Internal Controls Checklist

A 6-Step Hybrid Controls Review for Nonprofits

How to use this checklist: Work through each step in order. Check the box when complete and use the notes lines on page 2 to document what you found. A completed checklist is your starting point for controls documentation — and a useful reference for auditors, new staff, and board members.

STEP 1

1 Map Your Approval Workflow

- ☐ **Choose one transaction type** to map (e.g. vendor payment, expense reimbursement, grant disbursement)
- ☐ **Write down who does each step:** who requests it, who approves it, who processes it, who reconciles it
- ☐ **Check for concentration** — if the same name appears more than twice, that's your gap
- ☐ **Confirm approvals are recorded** somewhere retrievable — not just in an email inbox
- ☐ **Document a backup approver** for when the primary approver is remote or unavailable
- ☐ **Set a dollar threshold** — what amount triggers a second approval?

WHAT GOOD LOOKS LIKE
A written one-page policy specifying who can approve what, up to what dollar amount, and where approvals are recorded. One page beats an unspoken understanding.

STEP 2

2 Identify Segregation of Duties Gaps

- ☐ **Map the four roles** for one transaction: who initiates, approves, records, reconciles
- ☐ **Flag any single person** appearing in all four steps
- ☐ **Identify your highest-risk gap** and decide on a compensating control

COMPENSATING CONTROLS FOR SMALL TEAMS

- Someone other than the bookkeeper reviews bank statements monthly
- ED or board treasurer reviews reconciliations
- New vendors require approval before first payment
- Second person spot-checks vendor payments periodically

STEP 3 · 30-MINUTE TASK

3 Conduct a System Access Audit

- ☐ **Pull the active user list** for your accounting software, banking platform, credit cards, and payroll system
- ☐ **Confirm every person** on each list is still employed and still needs that level of access
- ☐ **Remove credentials** for anyone who has left — staff and contractors
- ☐ **Confirm MFA is enabled** on all banking and payroll platforms
- ☐ **Verify no shared passwords** exist on financial accounts
- ☐ **Schedule a recurring access audit** — twice per year is the standard

STEP 4

4 Review Your Expense Management Process

- ☐ **Confirm a written expense policy exists** — what qualifies, what needs a receipt, what requires pre-approval
- ☐ **Verify credit card holders** are submitting monthly statements with receipts attached
- ☐ **Confirm receipts are stored** somewhere retrievable — not just in a camera roll or email inbox
- ☐ **Check reimbursement timing** — are staff submitting within a reasonable window (e.g. 30 days)?
- ☐ **Confirm the expense policy is being followed** — not just that it exists

> **COMMON GAP**
> Hybrid teams often accumulate expenses in scattered inboxes and personal cards — creating miscodings, missing grant documentation, and year-end reconciliation problems.

STEP 5

5 Confirm Board-Level Oversight Touchpoints

- ☐ **Confirm the board treasurer** reviews bank statements monthly or quarterly
- ☐ **Confirm the ED reviews reconciliations** before sign-off — someone other than the person who prepared them
- ☐ **Schedule the annual policy review** — even 30 minutes once a year to confirm controls still match how you operate
- ☐ **Verify at least one finance touchpoint** is on the board agenda each quarter

STEP 6 — THE MOST IMPORTANT STEP

6 Document What You Find

- ☐ **Write a one-page summary** of your approval policy — who approves what, up to what amount
- ☐ **List who has system access** to each financial platform and at what permission level
- ☐ **Note your expense process** — receipt requirements, reimbursement timeline, storage location
- ☐ **Record your board oversight touchpoints** and how often they occur
- ☐ **Store documentation** somewhere accessible to the ED, board chair, and incoming staff

> **KEY INSIGHT**
> Controls that exist but aren't documented aren't much better than controls that don't exist at all. If it's not written down, it's not a policy — it's a habit. And habits leave when people do.

DOCUMENTATION

Notes & Action Items

"Strong controls aren't about distrust. They're about building an organization that can be trusted."

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