

# Simple Internal Control Checklist for Small Business Owners

## 1. Financial Controls (Cash Handling & Expense Approvals)

- Separate cash handling and recording duties (e.g., one person collects cash, another records transactions).
- Require daily cash reconciliation by someone other than the cashier.
- Use pre-numbered invoices and receipts to track sales accurately.
- Set spending limits for employees and require approval for large purchases.
- Regularly review and approve expense reports and vendor payments.
  - *The simple act of periodically reviewing checks and supporting documentation helps ensure legitimacy and accountability.*
  - *This oversight also serves as a deterrent, as potential fraudsters will be aware that transactions are being monitored.*

## 2. Operational Controls (Inventory Tracking & Workflow Procedures)

- Conduct regular inventory counts and compare them to sales records.
- Limit access to inventory storage areas to authorized employees only.
- Implement standardized procedures for processing orders and fulfilling customer requests.
- Use security cameras or monitoring tools to oversee high-risk areas (cash registers, stockrooms).
- Require employees to take mandatory vacations or rotate duties periodically.

## 3. Compliance Controls (Regulatory & Tax Compliance)

- Ensure payroll taxes, sales taxes, and other obligations are filed on time.
- Maintain accurate financial records and store them securely for tax and audit purposes.
- Review bank statements monthly and reconcile accounts to detect discrepancies.
- Protect customer and employee data through secure storage and access controls.
- Stay updated on local, state, and federal business regulations.