



Internal Controls In Action:

Best Practices and Real-World Solutions for Local Governments

CGFOA Summer Mini-Conference 2026



Introduction



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Plante Moran Governmental Practice



Best Accounting Firm

As ranked by ColoradoBiz magazine in its 2021 Best of Colorado Business Choice awards

500+

Governmental Clients

750+

ACFR audits receiving GFOA's Certificate of Achievement for Excellence in Financial Reporting

250+

Staff dedicated to serving governmental clients

75

Years serving government clients





PMGAP Services



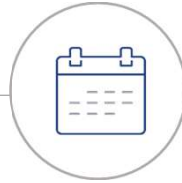
Audit Preparation

- Perform annual year-end close of accounting records
- Audit workpaper preparation
- Audit process facilitation
- External compliance reporting
- Deficit elimination plan creation
- New GASB implementation



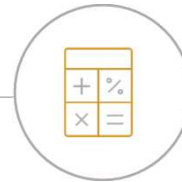
Budget

- Historical budget analysis
- Community education
- Budget process facilitation
- Budget renovation
- Budget document creation
- Budget monitoring and periodic internal reporting
- Budget amendment creation



Controllership

- Preparation of monthly bank reconciliations
- Monthly accounting reconciliations
- Perform month-end close of accounting records



Business process evaluation and transformation

Cash flow analysis and management

Chart of accounts redesign

Utility rate setting

Accounting functions: accounts payable, accounts receivable, payroll

Other special projects



Learning Objectives

By the end of the session, participants will be able to:

- **Reframe.** Explain why internal control matters and reframe “segregation of duties” as a spectrum of options rather than an all-or-nothing requirement.
- **Diagnose.** Spot the process, the risk, and the missing control in a real transaction cycle.
- **Design.** Design compensating controls that reduce risk when perfect segregation is impossible in a 1–4 person office.
- **Act.** Leave with a documented, prioritized “next 30 days” action plan tailored to their own government.



Importance of Internal Controls

- ① Minimize opportunities for errors and omissions
- ② Identify small issues before they aggregate into big problems
- ③ Reduce the risk of intentional fraud

Trust is not an internal control!

