structures can prove to be very challenging for outsiders. China encompasses diverse typographies, climates, and cultures, along with a diverse marketplace with varying levels of development.

If you are considering doing business in China, here are a few suggestions:

The Importance of the Right Partner

Successfully doing business in China means having the right personal connections or guanxe (GWAN-she). Guanxe firms help foreign companies deal with China's bureaucratic and distribution problems. The importance of relationships is another reason why many small American companies choose to deal through trading companies or local distributors even if they have offices in China. Companies can locate distributors or business agents through the Department of Commerce and through trade shows.

Legal Advice

Don't attempt to enter into a business agreement with a Chinese partner without expert legal advice. Chinese law requires specific terms in business contracts and the govern-

ment is constantly changing rules retroactively.

Payment

One of the biggest risks of doing business in China is the problem of receiving payment on-time. It is imperative that the proper research and credit checks are performed to minimize exposure to extremely late payments or full or partial non-payments. Some American companies require payments from its distributor prior to releasing their goods.

Intellectual Property

One of the biggest problems for small U.S. companies doing business in China is protecting their intellectual property rights in China. The U.S. embassy in China has issued an Intellectual Property Rights toolkit to assist companies in understanding the Intellectual Property Rights problem in China and how to best protect themselves from piracy.

These are just a few issues that need to be addressed before doing business in China.

When considering doing business in China, U.S. companies should use information from the Department of Commerce and seek the advice of attorneys, accountants and consultants prior to signing any Chinese agreements or contracts.

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- One annual fee

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

RECORD RETENTION GUIDE

Record retention is important for both businesses and individuals, especially in case of an audit. Below is the Marien + Company Quick Guide to Record Retention:

Type of Record

Suggested Retention Period

Partnership/LLC's

Partnership/Membership Agreements
Organization Records

Permanent
Permanent

Corporations

Articles of Incorporation
Board of Directors—Minute Book
By-laws
Stock Transfer Records
Stockholders—Minute Book

Permanent
Permanent
Permanent
Permanent
Permanent

Fixed Assets

Depreciation Schedule
Inventory Records
Property Appraisals

Permanent
Permanent
Permanent

Banking Records

Bank Statements
Bank Reconciliations
Bank Deposit Slips
Cancelled Checks

Seven Years
Seven Years
Three Years
Ten Years

Accounting Records

Accounts Payable Ledger
Accounts Receivable Ledger
Accounts Written Off
Chart of Accounts
Expense Reports
Petty Cash Records
Financial Statements
General Ledger
Journal Entries
Profit/Loss Statements

Seven Years
Seven Years
Seven Years
Permanent
Seven Years
Seven Years
Permanent
Permanent
Permanent
Permanent

Tax Records

Tax Returns

Permanent

Personnel Records

Accident Reports
Applications/Resumes (non-hires)
Attendance Records
Disability Benefits
Employee Expense Reports
Garnishments
ERISA Retirement and Pension Records
OSHA Logs
Payroll Checks
Payroll Records
Personnel File

Seven Years After Settled
Three Years
Seven Years
Seven Years After Expiration/Settlement
Seven Years
Five Years
Permanent
Five Years
Seven Years
Ten Years After Termination
Seven Years After Termination

124 New London Turnpike, Norwich, CT 06360

Phone: 860.886.1750 Fax: 860.886.0280

www.MarienCPAs.com



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QUICKBOOKS 2007 UPDATES

QuickBooks 2007 strives to boost manageability and organization and as such will mostly appeal to the more experienced customers. New features and improvements include:

- Automatically classifying frequently entered business expenses.
- Convenient measurement conversions to ease working with different product quantities that your company receives and sells. It's a welcome addition if your business repackages shipments into multiple selling units.
- Improved customization tools that let you more easily modify invoices and other forms and immediately preview changes.
- Improved shipping manager now offers thermal printer support, and creates shipping documents from within QuickBooks doing a better job of handling multiple parcels.

Other new features, while technically not accounting-related, work with Google to help you market your company's products:

- Google Desktop - Find information quickly. Search and find the customer, vendor or financial information in QuickBooks by typing in a few key words. Get a complete list of files that match within seconds.
- Google Marketing Tools - List your business on Google maps to reach new local customers. If you like, you can even offer coupons.

Other enhancements are fee based such as online time tracking timesheets for employees, Google Marketing Tools, QuickBooks Online Backup Service and an improved payroll center displaying due dates for payroll schedules and tax payments.

This newsletter is intended for general reference purposes only. It is not a substitute for specific, professional accounting and tax advice.

CONNECTICUT HIGHER EDUCATION TRUST (CHET) 529 COLLEGE SAVINGS PLAN

CHET offers an easy way to save for your child's education while saving on Connecticut income taxes.

As of July 1, 2006, Connecticut allows state taxpayers to deduct contributions made on or after January 1, 2006, to CHET, the state-sponsored college savings plan as follows:

- \$5,000 filing single
- \$10,000 filing joint

Any contribution not deducted in the year for which the contribution is made may be carried forward over the next five years, provided the amount deducted does not exceed the maximum allowed in each subsequent taxable year.

Start a savings plan today to prepare for your child's tomorrow!

For more information log on to www.aboutchet.com

Norwich, CT 06360
124 New London Turnpike
www.MarienCPAs.com
Fax: 860.886.0280
Phone: 860.886.1750

**Marien +
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