

Hemard & Company

Client Connection

May 2009

From the desk of Victor E Hemard Jr, President

Client Success Story: Timberland Services

Timberland Services, Inc. was started in 1983 by Mike Merritt, Gordon Still, and Jimmy Smith in Taylor, Louisiana. I have had the pleasure of having Timberland Services as a client for the past 15 years. They have earned tremendous growth over that time and now have 25 employees.

Mike Merritt and Gordon Still became friends while in forestry school at Louisiana Tech University in 1969. That friendship has lasted for 40 years.

“Partnership can be difficult at times but it can also be very rewarding,” according to Mike. “We long ago realized that it was the sum of what each of us brought to the table that made our business work. While we may not always agree, we have never had to worry about each other’s honesty and integrity. We are constantly reinforcing these values to our younger guys.”

Mike summed it up this way: “Businesses come and go but your reputation is always with you.”

Timberland Services was initially referred to us by their CPA, Carlos Martin, in 1994. We installed a local area network with a dedicated server and a multi-user version the DOS-

based Fiber Procurement System software.

In 2005, Timberland Services upgraded their server and converted to Automated Accounting’s Windows-based Forest Products Accounting System.

Since the 2005 server upgrade, Timberland Services has worked with us to setup a rotation schedule for replacing older equipment on the network with new equipment to keep the network up and running with virtually no downtime.

For ongoing maintenance, we have implemented our Platinum Proactive Protection Plan to monitor the system, provide off-site backup, and to manage the complete computer network. The plan also includes scheduled quarterly maintenance at their office for a predictable set monthly fee.

Mike Merritt, when asked about the company’s vision and focus said, “Our biggest accomplishment at Timberland Services is our relationship and reputation we have with our clients. We are looking forward to the years ahead. There are many challenges facing our forest industry, but there is always opportunity. We have a great staff of young

foresters eager to move the company forward.”

Regarding the importance of having a good database and recordkeeping, Mike emphasized, “We have always kept good records and have been able to assist our clients when they need information.... Good records are invaluable when making projections. The Forest Products Accounting (FPA) system provides us with the information we need to plan ahead.”

On the issue of pairing management with technology, Mike gave us his philosophy: “We see the importance of not only working hard in the field, but also staying on top of the technology that can provide the link between business, our clients and vendors, and our employees. Vic and FPA have been a big part of in the development of our company. I am confident that they will be there for us as we continue to grow and meet the challenges that lie ahead.”

With that positive message, experience, and vision, I’m certain Timberland Services will be successful for many years to come.

Many thanks to Office Manager Alisha Bolyer for her help in researching this article



Timberland Services, Inc.
Standing: Eddie Magee, Mike Merritt, Jimmy Smith, Dan Martin, Brian Still.
Front Row: Mike Hosler, Chad Still, Trey Allen

Timberland Services, Inc. Management and Office Staff

Mike Merritt	President and Owner
Gordon Still	Owner
Chad Still	Sec-Treas./Logging Super.
Jimmy Smith	Procurement
Brian Still	Reforestation Supervisor
Alisha Bolyer	Office Manager
Mona Elkins	Secretary
Trey Allen	Forester
Dan Martin	Forester
Eddie Magee	Logging Foreman/Mechanic
Dexter Parks	Logging Foreman/Mechanic
Mike Hosler	Forestry Technician

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Check Tampering – Part I

... forest products companies deal with large amounts of cash flowing in and out of the company, relative to their net income. This makes it easier for the perpetrator to hide the crime.

Hemard & Company Endorsed Certified Public Accountants Who Work With Clients in the Forest Products Business

- James Branch, Shaffer Branch & Mc Daniel
Minden, Louisiana
- Gene Cogbill, Cogbill & Lee
Texarkana, Texas
- Jackie Daenen, Daenen & Henderson
Alexandria, Louisiana
- Kenneth Folden, Kenneth D. Folden & Co.
Jonesboro, Louisiana
- Debra Lee, Cogbill & Lee
Texarkana, Texas
- Carlos Martin, Jamison Wise & Martin
Minden, Louisiana
- Angie Phares, Heard McElroy & Vestal
Shreveport, Louisiana
- Yvette Sidnell, Alexander Langford & Heirs
Lufkin, Texas
- Don Teague, Don G. Teague
Springhill, Louisiana
- Lawrence White, Lawrence I. White
Winnfield, Louisiana

Check tampering... Are you kidding me? Darn right! It's here in the wood business.

Believe it or not, check tampering is hurting companies of all sizes in the forest products business. In the past few months I have seen at least two of my clients fall victim to this crime from long-time trusted employees.

