



Generic Segregation of Duties Policy

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1.0 Introduction

Policies differ from procedures in that procedures prescribe the means of accomplishing the policy. Procedures provide personnel with the guidelines and specific activities to ensure commonality, compliance, and control of policy related activities.

The overall approach is one of global consistency from budget preparation through consolidated reporting, with differentiated handling of processes for statutory or division specific requirements only.

This generic policy is divided into six sections:

1. **Introduction**
2. **Organizational Policy**
3. **Professional Standards**
4. **Risks and Internal Control Objectives Addressed by Policy**
5. **Functional Procedures**
6. **Addenda**

2.0 Organizational Policy

It is company policy that an appropriate segregation of duties shall be maintained in accordance with the principles set forth in this document. The company shall identify, remediate, and maintain a separation of incompatible business functions. In permissible instances where business functions cannot be fully and appropriately segregated due to specific circumstances, management shall implement mitigating controls to compensate for such situations. As changes occur in the organizational, functional, and technological environments, assessments shall be performed to address the impact on the segregation of duties resulting from such changes.

Senior management shall review, revise, and enforce this policy as significant developments occur with respect to the segregation of duties.

2.1 Purpose of Segregation of Duties

Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed. The segregation of duties provides four primary benefits: 1) the risk of a deliberate fraud is mitigated as the collusion of two or more persons would be required in order to circumvent controls; 2) the risk of legitimate errors is mitigated as the likelihood of detection is increased; 3) the cost of corrective actions is mitigated as errors are generally detected relatively earlier in their lifecycle; and 4) the organization's reputation for integrity and quality is enhanced through a system of checks and balances.

Segregation of duties is a basic, key internal control and one of the most difficult to accomplish. In essence, there is greater assurance that internal control responsibilities will be fully deployed when there is increased dispersion of such responsibilities among multiple individuals and work groups.

2.2 Principles of Segregation of Duties

The key principle of segregation of duties is that an individual or small group of individuals should not be in a position to control all aspects of a transaction or business process. Basically, the general duties to be segregated are: planning/initiation, authorization, custody of assets, and recording or reporting of transactions. In addition, control tasks such as review, audit, and reconcile should not be performed by the same individual responsible for recording or reporting the transaction.

The principle of segregation of duties generally helps define the constructs that will govern the definition of processes, controls and reporting structures of organizational units. Another element of segregation of duties is that within an organizational unit where an employee's compensation, commission and performance evaluation are controlled or driven by the same Management Team, it is critical to ensure that employees are not pressured to override controls, processes or segregation of duties constructs.

The principle of segregation of duties in an information system environment is also critical as it ensures the separation of different functions such as transaction entry, on-line approval of the transactions, master file initiation, master file maintenance, user access rights, and the review of transactions. In the context of application level controls, this means that one individual should not have access rights that permit them to enter, approve and review transactions. Therefore, assigning different security profiles to various individuals would support the principle of segregation of duties.

The following general categories of duties or responsibilities are examined regarding segregation of duties:

- Formulating policy, plans and goals
- Approving policy, plans and goals
- Developing/analyzing business case justification
- Initiating a transaction
- Authorizing the transaction
- Recording the transaction
- Monitoring or having custody of physical assets
- Monitoring and/or reporting on performance results
- Reconciling accounts and transactions
- Authorizing master file transactions
- Processing master file transactions
- Providing information systems development, security administration, and other related support
- Following-up/resolving issues or discrepancies

In an ideal system, different employees would perform each of these major functions. Segregation of duties would imply that no one would have control of two or more of these responsibilities within a given sub-cycle or process. As a matter of degree of application, the more negotiable the asset is in the marketplace, typically the greater the need for proper segregation of duties -- especially when dealing with cash, negotiable checks and inventories. It may be possible for one person to perform multiple responsibilities as long as they are across separate or segregated processes, activities, transactions and other business matters. For example, a customer account



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representative may have responsibilities for obtaining credit information, updating customer profile information, verifying contract terms, and posting equipment changes.

2.3 Domains of Segregation of Duties

There are three strategic domains of segregation of duties that are addressed by this Policy. These domains are organizational, functional, and technological. The organizational domain addresses segregation of duties issues that may develop due to the organizational structure of the company. The functional domain addresses segregation of duties issues that may develop due to the job functions for which individuals are assigned responsibility. Finally, technological domain addresses segregation of duties issues may develop due to the security configuration of various IT systems.

