

EXHIBIT 2
SARBANES-OXLEY SECTION 404 ASSESSMENT OF INTERNAL CONTROLS
DOCUMENTATION OF FINANCIAL CYCLES

Company: ACME SAFE	Location: A	Financial cycle: CASH RECEIPTS	Prepared by: AB 5/10/2004 Reviewed by: CD 5/10/2004
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Description of Financial Cycle:
ACME SAFE COMPANY—CASH RECEIPTS CYCLE

All mail is picked up at the post office box in the Anytown, USA, post office by Sam (shipping clerk). Mail is opened by Alice (receptionist). Alice writes up a schedule of the checks received. She then distributes the mail. The schedule of checks and the physical checks are received by Bob (the bookkeeper). Bob prepares the bank deposit ticket. Charlotte (company president's secretary) makes the bank deposit. The validated deposit ticket is returned to the accounting department and matched against the list prepared by Alice. The receptionist, bookkeeper, and secretary sign the deposit ticket and the check listing.

The bookkeeper inputs the cash receipts into the cash receipts module of the accounting computer system. Once complete, the cash receipts are posted to the accounts receivable master file and subsequently to the general ledger.

The cash receipts posting ledger is compared to the original check listing. The accounts receivable trial balance is compared to the general ledger control account weekly. Any exceptions are noted and reconciled.

The cash receipts journal is used to reconcile the bank statement on a monthly basis. Customer statements are mailed at month-end.

Test of Transactions			
Description of control tested	MA	Result of control tested	Assessment (1, 2, or 3)
1 Cash receipts are recorded for funds actually received.	EO	Separation of duties between handling cash and recordkeeping.	1
	EO	Independent reconciliation of bank accounts.	3
2 Cash received is recorded in the cash receipts journal.	CO	Separation of duties between handling cash and recordkeeping.	1
3 Cash receipts are deposited and recorded at the amounts received.	VA	Regular reconciliation of bank accounts.	1
	VA	Totals are compared with computer posting reports.	1
4 Cash receipts transactions are properly classified.	PD	Cash receipts posting is compared to general ledger chart of accounts.	1
5 Cash receipts are properly included in the accounts receivable master file and correctly summarized.	PD	Customers' statements sent to customers at month-end.	1
	PD	The accounts-receivable trial balance is compared to the general ledger control account on weekly basis.	1
6 Acme Safe has rights of ownership of cash funds received.	RO	All pay-to-the-order-of notations are examined on all checks received.	1

1 = Effective control 2 = Reportable condition 3 = Material weakness

Management Assertions (MA): Existence or occurrence (EO) Completeness (CO) Valuation or allocation (VA)
Rights and obligations V(RO)Presentation and disclosure (PD)

Evaluation		
Reportable condition/material weakness identified	Solution	Date
Independent reconciliation of bank accounts / same person that records cash receipts prepares the bank reconciliation.	Senior accountant in the accounting department performs the bank reconciliation. This person does not post or handle cash receipts; nor are they involved in any billing processes.	5/17/2004
Conclusion		
Overall Assessment of Internal Controls	Assessment	Date
Based upon assessment, internal controls relating to the cash receipts cycle appear adequate.	1	5/24/2004

Reviewed and approved by: Steven Jones, Controller Date: 5/24/2004
Implementation team member: John Smith, CFO Date: 5/24/2004
Sponsoring committee member: Jane Lee Date: 5/24/2004