Fraud Triangle

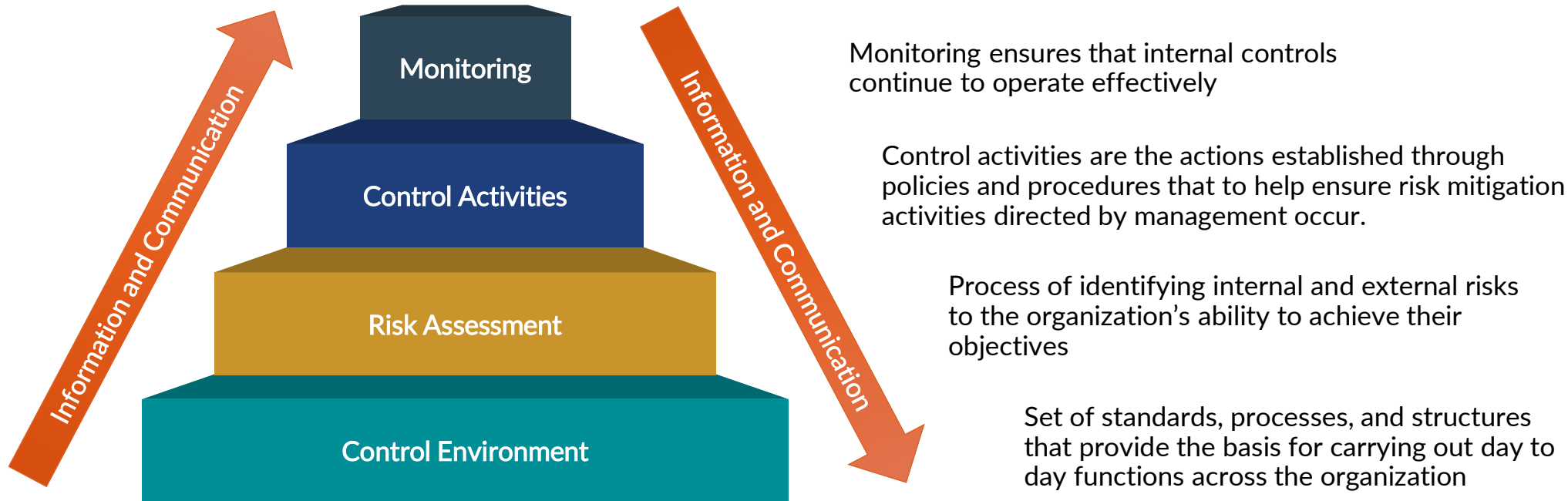


Pressure and **rationalization** are hard to control.

Opportunity is the lever you can pull.

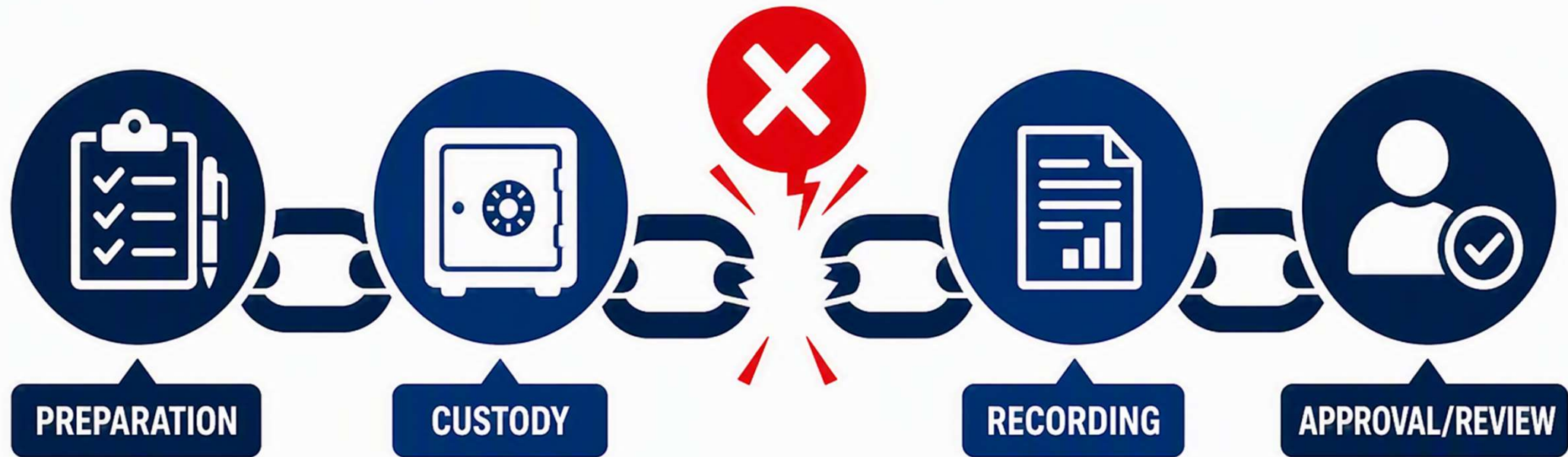


Internal Control Framework





Break Up the Chain of Control





Types of Control Activities

Preventative

Keep errors or irregularities from occurring

- ✓ Policies & procedures
- ✓ Segregation of duties
- ✓ Training
- ✓ System access
- ✓ Physical controls

Detective

Identify errors/irregularities after occurrence

- ✓ Account Reconciliations
- ✓ Management review
- ✓ Journal entry review
- ✓ Confirmations