When check tampering fraud was discovered at a client recently, I was saddened by the idea that someone who appeared good and honest went bad and hurt the people who provided them with a good place to work, a livelihood, and even treated them like family.

That sadness has turned to an anger and a determination to help educate my clients against this crime. According to the Association of Certified Fraud Examiners, the median loss from check tampering schemes in this country is \$140,000.

I can tell you from my own experience, losses are closer to \$300,000 per case in the wood business because forest products companies deal with large amounts of cash flowing in and out of the company, relative to their net income. This makes it easier for the perpetrator to hide the crime.

Need a CPA?

As we all know, the forest products business is very specialized and requires expertise and experience in the business to understand all the ins and outs, so to speak. No other business

In most check tampering schemes the perpetrator physically prepares the fraudulent check. The perpetrator must have access to the checks, access to bank statements, and the ability to forge signatures or alter information on the check.

The forgery phase requires the employee to have access to a blank check, a convincing signature of an authorized check signer, and a way to conceal the crime, such as first access to bank statements.

Blank checks may be obtained by employees with normal access to checks, such as office managers and accounts payable clerks. Employees or others who do not normally have access to checks can get them also if they are poorly guarded or stacked up in clear view.

The first fundamental of preventing check tampering is to safeguard the check stock. Checks should be kept under lock and key when not in use and access to those checks limited to those with check printing duties.

There are usually boxes of blank checks stored away on the premises. These boxes must be sealed with security tape and unused checks should be inspected on a regular basis.

handles inventory, cost of sales, and accounts receivable the way timber management companies, wood dealerships, chip mills, sawmills, and pole plants do.

If you have to void a check, the number should be recorded, voided in your software, and promptly destroyed. Do not allow the your software to accept duplicate check numbers.

I recommend always printing checks on watermark paper with security threads and distinctly marked paper. If you need a source for these, feel free to contact me.

You should request a check register report from your software (Forest Products Accounting or other software) each day. The first check of the day should be reconciled with the last check written the previous day.

When the bank statement arrives, the owner, CPA, or someone inside the company (other than the person or persons with access to checks) should check the statement. Check for out-of-sequence cancelled checks and duplicate check numbers. Any abnormalities in numbering sequence or duplicate numbers should be investigated.

Next month I'll talk about more check tampering schemes and how to prevent them. This has got to stop!

On this page, I've listed 10 CPA's I've been in contact with who work with our clients to provide the proper degree of accounting knowledge in the wood business.

FPA Bank Reconciliation and Cash

I've seen a some cases recently where the Bank Reconciliation in Forest Products Accounting (FPA) was checked off against the bank statement, posted, and forgotten. This is not good!

When you reconcile the deposits, checks, and miscellaneous transactions against the bank statement, the job is only half done. The other part of the process is to verify that your bank rec balance, after outstanding checks and deposits, is equal to the general ledger balance for the bank account.

The process, first of all, begins with checking off the checks and deposits against the bank statement for the period and adding any miscellaneous transactions for interest, bank charges, or transfers

from other cash accounts.

Once the difference in the statement and the bank rec window is zero, do not post it immediately. Run a Bank Reconciliation Summary Report then run a Trial Balance report (by accounting period) in the General Ledger module to compare the GL cash account balance with the expected GL cash balance in the Bank Reconciliation Summary report.

If the expected GL balance in the Bank Rec and the actual GL balance match, you should then post the bank rec for that month.

After posting the bank rec, you must run all four reports in the Bank Rec module and save a hard copy of them for the file. The reports are: Bank Reconciliation (Summary),

Outstanding Transactions, Miscellaneous Transactions, and Cleared Transactions. These reports must be printed and filed away or saved by PDF file because they will disappear once the next month's reconciliation starts. Also run the Trial Balance again and put it in the file to show you matched with the cash balance at the time of posting.

The final step is to close the period you just reconciled. This keeps you and other users from accidentally posting back to the previous period and affecting the cash balance after it has been reconciled.

Do this every month and you'll have an accurate cash balance at your fingertips in the FPA system.

Safe and Secure Server: No More Tapes!

What's wrong with your tape backup?

I'm going to let you in on a little secret: Tape drives have an average failure rate of 99 percent. That means all tape drives will fail at least once in their lifetime, often without any warning or signs of failure.

Another problem with tape backup is it relies on someone in your company to remember to change the tapes. Not only is this a major inconvenience, but it leaves you wide open to human error, the #1 cause of data disasters.