2.4 Use of Compensating Controls

In those instances where duties cannot be fully segregated, mitigating or compensating controls must be established. Mitigating or compensating controls are additional procedures designed to reduce the risk of errors or irregularities. For instance, if the record keeper also performs a reconciliation process a detailed review of the reconciliation could be performed and documented by a supervisor to provide additional control over the assignment of incompatible functions. Segregation of duties is more difficult to achieve in a centralized, computerized environment. Compensating controls in this arena might include passwords, inquiry only access, logs, dual authorization requirements, and documented reviews of input/output.

2.5 Relationship with Other Internal Control Measures

Segregation of duties is an integral part of a company's overall Standards of Internal Control. It is a key foundational control necessary to ensure that the other controls are effectively discharged by appropriate individuals and groups.

3.0 Professional Standards

- 3.1** This policy establishes standards and authoritative guidance for the company and all its subsidiaries.

4.0 Risks and Internal Control Objectives Addressed by Policy

4.1 Risks Addressed by Policy

- a) Misstatement of financial accounts and management information due to: intentional or unintentional errors, omissions, and fraud
- b) Loss of audit trail which validates detail analysis, approval, and implementation of transactions
- c) Non-compliance with legal requirements
- d) IT security weaknesses

4.2 Internal Control Objectives addressed by Policy

- a) Section 1.5 – General Control Requirements
Adequate segregation of duties and control responsibilities must be established and maintained in all functional areas of the Company. In general, custodial, processing/operating, and accounting responsibilities should be separated to promote independent review and evaluation of Company operations. Where adequate segregation cannot be achieved, other compensating controls must be established and documented.

5.0 Functional Procedures

5.1 Identification of Segregation of Duties Issues

- a) Each functional business area shall be responsible for developing and implementing a schedule for assessing its area for potential or actual segregation of duties on a recurring basis.
- b) Each functional business area shall formally evaluate its area for the existence of potential or actual segregation of duties issues on a periodic basis.
- c) Organizational segregation of duties issues shall be considered during the periodic evaluations. The positioning of the business area in company, its relationships with other functional business areas, and the nature of its responsibilities shall be considered.
- d) Functional segregation of duties issues shall be considered during the periodic evaluations. The assigned job functions of personnel in the business area shall be considered from a standpoint of incompatible duties.
- e) Technological segregation of duties issues shall be considered during the periodic evaluations. The assigned system and application security of personnel shall be considered from a standpoint of access within systems to perform incompatible functions.



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5.2 Remediation of Segregation of Duties Issues

- a) Each functional business area shall document the segregation of duties issues identified during the formal periodic evaluations.
- b) The nature of the issue, the domain (i.e. organizational, functional, or technological), and the involved parties/systems shall be included in the documentation of the segregation of duties issues.
- c) Business area management shall review the documentation and determine remediation options for each issue.
- d) Remediation options may include a combination of corrective or mitigating measures.
- e) Business area management shall document the selected remediation method, along with the effective date of the remediation.
- f) Senior management and Internal Audit shall be provided copies of all documentation relating to segregation of duties analyses and remediation.

5.3 Maintenance of Segregation of Duties

- a) In the course of regular decision-making, business area management shall contemplate the impact of segregation of duties issues.
- b) Guidance provided in Section 6 shall serve as the foundation for evaluating business decisions in the context of segregation of duties.

6.0 Addenda

6.1 Overview of Segregation of Duties Matrices

- a) The matrix in 6.1 provides general guidance regarding segregation of duties.
- b) The matrices in 6.2 through 6.9 provide guidance for specific business processes. When appropriate, these matrices can be used in lieu of the general matrix in 6.1.
- c) The matrices reflect the desired state of the segregation of duties, and they represent the basis upon which functional business areas should assess their current state.
- d) Each row and column in a matrix represents a major business sub-process.
- e) Where the intersection of a row and column is denoted by an 'X', the corresponding business sub-processes represent incompatible functions that should be segregated.
- f) The segregation of duties can exist and should be assessed at the organizational, functional, and/or systematic levels.