Corrective

Prevent recurrence of errors, remedy errors

- ✓ Disciplinary action
- ✓ Maintaining backup copies and master files

Transaction Cycles

Revenue

Expenditure

Payroll

Banking

Physical
Inventory/Assets

Financial
Reporting



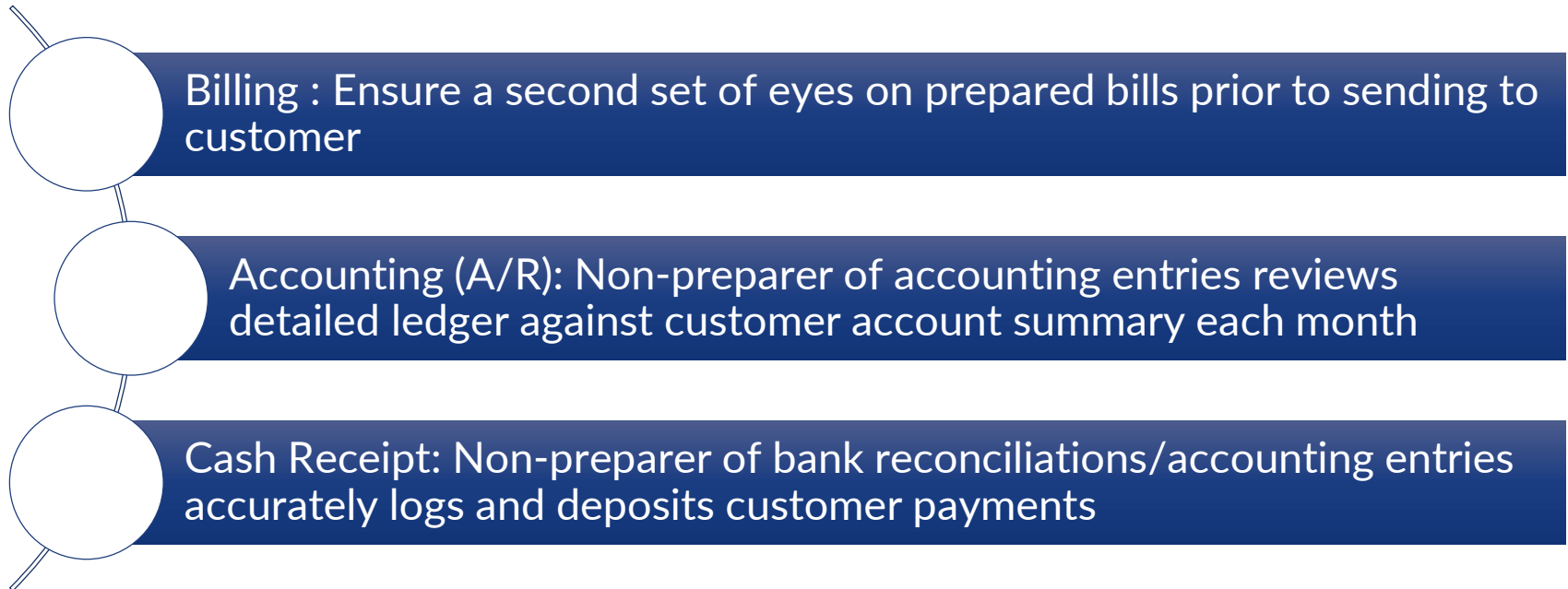
Revenue Cycle Controls

Risks:



- Misstatement of revenue
- Inaccurate billing
- Loss or theft of assets

Common Controls:





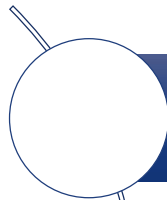
Expenditure Cycle Controls

Risks:



- Misstatement of expense and/or accounts payable
- Loss or theft of assets

Common Controls:



Procurement: Independent review and approval of PO's and Contracts



Accounting (A/P): Separation between individual recording invoices and individual issuing payment.



Cash Disbursement: Issuance of payment only after 3-way match (PO, invoice, packing slip). Payment issued by non-preparer of accounting entries.