To make matters worse, tapes are highly susceptible to heat, cold, magnetism, theft, software errors, and

human errors. So if Mary takes the tape off-site in her purse and leaves it in the car, you can bet it's being frozen in the winter and fried in the summer.

Tapes ONLY back up your data. Not the programs, software, or your personal settings. If you needed to recover your network from a tape drive, we would have to completely rebuild your network (expensive!) and order another tape drive to extract the data.

Plus, there's no redundancy in tape drive backups. If your server goes down, you're without e-mail or access to your server UNTIL we can rebuild or repair it; better cross your fingers and hope we don't have to

order parts!

Up until recently, backup tape was the only affordable way to backup large amounts of data.

Thanks to major advancements in backup technology, you can now have a completely automated onsite and offsite backup of your data for a flat fee per month. We call it our Safe and Secure Server.

We have an explanation of Safe and Secure Server in Ask Vic! of this newsletter and I urge you to contact us by phone or e-mail to get started. Throw out those old tapes and gain peace of mind about your backup system!

When you reconcile the deposits, checks, and miscellaneous transactions against the bank statement, the job is only half done.

Foresters Available!

With all the changes in the forest products business recently, there have been a number of well-educated and experienced foresters available on a contract basis or for permanent employment.

Whether your needs are for temporary help with a large timber cruise or timber marking job or for a more permanent position, chances are we know a forester we can recommend in your area.

Thanks to major advancements in backup technology, you can now have a completely automated onsite and offsite backup of your data for a flat fee per month.



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Information systems, software, and proactive consulting services to help wood dealerships, chip mills, and timber investment management organizations accurately account for wood procurement transactions, produce first class settlements and checks, and provide real time reporting for timber production, timber inventory, and yard inventory.



Vic Hemard
President
Hemard & Company

Warning!

Not all computer consultants are created equal. The question is, which ones will give you a solid solution and which ones will frustrate you, overcharge for their services, and possibly even make things worse. Don't trust your wood procurement and accounting system to just anyone! Our **FREE REPORT: What You Should Know Before Investing in an Automated Wood Procurement System** will reveal costly misconceptions about procurement and accounting software systems as well as the critical questions you should ask any IT Consultant **BEFORE** you upgrade your computerized wood procurement system.

Download a **FREE Copy Online:** www.hemard.com/freereport.htm

Forest Products Companies:

Don't Let ANY IT Consultant Sell You a Wood Procurement System Until You Read *This...*

A service offered to the wood procurement and timberland investment management community by Hemard & Company: 1-800-467-5819

Ask Vic!

Q Would you recommend using a tape backup for our file server? If not, what is the best alternative to using backup tapes? How does it work?

A The Safe and Secure Server system is the our best recommendation for backing up all your files.

First of all, the Safe and Secure Server device takes an image (snapshot) of your server every 15 minutes. That means you wouldn't lose an entire day's worth of work if your server crashed or melted down; just a few minute's worth.

Secondly, You don't have to swap out tapes every day or lug them around in a car or transport them to an off-site safe.

The next advantage of Safe and Secure Server is near-instant business continuity if your server

fails. In the event of a server crash, the Save and Secure Server device will take over as an acting server so you can keep on working while we rescue and rebuild your failed server. This means you'll be up and running within 30 minutes instead of potentially being down for days.

Finally, your data and server image get stored offsite at a secure data facility, and replicated to another data facility to make sure your backup has a backup! This is far more secure and reliable than the old tapes.

Q What will happen to the old DOS-based Fiber Procurement System and the DOS-base Lumber Invoicing System in 2010 ?

A The DOS-based Fiber Procurement System was re-programmed in 1999 to be year

2000 compliant. These changes extended the use of the system for 10 years, but the limitations of the programming code do not allow its use beyond 2009. It will fail to accept dates beyond year 2009. It's successor, Forest Products Accounting, has been available since 2004 and discounts are still in effect for companies whose Annual System Maintenance is current.

Regarding the Lumber Invoicing System, it was introduced later and has useful life beyond 2010. Automated Accounting is in the process of designing an interface to post to the general ledger and accounts receivable.

If you have any suggestions or comments for Client Connection, contact us at newsletter@hemard.com.

Mark Your Calendar

Forestry Products Machinery & Equipment Exposition

New Orleans, LA
June 11-13, 2009

Arkansas Timber Producers Association Annual Meeting

Hot Springs, AR
July 7-8, 2009

Louisiana Forestry Association Annual Meeting

Baton Rouge, LA
August 25-27, 2009

Arkansas Forestry Association Annual Meeting

Hot Springs, AR
October 14-15, 2009