At Charles R. Drew University, segregation of duties is critical to effective internal control because it reduces the risk of mistakes and inappropriate actions. It is an internal control activity to help prevent or decrease the occurrence of undetected innocent errors or intentional fraud. This is done by ensuring that no single individual has control over all phases of a transaction: authorization, custody, and record keeping. When there is a good segregation of duties, there has to be collusion between two or more employees for irregularities to occur without detection.

When assigning duties, you should think about the entire transaction and whether or not a single person can make errors (either innocent or intentional) without timely detection in the course of their day to day activities or in their backup roles. If they can, then try to determine a way to eliminate the assignment of incompatible duties to an employee or to establish compensating controls.

In general, the following functions should be separated among employees:

- Approval
- Accounting/reconciling
- Asset custody

A detailed supervisory review of related activities is required as a compensating control activity if these functions cannot be separated in smaller departments.

Examples of segregation of duties:

- The person who requisitions the purchase of goods or services should not be the person who approves the purchase.
- The person who approves the purchase of goods or services should not be the person who reconciles the monthly financial reports.
- The person who approves the purchase of goods or services should not be able to obtain custody of checks.
- The person who maintains and reconciles the accounting records should not be able to obtain custody of checks.
- The person who opens the mail and prepares a listing of checks received should not be the person who makes the deposit.
- The person who opens the mail and prepares a listing of checks received should not be the person who maintains the accounts receivable records.
- The person who enters new hire information should not be the person who processes a payroll check.
- The person who is the head of a department and or delegation of authority should not be able to approve his or her own Personnel Action Form (PAF) or that of a Near Relative(s).
- The person who enters employee timecards and processes checks should not be the person who distributes payroll checks.
- The person who processes employee terminations should not be the person who has custody of distributes payroll checks.
- The person who approves timecards should not be the person who has access to payroll checks or have the ability to change direct deposit information.

No one person should:

- Initiate a transaction
- Approve a transaction
- Record a transaction
- Process a check
- Reconcile balances
- Handle assets
- Review reports

active role in the day to day operations by approving and/or reviewing transactions or related reports. Sometimes, it is more efficient to separate the duties.

**Note:** At least two sets of eyes are required for any transaction!

Applicability: All Employees and Faculty