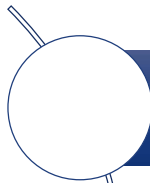
Payroll Controls

Risks:

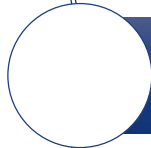


- Inaccurate pay is issued
- Unauthorized pay is issued
- Fraudulent diversion of employee pay

Common Controls:



Timecard review by someone other than payroll processor



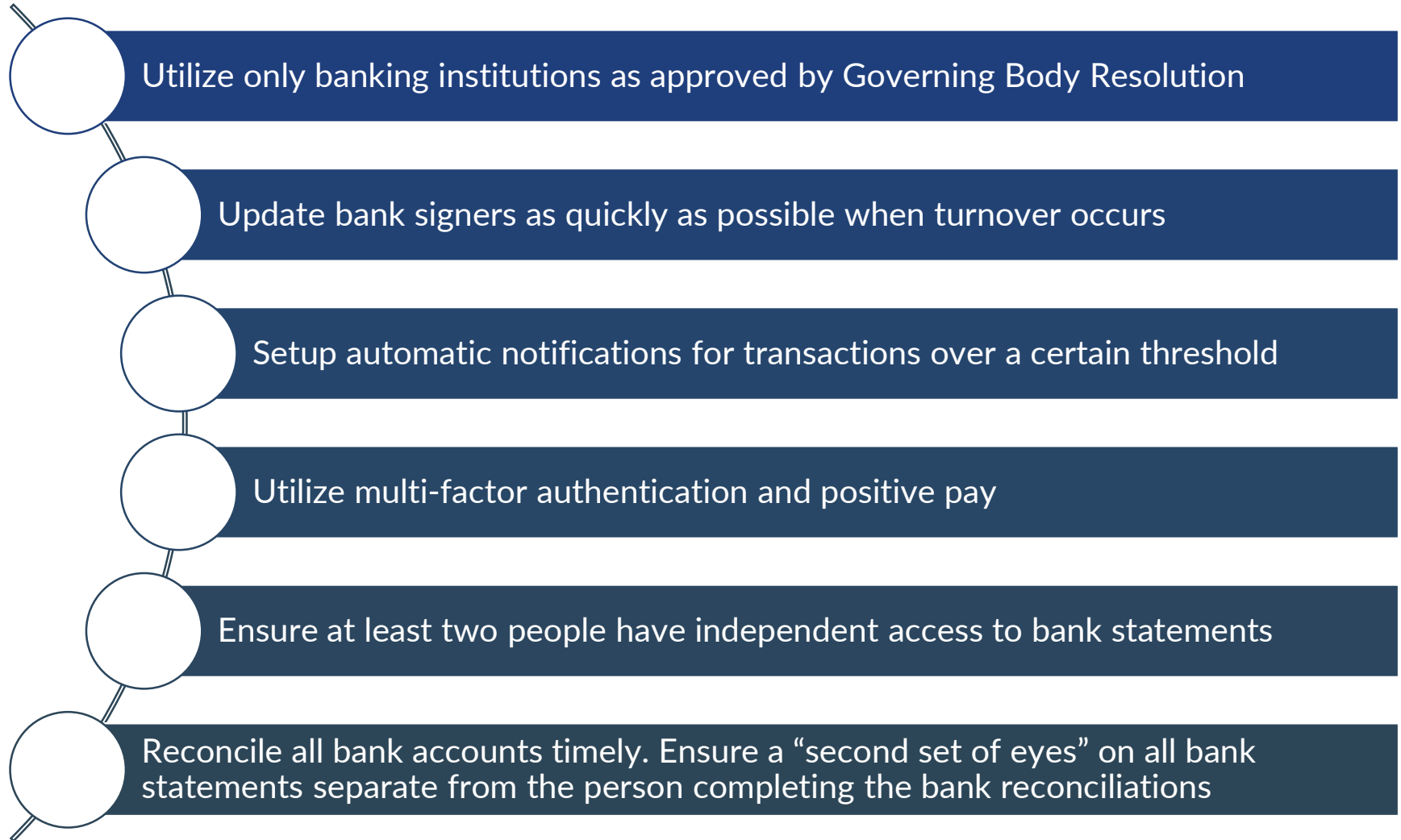
Lockdown edit access to employee master file



