

The following figures summarize ways in which duties could be segregated with two, three and four people.

## Segregation of Duties- Two people

### Accountant or other financial personnel



- Record pledges
- Mail checks
- Write checks
- Reconcile bank statement
- Record credit/debits
- Approve payroll
- Disburse petty cash
- Authorize purchase orders
- Authorize check requests
- Authorize invoices for payment

A receptionist or administrative employee could open mail and create a deposit log



### Executive Director

- Receive and open bank statements
- Sign checks
- Make deposits
- Perform interbank transfers
- Distribute pay checks
- Review petty cash
- Review bank reconciliations
- Approve vendor invoices
- Perform analytical procedures
- Sign important contracts
- Make compensation adjustments
- Discuss matters with BOD or audit committee

In addition, non accounting personnel such as a receptionist, program personnel etc can be trained to perform some of the less technical duties. Board members can be used to further segregate duties.

# Segregation of Duties – Three people

## Accounting Staff



- Record pledges
- Write checks
- Reconcile bank statement
- Record credit/debits
- Reconcile petty cash
- Distribute payroll



## Executive Director

- Sign important contracts
- Make compensation adjustments
- Discuss matters with BOD or audit committee
- Sign checks
- Complete deposit slips
- Perform interbank transfers
- Perform analytical procedures
- Review bank reconciliation

## Accountant or other financial personnel

- Approve payroll
- Process vendor invoices
- Mail checks
- Perform analytical procedures
- Approve invoices for payment
- Disburse petty cash
- Open mail and log cash
- Receive bank statements



In addition, non accounting personnel such as a receptionist, program personnel etc can be trained to perform some of the less technical duties. Board members can be used to further segregate duties.

# Segregation of Duties – Four people

## Accounting Staff



- Record pledges
- Write checks
- Reconcile bank statement
- Record credit/debits
- Reconcile petty cash



## Executive Director

## Accountant / other

- Distribute payroll
- Open mail and log cash
- Disburse petty cash
- Mail checks
- Review bank reconciliation



## Accountant / other

- Approve vendor invoices
- Perform interbank transfers
- Approve payroll
- Complete deposit slips

- Sign important contracts
- Make compensation adjustments
- Discuss matters with BOD or audit committee
- Sign checks
- Perform analytical procedures



Non accounting personnel such as a receptionist, program personnel etc can be trained to perform some of the less technical duties. Board members can be used to further segregate duties.

**Segregation of Duties**

Cycle	Segregation of Duties	Helps to prevent fraud scheme
Cash receipts/ accounts receivable	Person who opens mail and logs in cash receipts should be different than the person who functions as cashier or posts to accounts receivable.	Skimming
	Persons who operate cash register should be different than the person who deposits the cash or takes independent cash register readings and reconciles with cash in register drawer.	Skimming
	Lock box	Skimming
	Restrictive endorsements	Skimming
	Bank reconciliations should be performed by persons independent of cash receipts (and disbursements)	Void and sales return schemes
	Monthly statements to customers are mailed by a person other than the one responsible for posting to receivables.	Lapping
	Customer follow-up on complaints is independent of cash handling or receivables posting.	Lapping
Cash disbursements	Person who signs checks should be different than the one initiating purchases, approving purchases, shipping, receiving, cash receipts, accounts payable and custody of cash. Check signer should be authorized by board of directors.	Kickbacks
	Mechanical check signers and signature plates should be under the control of management. That person should be independent from the person initiating purchases, approving purchases, shipping, receiving, cash receipts, accounts payable and custody of cash	Fictitious or inflating invoices or altering checks
		Excess purchasing
		Fictitious or inflating invoices or altering checks
		Excess purchasing
		Stealing checks

Cycle	Segregation of Duties	Helps to prevent fraud scheme
Property	Those who maintain fixed asset records should not have access to movable assets	Stealing assets  Personal capital improvements
Investments	<p>The person initiating, evaluating and approving transactions should be different than the ones who maintain accounting records and the general ledger.</p> <p>The person with responsibility for investments should be different than the record keeper.</p>	Stealing investments  Diverting interest/gains  Stealing investments
Accounts Payable/ purchasing	<p>Purchasing should be separate from requisitioning, shipping and receiving</p> <p>Requisitioning, purchasing and receiving should be different from those who process invoices, accounts payable, cash receipts and disbursements, and the general ledger functions</p> <p>Invoice processing and accounts payable should be separate from the general ledger function</p> <p>Persons who are independent of purchasing and receiving should follow-up on unmatched open purchase orders, receiving reports and invoices.</p>	Excess purchasing  Personal capital improvements  Fictitious or inflating invoices or altering checks  Duplicate payments  Fictitious or inflating invoices or altering checks
Payroll	<p>Persons who prepare payroll should be independent of time keeping, distribution of checks and hiring. They should not have access to other payroll data or cash.</p> <p>Payroll should be separate from the general ledger function</p>	Fictitious employees  Overpayments of wages/ stealing payroll checks  Diverting wages or payroll taxes  Embezzling withholdings  Keeping terminated employees on payroll