

# The Seventh Planning District Consortium Workforce Development Board

## Administrative Office

4000 Viking Dr., Suite A-1, Bossier City, LA 71111 | (318) 632-2022

Matt Wheeler, Chairman | Candle Sattler, Interim Director of Workforce Development

## SEGREGATION OF DUTIES POLICY

### Introduction

State and Federal policies require that accounting transactions be authorized according to sound management practices. One of the most basic, yet most important principles of sound management is that of segregation of duties.

Segregation of duties is critical because it ensures separation of different functions and defines authority and responsibility over transactions. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions.

The fundamental premise of segregation of duties is that an individual should not be in the position to initiate, approve and review the same action. Also, the accounting/reconciling function, and the asset (i.e. money, inventory) custody function should be separated among employees. These are called incompatible duties when performed by the same individual.

### Policy Statement

Responsible administrators must consider the principle of segregation of duties when designing and defining job duties. They must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions.

In an ideal environment, a different employee should perform each of the following major duties or functions:

- Authorizations
- Recording
- Verification
- Custody of Assets
- Managerial Review

No one person should have responsibility of two or more of these functions. There is a greater need for segregation of duties for the assets that are more negotiable (i.e. cash funds, negotiable checks, inventories). If a person performs more than one of these major functions, mitigating controls should be put in place. Without additional mitigating controls in place, there is the potential to carry out or conceal errors and/or irregularities in the course of performing day-to-day activities.

### American Job Center Locations



cdconline.org

**Bienville Parish**  
2434 Manning St.  
Ringgold, LA 71068  
(318) 894-9173

**Bossier Parish**  
4000 Viking Dr., Suite B-1  
Bossier City, LA 71111  
(318) 741-7363

**Caddo Parish**  
125 E. Louisiana Ave.  
Vivian, LA 71082  
(318) 676-5721

**Cleburne Parish**  
507 W. Main St.  
Homer, LA 71040  
(318) 927-3338

**DeSoto Parish**  
142 Lake Rd.  
Mansfield, LA 71052  
(318) 871-2391

**Lincoln Parish**  
307 N. Homer St., Suite 307  
Ruston, LA 71270  
(318) 251-5623

**Natchitoches Parish**  
303 Bienville St.  
Natchitoches, LA 71457  
(318) 357-2414

**Red River Parish**  
615 E. Carroll St., 3rd Floor  
Coushatta, LA 71019  
(318) 932-9570

**Sabine Parish**  
1125 W. Mississippi Ave., Suite A  
Many, LA 71449  
(318) 256-2698

**Webster Parish**  
902 Lee St.  
Minden, LA 71055  
(318) 371-3024



A proud partner of the  American Job Center network

EQUAL OPPORTUNITY EMPLOYER/PROGRAM AUXILIARY AIDS AND SERVICES ARE AVAILABLE UPON REQUEST TO INDIVIDUALS WITH DISABILITIES.

The major functions presented above are discussed as follows:

**Authorization**

All transaction must be authorized. The individual initiating the transaction must have the authority to do so. Authorization confirms adherence to the following general requirements:

- Employees cannot authorize transactions for their own reimbursement.
- Documentation of the Authorization.
- All transactions must adhere to policies, existing laws, regulations, compliance requirements, etc.
- All individuals responsible for assignment and supervision of employees that carry out fiscal activities, or their designees, should appoint and document authorized signers of all financial transactions.
- All transactions should be reviewed to ensure the activity is Necessary, reasonable, Allowable, Allocable and within the period of funding availability.

**Recording**

Recording is the process of creating and maintaining records of revenue, expenditures, assets, and liabilities. These may be manual records or records maintained in the financial systems.

**Verification**

Verification of process or recording of transactions ensures all transactions are valid, comply with authorization requirements, and are properly recorded on a timely basis. This includes resolving identified differences or discrepancies.

**Custody of Assets**

Custody of Assets is the access to or control over physical assets such as cash, checks, equipment, or supplies.

**Managerial Review**

In all cases, there is a level of review of the activity by managerial level personnel. This Managerial Review Function provides assurance that segregation exists and that the transactions are appropriate. The frequency and extent required of the Managerial Review depends upon the degree to which duties are or are not segregated and other factors such as dollar volume of transactions, the amount of cash involved, or the nature of the operation.

**Minimal Acceptable Degrees of Segregation**

In departments where the optimum degree of segregation cannot be achieved, a minimum degree of segregation must be maintained. At a minimum, no person should be able to perform more than two of the functions. The matrix below illustrates various degrees of segregation.

The X and O represent different staff members, the M represents a third staff member- the manager.

	Authorization	Recording	Verification	Managerial Review
1	O	X	O	M
2	X	X	O	M
3	X	O	O	M
4	X	X	X	M

To maximize the opportunity to identify errors in the ordinary course of business, it is recommended that the process of Recording and Verification be performed by two different individuals such as example 1 and 2. In examples 3 and 4, there must be a significant reliance on Managerial Review to operate on a much more detailed and frequent basis to identify errors and irregularities timely.

### **Mitigating Controls**

There are several other control mechanisms that may mitigate a lack of segregation of duties:

- Audit trails enable re-creation of the actual transaction flow from the point of origin to its existence on an updated file. Adequate audit trails should provide the initiator of the transaction, date and time of entry, type of entry, and files updated.
- Exception reports monitored at a supervisory level, supported by evidence that exceptions are reviewed, and if necessary, corrected timely. The review must be evidenced by signature of the supervisor and dated.
- Managerial reviews should periodically be performed through observation and inquiry to help detect errors and irregularities.

### **Accountabilities**

#### **Employees:**

- Responsible to understand the following appropriate policies and procedures for their job.
- Responsible for executing Internal Control activities.
- Identify opportunities to increase the reliability and integrity of the accounting system.
- Notify supervisor of weakness in, and opportunities to enhance Internal Controls.

#### **Managers:**

- Establish appropriate controls in their sphere of influence.
- Monitor the operation and effectiveness of controls.
- Ensure appropriate segregation exists between functions.
- Ensure that effective Mitigating Controls are in place when adequate segregation of duties cannot be achieved.
- Responsible for all activity to ensure the activity is Necessary, Reasonable, Allowable, Allocable and within the period of availability.
- Perform timely Managerial Reviews of the financial system reports including a budget to actual comparison.
- Can perform multiple functions of segregation of duties, but they are not allowed to record and authorize the same transaction.

Passed and Approved on this 4 Day of December, 2020.



The Seventh Planning District Consortium Workforce Development Board  
Title: Matt Wheeler, Chairperson

12/4/2020

Date