6.2 General Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX														
			CUSTOMER MASTER DATA	CREDIT MANAGEMENT	CUSTOMER INCENTIVES	CUSTOMER CONTRACTS	PRICING	ORDER ENTRY	A/R PAYMENTS	A/R ENTRY	BILLING	APPROVE BILLING	COLLECTIONS	POST A/R PAYMENTS
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08	09	10	11	12
REVENUE	CUSTOMER MASTER DATA	01		X	X	X	X	X	X	X	X	X	X	X
	CREDIT MANAGEMENT	02	X					X	X	X	X	X	X	X
	CUSTOMER INCENTIVES	03	X			X		X	X	X	X	X	X	X
	CUSTOMER CONTRACTS	04	X		X		X	X	X	X	X	X	X	X
	PRICING	05	X			X		X	X	X	X	X	X	X
	ORDER ENTRY	06	X	X	X	X	X		X	X	X	X	X	X
	A/R PAYMENTS	07	X	X	X	X	X	X		X	X	X	X	X
	A/R ENTRY	08	X	X	X	X	X	X	X		X	X	X	X
	BILLING	09	X	X	X	X	X	X	X	X		X	X	X
	APPROVE BILLING	10	X	X	X	X	X	X	X	X	X		X	X
	COLLECTIONS	11	X	X	X	X	X	X	X	X	X	X		X
	POST A/R PAYMENTS	12	X	X	X	X	X	X	X	X	X	X	X	

6.3 Revenue Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX										
			NEGOTIATE CARRIER AGREEMENTS	APPROVE CARRIER AGREEMENTS	MAINTAIN CARRIER RELATIONSHIPS	RECEIVE / ENTER CARRIER BILLS	AUTHORIZE CARRIER BILLS FOR PAYMENT	COMPLETE BILL AUDIT	MANAGE CARRIER DISPUTES	UPDATE CIRCUIT INFORMATION AND CARRIER RATES
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08
BILL AUDIT	NEGOTIATE CARRIER AGREEMENTS	01				X	X	X	X	X
	APPROVE CARRIER AGREEMENTS	02			X	X	X	X	X	
	MAINTAIN CARRIER RELATIONSHIPS	03		X		X	X	X	X	
	RECEIVE / ENTER CARRIER BILLS	04	X	X	X		X	X	X	X
	AUTHORIZE CARRIER BILLS FOR PAYMENT	05	X	X	X	X		X	X	X
	COMPLETE BILL AUDIT	06	X	X	X	X	X		X	X
	MANAGE CARRIER DISPUTES	07	X	X	X	X	X	X		X
	UPDATE CIRCUIT INFORMATION AND CARRIER RATES	08	X			X	X	X	X	

6.4 Bill Audit Segregation of Duties Matrix (Telco Companies)

NATIVE SEGREGATION OF DUTIES MATRIX										
			NEGOTIATE CARRIER AGREEMENTS	APPROVE CARRIER AGREEMENTS	MAINTAIN CARRIER RELATIONSHIPS	RECEIVE / ENTER CARRIER BILLS	AUTHORIZE CARRIER BILLS FOR PAYMENT	COMPLETE BILL AUDIT	MANAGE CARRIER DISPUTES	UPDATE CIRCUIT INFORMATION AND CARRIER RATES
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08
BILL AUDIT	NEGOTIATE CARRIER AGREEMENTS	01				X	X	X	X	X
	APPROVE CARRIER AGREEMENTS	02			X	X	X	X	X	
	MAINTAIN CARRIER RELATIONSHIPS	03		X		X	X	X	X	
	RECEIVE / ENTER CARRIER BILLS	04	X	X	X		X	X	X	X
	AUTHORIZE CARRIER BILLS FOR PAYMENT	05	X	X	X	X		X	X	X
	COMPLETE BILL AUDIT	06	X	X	X	X	X		X	X
	MANAGE CARRIER DISPUTES	07	X	X	X	X	X	X		X
	UPDATE CIRCUIT INFORMATION AND CARRIER RATES	08	X			X	X	X	X	

6.5 Procurement Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX																	
				CHECK DISBURSEMENT MANAGEMENT	PROCESS AND PRINT PAYMENTS	A/P ENTRY	A/P PAYMENTS	PURCHASE REQUISITIONS	RELEASE PURCHASE REQUISITIONS	PURCHASE ORDERS	RELEASE PURCHASE ORDERS	VENDOR MASTER DATA	RELEASE VENDOR INVOICES	VENDOR PRICING AGREEMENTS	CHECK ADJUSTMENTS	POST A/P PAYMENTS	
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08	09	10	11	12	13		
PROCUREMENT	CHECK DISBURSEMENT MANAGEMENT	01			X	X						X	X		X	X	
	PROCESS AND PRINT PAYMENTS	02			X	X	X	X	X	X	X	X			X	X	
	A/P ENTRY	03	X	X		X	X	X	X	X	X	X	X	X	X	X	
	A/P PAYMENTS	04	X	X	X		X	X	X	X	X	X	X	X			
	PURCHASE REQUISITIONS	05		X	X	X		X		X	X	X		X			
	RELEASE PURCHASE REQUISITIONS	06		X	X	X	X				X	X	X	X			
	PURCHASE ORDERS	07		X	X	X				X	X	X	X	X	X	X	
	RELEASE PURCHASE ORDERS	08		X	X	X	X		X			X	X	X	X	X	
	VENDOR MASTER DATA	09	X	X	X	X	X	X	X	X			X	X	X	X	X
	RELEASE VENDOR INVOICES	10	X	X	X	X	X	X	X	X	X			X	X	X	X
	VENDOR PRICING AGREEMENTS	11			X	X		X	X	X	X	X			X	X	X
	CHECK ADJUSTMENTS	12	X	X	X	X	X	X	X	X	X	X	X	X			X
	POST A/P PAYMENTS	13	X	X	X					X	X	X	X	X	X		

