

## Internal Controls: Did you Know? Separation of Duties

Separation of Duties (SOD), a.k.a. segregation of duties is an internal control that involves breaking down financial tasks that might reasonably be completed by a single individual.

The American Institute of Certified Public Accountants (AICPA) defines SOD as a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable.

Imagine what would happen if the keys, lock and code for a nuclear weapons system were all in the hands of one person! Emotions, coercion, blackmail, fraud, human error and disinformation could cause grave and expensive one-sided actions that cannot be corrected. On the other hand, consider a software engineer who has the authority to move code into production without oversight, quality assurance or access rights' authentication.

Without SOD, either of these scenarios clearly shows the possibility of disastrous outcomes. As a result, the goal of SOD controls is to prevent unilateral actions from occurring in key processes where irreversible affects are beyond an organization's tolerance for error or fraud.

For a given transaction, it is preferred that separate individuals in different parts of a division perform authorizing, recording, and having custody of an asset functions.

The following table shows what the SOD framework of a payment request might look like:

Task	Control	Executor
Initiate a request to pay	Divisions initiate, complete, attach support documents and submits a request to pay to direct supervisor for approval.	An employee at the division or Department level
Approve a request to pay	Supervisors review submitted requests, validate how payments relate to University business, validate sources and availability of funds, validate accuracy of accounting coding and records, and either approve, return, or deny requests to pay.	Dean or delegate
	Submit approved request to Disbursements for processing.	
Receiving	Designated employees validate if the received requests to pay enclose accurate information and are properly approved by an authorized officer.	An employee at the division or Department level
	Validate receipt of products and/or services. E.g., Positive Approval asserts that the division or the department received the goods and/or services.	
Vendor Management	Validate/create/maintain vendors' records in SFS	Disbursements Vendor Team