



## Internal Control Checklist for Business Owners

You're a business owner who has begun hiring employees. However, you have a concern about fraud in your organization. You want to believe the people you hire are on the straight and narrow, but you can never be sure.

Controls for each business varies and it dependent upon the type of business you have. For example, a casino is a heavy-use, cash-based business. Which would be different than the needs of say a software company that uses little to no cash.

The list below is not inclusive, but is meant as a guide. There are hundreds of templates you can download to help you get started. Simply search for "internal control checklist templates" and choose the Images filter to see the documents.

### Preventive Controls

These are proactive controls aimed at discouraging errors and irregularities. According to Vanderbilt University, examples include the following:

- Segregation of Duties: Assign duties like accounting and approvals to different teams or employees.
- Approvals, Authorizations and Verifications: A supervisor's approval (manual or electronic) provides a checks and balances system because he or she has verified and validated that the activity or transaction conforms to your established policies and procedures.
- Security of Assets: Both preventive and detective, this restricts access to assets like equipment, inventories, securities and cash.
- 3-way match for purchase orders, receiving documents, and supplier invoices.
- Blank checks are stored in a locked location and check numbers are sequenced and monitored.
- Checks are manually signed.
- Invoices over a specific dollar amount require approval, and are checked for errors.
- Sales order totals are compared to invoice totals.
- Unpaid accounts received statement notices.

- Timesheets are matched to employees and hours are approved by supervisors.
- Preliminary payroll registers are reviewed and approved by someone other than the person cutting the check.

**Detective Controls**

While preventive controls are designed to discourage errors and irregularities, detective controls are designed to find them after they have occurred. Examples include the following:

- Performance reviews
- Reconciliations
- Physical inventories
- Audits

You can put several controls into place at your company right now:

- Lock your office when you leave, even for a short time.
- Review monthly comptroller's statements.
- Require authorizations.
- Perform reconciliations on accounts.

If you need help establishing internal controls at your company, give me a call.

I'd be happy to help you outline the process, identify tools, and recommend software solutions.

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