



## **Common Questions on Segregation of Duties**

- Why should duties be segregated?
- What duties should be segregated?
- How can management determine if duties are properly segregated?
- What if management has inadequate staff to properly segregate all duties?



## Why Segregate Duties?

To provide assurance that transactions are:

- ✓ Valid
- ✓ Accurately reported
- ✓ In compliance with rules and regulations
- ✓ In accordance with the University's goals and objectives



## **Problems from Lack of Segregation of Duties**

- Administrative errors may not be detected timely since an independent review of transactions may not be occurring.
- Inappropriate or unauthorized transactions are permitted to occur since one individual controls a major portion of the revenue, expenditure, or payroll function.



## **The COST of Not Segregating Duties**

- Staff time to research and resolve problem transactions that were not prevented or detected timely.
- Loss of funds due to inappropriate transactions.
- Loss of unit effectiveness due to expenditures not being made in accordance with unit established priorities.



## What Duties need to be Segregated?

### ➤ **Record keeping**

The process of creating and maintaining departmental records of revenues, expenditures, inventories, and personnel transactions.

### ➤ **Authorization**

The process of reviewing and approving transactions.

### ➤ **Asset custody**

Having access to or control over any physical asset such as cash, checks, equipment, supplies, or materials.

### ➤ **Reconciliation**

Verifying the processing or recording of transactions to ensure that all transactions are valid, properly authorized, and properly recorded on a timely basis.



## **How to Evaluate your Processes**

- Determine the process(es) to be reviewed
- Determine who currently performs the four separate duties within each process
- Determine who performs the duties in the absence of the primary employee
- Identify those areas where the same individual performs more than one of the four duties
- Determine if there are adequate mitigating controls in those areas where more than one duty is performed by the same individual
- Perform a final assessment



## **What if there is inadequate staff to properly segregate all duties?**

Smaller units may not be able to obtain the ideal system of four employees each performing one of the four different duties. In these instances, *mitigating controls* can be used to decrease risk.



## What are *Mitigating Controls*?

- Additional control procedures placed in a system to help reduce the risks associated with a failure to adequately segregate incompatible functions.

### *Why not use Mitigating Controls in all Operations?*

- Normally, mitigating controls are less efficient than segregating duties and are practical only in those operations where staff size prohibits segregation of duties.





## What to leave un-segregated?

- Carefully review the control structure and select the combination of duties which would result in the least risk to the unit and which would require the fewest mitigating controls.
- Determine which duties could be easily performed by the same individual.

### *Example*

Reconciliation and record keeping functions are easy to mitigate. All that is usually required to enhance the control structure is an independent detailed review of the reconciliation which is properly documented.



## **Risk assessment is an ongoing task**

Any time processes are revised or functions are reassigned due to staff vacancies, extended leaves or departmental restructuring, an assessment of the controls, including segregation of duties, should occur.



UNC CHARLOTTE

***Segregation of Duties –  
Why is it important?***

## Still have questions?

<http://internalaudit.uncc.edu/>

Tom York  
Director  
teyork@uncc.edu  
327 Cato Hall  
704-687-5693

---

Diana Hill  
Staff Auditor  
dianahill@uncc.edu  
336 Cato Hall  
704-687-5695

---

Raheel Qureshi  
Staff Auditor  
rquresh2@uncc.edu  
337 Cato Hall  
704-687-5698

---

Julie Earls  
Staff Auditor  
jearls3@uncc.edu  
332 Cato Hall  
704-687-0049

---

Tara Pritchett  
Staff Auditor  
tpritch3@uncc.edu  
339 Cato Hall  
704-687-5694

Internal Audit Department  
*“We’re here to help!”*