Payroll register review by someone other than payroll processor



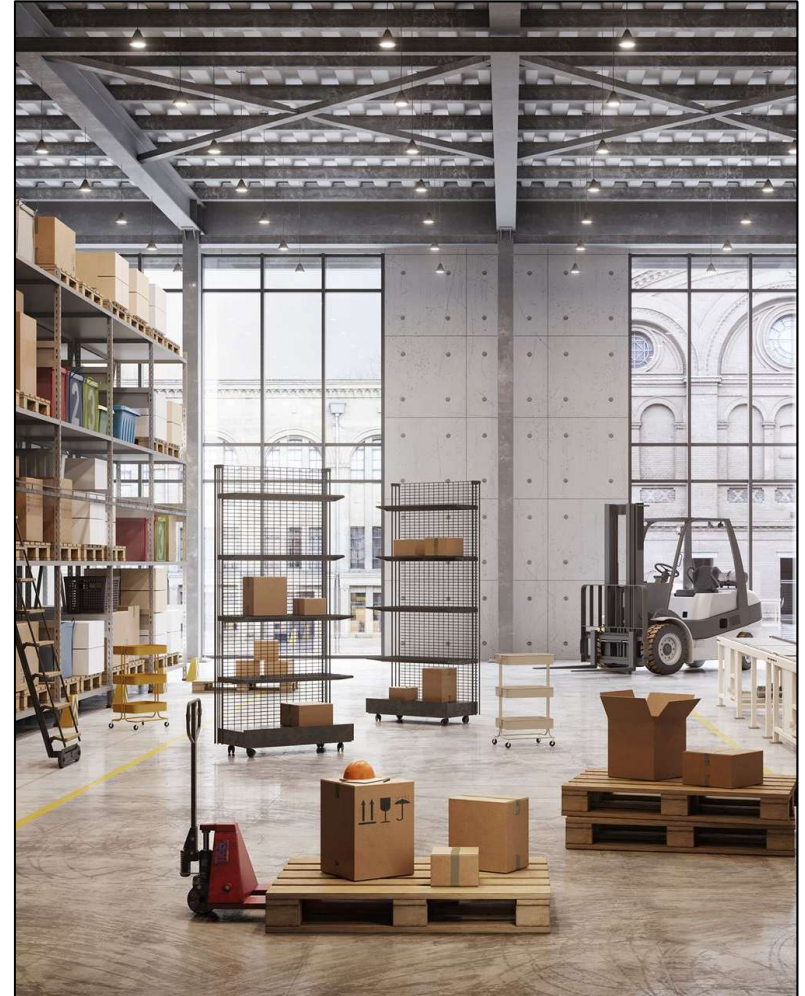
Banking Controls





Physical Inventory Controls

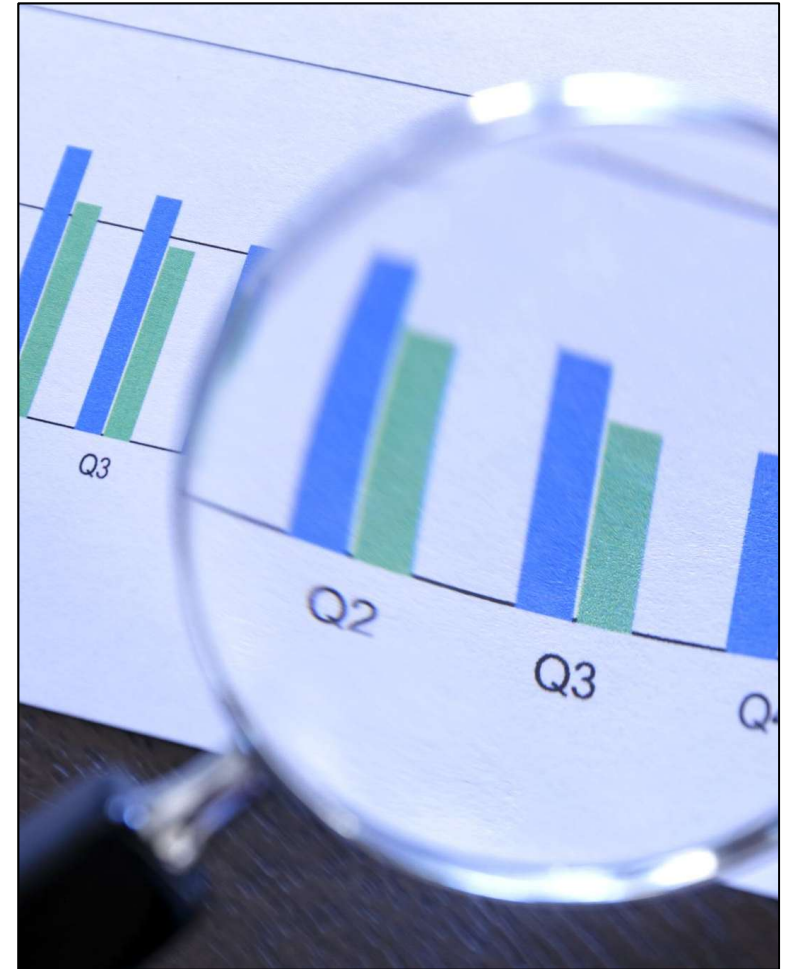
- Ensure all valuable assets are inventoried and tagged
- Dual documented review of asset disposal or loss
- Regular audits of physical inventory





Financial Reporting Controls

- Compare actual revenue and expenses to budget
- Independent approval of all manual journal entries
- Independent cross check between bank reconciliation, check register, and bank statement
- Reconcile balance sheet accounts timely
- Approve all additions and modifications to the chart of accounts
- Ensure account system access is limited and appropriate for the role





Activity

In pairs, answer 3 questions

- 1 Identify which process is impacted
- 2 Where is the fraud / error opportunity?
- 3 What one control would you add first?

Popcorn share-out.

Hint: Almost every fix is the same: a second person reviews something.

5 Moves When You Can't Segregate



1

Independent review

A second person — even a non-accountant — reviews bank recs, bank statements, check register & budget-to-actual. Sign + date it.



2

Governing-body visibility

Monthly financial packet; board approves significant journal entries & transfers. Transparency is a control.



3

Dual authorization

Two signatures over a threshold; ACH splits initiation from approval; the 2nd signer reviews support and documents review.



4

System access limits

Restrict who can create or change vendors/employees/customers, post JEs, touch check stock. Review access yearly.



5

Timely reconciliations

Reconcile every bank account monthly with a documented review second reviewer. Bank, significant liability and asset accounts.



Activity: Redesign the Cycle

The task (10 min at tables • 4 min share-out)

- 1 Map the cycle and mark where one person controls the whole transaction.
- 2 Fill in the reviewer column — who is the second set of eyes?
- 3 Pick two compensating controls and state the exact evidence each leaves.
- 4 Name the single highest-risk step you'd fix first.

*Push from "we'd review it" → **who, how often, what evidence.***



Self Assessment

STEP 1

Score your organization with yes/no on the checklist

STEP 2

Write 3 commitments

- 1 One control we will add
- 2 One review we will document
- 3 One access right we will lock down

5 moves when you can't segregate

- 1 Independent Review
- 2 Governing Body Visibility
- 3 Dual Authorization
- 4 System Access Limits
- 5 Timely Reconciliations



Thank you!