6.6 Inventory Management Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX											
			GOODS DELIVERIES	GOODS RECEIPTS	MATERIAL / SERVICE MASTER	GOODS MOVEMENTS	PHYSICAL INVENTORY COUNT	POST GOODS RECEIPTS	POSTING FOR INVENTORY MOVEMENTS	APPROVE INVENTORY DIFFERENCES	POST GOODS ISSUES
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08	09
INVENTORY MANAGEMENT	GOODS DELIVERIES	01		X	X	X	X	X	X	X	X
	GOODS RECEIPTS	02	X		X	X	X	X	X	X	X
	MATERIAL / SERVICE MASTER	03	X	X		X	X	X	X	X	X
	GOODS MOVEMENTS	04	X	X	X		X	X	X	X	X
	PHYSICAL INVENTORY COUNT	05	X	X	X	X		X	X	X	X
	POST GOODS RECEIPTS	06	X	X	X	X	X		X	X	X
	POSTING FOR INVENTORY MOVEMENTS	07	X	X	X	X	X	X		X	X
	APPROVE INVENTORY DIFFERENCES	08	X	X	X	X	X	X	X		X
	POST GOODS ISSUES	09	X	X	X	X	X	X	X	X	

6.7 Asset Management Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX							
			ASSET MASTER DATA	ASSET MAINTENANCE	PROJECT CREATE / CHANGE	RELEASE / BLOCK ASSET GROUP	PROJECT ACCOUNTING MANAGEMENT
PROCESS	GROUP NAME	GROUP	01	02	03	04	05
ASSET MANAGEMENT	ASSET MASTER DATA	01		X	X	X	X
	ASSET MAINTENANCE	02	X				
	PROJECT CREATE / CHANGE	03	X				
	RELEASE / BLOCK ASSET GROUP	04	X				
	PROJECT ACCOUNTING MANAGEMENT	05	X				

6.8 General Ledger Accounting Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX							
			BANK / CHECK RECONCILIATIONS	FI MASTER DATA	COST / PROFIT CENTER ACCOUNTING	POST G/L ACCOUNTING	G/L JOURNAL ENTRY
PROCESS	GROUP NAME	GROUP	01	02	03	04	05
G/L ACCOUNTING	BANK / CHECK RECONCILIATIONS	01			X	X	X
	FI MASTER DATA	02				X	X
	COST / PROFIT CENTER ACCOUNTING	03	X			X	X
	POST G/L ACCOUNTING	04	X	X	X		X
	G/L JOURNAL ENTRY	05	X	X	X	X	

6.9 Human Resources / Payroll Segregation of Duties Matrix

NATIVE SEGREGATION OF DUTIES MATRIX											
			EDIT PAYROLL MASTER FILE	APPROVE SALARY / WAGE CHANGES	DETERMINE SALARY / WAGE RATES	RESOLVE EMPLOYEE PAYROLL INQUIRIES	DISBURSE PAYROLL	AUTHORIZE ELECTRONIC DISBURSEMENTS	PREPARE PAYROLL	SIGN PAYROLL CHECKS	INITIATE PAYROLL
PROCESS	GROUP NAME	GROUP	01	02	03	04	05	06	07	08	09
HR / PAYROLL	EDIT PAYROLL MASTER FILE	01				X	X	X	X	X	X
	APPROVE SALARY / WAGE CHANGES	02			X						
	DETERMINE SALARY / WAGE RATES	03		X							
	RESOLVE EMPLOYEE PAYROLL INQUIRIES	04	X				X		X	X	X
	DISBURSE PAYROLL	05	X			X		X	X	X	X
	AUTHORIZE ELECTRONIC DISBURSEMENTS	06	X				X		X		X
	PREPARE PAYROLL	07	X			X	X	X		X	X
	SIGN PAYROLL CHECKS	08	X			X	X		X		X
	INITIATE PAYROLL	09	X			X	X	X	X	X	