

Internal Controls Best Practices for Construction Companies

Many opportunities for fraud exist; however, using due diligence and proper internal controls may help mitigate some of the risk.

Prevent fraud with the use of strong internal controls, as well as effective on-site activities, such as surprise visits on payroll day.

Internal Control Checklist

Below is an internal control summarized, best practice checklist for construction companies, as well as other companies that have seasonal cycles or that use subcontractors.

Cash

- Proper invoice approval
- Dual signatures on checks
- Few, authorized personnel may sign checks
- Check signers may not generate checks
- Billing personnel do not also perform receivable duties

Subcontractor and Supplier Controls

- Compare payments to contracted amounts
- Compare original contract costs to revised contract costs on a monthly basis
- Monitor and adjust subcontractor/supplier bidding processes annually

Jobsite Controls

- Install and use security cameras or methods
- Compare purchased materials to original estimates

Payroll

- Leverage sign-in/out systems to monitor daily labor requirements/activity
- Use direct deposit
- Assign someone outside the payroll department to reconcile the payroll bank account
- Conduct surprise on-site visits during paydays to ensure employees receiving paychecks are not fictitious

Still concerned?

The Association of Certified Fraud Examiners (ACFE) created a [fraud prevention checklist](#). Download it today to see how well you're doing to mitigate fraud in your business.

[Contact Lang Allan & Company](#) if you have questions or would like help with setting up internal controls to help reduce your chances for fraud.