Information

Segregation of Duties

Effective

March 1, 2015

Applicability

This policy applies to University Employees (administrators, faculty, and staff).

Administrative Authority

Vice President for Finance and Chief Financial Officer

Responsible Unit

Controller's Office
Service Complex, Louisville, KY 40292
502-852-6164
controll@louisville.edu

History

*This policy was approved by the Finance Committee on July 12, 2018 and the Board of Trustees on July 19, 2018.

Revision Date(s): May 3, 2020

Reviewed Date(s): May 3, 2020

Categories

Reason for Policy:

Segregation of duties is a fundamental component of an effective system of internal control within a business or organization. This policy addresses the segregation of duties as they relate to financial transactions and custody of assets.

Statement:

Departmental business functions should be distributed between departmental staff to ensure that adequate segregation of duties exist within the University's business units, service centers, or other internal operations which have the responsibility and authority to:

- Access cash.
- Make purchases through accounts payable or procurement cards.
- Manage payroll.
- Authorize disbursements.
- Manage revenues, billing, sales, collection of receivables or assets.

Definitions:

Segregation of duties is broadly defined as the separation of the custodial, record-keeping and authorization functions of a business process to ensure that no individual employee has the ability to initiate, approve, record, and reconcile departmental transactions or possess overall control over major functions within a business unit.

Procedures:

In situations where staff may have over-lapping duties or the confidentiality of transactions are in question, more reliance on departmental oversight is mandated to ensure internal control is monitored and maintained for the unit. In addition to strengthening internal controls, shared responsibilities and reporting oversight often produce benefits such as process improvements, greater transaction and reporting accuracy, training opportunities and measured accountability.

In summary, no single employee should have the authority to conduct two or more of the following business functions without the implementation of a compensating/mitigating controls, such as supervisor review and oversight of the work performed by that individual:

- Initiate a transaction.
- Approve a transaction.
- Record a transaction into the University financial system.
- Reconcile accounts.
- Maintain assets.

Departmental procedures should describe the roles, responsibilities, and approval authority assigned to employees that clearly defines the segregated duties. These procedures should also identify the system controls in place to adequately segregate access to transaction processing within the University financial system.