

KEY INTERNAL CONTROLS FOR SMALL BUSINESS

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INTRODUCTION

Running a small business means wearing many hats—sometimes all at once. Between managing customers, employees, and day-to-day operations, it's easy to assume everything is under control... until something slips through the cracks. This month's newsletter focuses on internal controls—not the boring, corporate kind, but practical, common-sense habits that help protect your business, your money, and your sanity. We'll break down key controls in plain language, with real-world examples you can actually use (no accounting degree required). Think of this as a quick check-up for your business—before small issues turn into big headaches.

What are Internal Controls?

The definition of Internal Controls, as defined by COSO, is “a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance that organizational objectives are met in operations, reporting, and compliance.”

In other words, Internal controls are the everyday practices a small business uses to stay organized, protect its money, and avoid costly errors or compliance issues.



Protect Your Business: Key Internal Controls Every Small Business Should Have

- Segregation of Duties: Minimize Risk Through Shared Responsibility
- Policies and Procedures: Establish Clear Guidelines
- Documentation: Create a Trail
- Oversight and Review: Continuous Monitoring for Effectiveness
- User Access Rights for Information Systems: Securing Digital Assets



RESOURCES:

Must Haves for Employee Handbook

https://www.adp.com/spark/articles/2022/01/employee-handbooks-10-must-have-policies-for-2022.aspx?q1=ES_FY25_SparkSubscribePopup

Employee Handbook Template

<https://www.indeed.com/hire/c/info/employee-handbook-guide>

Standard operating procedure: How-tos, templates, and tips

<https://www.canva.com/docs/stand-ard-operating-procedures/>

Deeper Dive of Key Internal Controls

Segregation of Duties

Segregation of Duties means not letting one person wear *all* the hats—because even the best employee should not be the cashier, bookkeeper, and detective at the same time. In small businesses with lean teams, the owner stepping in to review bank reconciliations, invoices, and receipts adds an important safety net. Additionally, some help from accounting and inventory systems with built-in checks and balances—helping small businesses stay protected—even with a lean team.

Policies and Procedures

Policies and Procedures are the written rules and step-by-step instructions that explain how things are done in your business, so everyone isn't making it up as they go. They help keep employees on the same page, reduce mistakes, and protect your business when questions (or problems) come up. If writing full policies feels overwhelming, start small—forms and checklists count too, and often come with built-in instructions. Think of policies and procedures as your business's instruction manual: boring to write, but incredibly useful when something goes wrong.

Documentation

Documentation is simply keeping clear records of what your business does and how decisions are made. Think of it as your business's memory—because memory alone isn't a reliable record-keeping system. Good documentation helps everyone stay consistent, makes training easier, and provides protection if questions come up from banks, auditors, or regulators. In short, if it wasn't written down, it is a lot harder to prove it happened.

Oversight and Review

Oversight and Review means staying involved in your business by regularly checking key information—like bank statements, invoices, payroll reports, and subscriptions—to be sure everything adds up. Putting controls in place is important, but they only work if someone actually looks at the results. Simply signing reports without reviewing them is like buckling your seatbelt but never watching the road. A quick, regular review helps catch small mistakes, unexpected charges, or issues early—before they turn into expensive surprises.

User Access Rights for Information Systems

User access rights mean giving employees access only to the systems and information they need to do their jobs—no more, no less. Not everyone needs the keys to the entire building (or the accounting system). Limiting access based on job roles helps protect sensitive data and reduces the risk of errors or misuse. If you have “super-users,” be sure to review their access regularly to make sure it still matches their responsibilities. It's like giving someone a spare key, not the master key—enough access to get the job done but not run the whole place.

Fact vs. Fiction

Fiction: If I trust my employees, I don't need internal controls.

Fact: Even trusted employees can make honest mistakes. Internal controls are about risk management, not suspicion.

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