



**Policy for:
Internal Controls
Segregation of Duties**

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Board Secretary	
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Purpose:

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. 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. LCRC by policy strives for the maximum level of segregation of duties based on size of staff. The maximum level of segregation combined with compensating controls will sufficiently minimize the impact of control deficiencies and exposure to errors or irregularities.

Policy Statement:

LCRC strives for the optimum degree of segregation of duties and applies best practices which include a mix of other internal control factors (including compensating controls, i.e. a detailed and/or external review). In some cases, LCRC relies on external consultants to provide an added degree of controls to offset any limitations due to staffing size, whether permanent or temporary, and/or lack of experience. Under LCRC policies, no one person provides the following:

- Initiate transaction
- Approve transaction
- Record transaction
- Reconcile balances
- Handle assets
- Review reports

As a general rule, the approval function, the accounting/reconciling function, and the asset custody function are separated among employees.

Segregation of Duties Matrix:

The following is a matrix documenting Segregation of Duties within LCRC. LCRC shall review the matrix no less than annually.

Cash/Check Handling (Receipts, Disbursements, Reconciliation)

- 1) Receives Cash/Cash Log
- 2) Reconciles Cash Receipts to Daily Cash Log
- 3) Prepares Bank Deposit
- 4) Approves Deposit
- 5) Takes Deposit to Bank
- 6) Records Deposit Transaction into Financial Edge (or other Subsidiary Ledger)
- 7) Reconciles Deposits to amounts recorded in G/L
- 8) Reviews Cash Reconciliations
- 9) Prepares Voucher Package for payment (Match PO, receiving evidence, invoice)
- 10) Prepares Check Requests
- 11) Reviews Check Requests and Source Documents; Approves in System
- 12) Approves & Signs Invoices/Check Request for Payment
- 13) Affixes Signature
- 14) Mails Vendor Checks
- 15) Posts Disbursements to Subsidiary Ledger
- 16) Reconciles Disbursements from Subsidiary Ledger to G/L
- 17) Reviews G/L Reconciliation
- 18) Maintains Check Stock
- 19) Reconciles Bank Statements
- 20) Approves Bank Reconciliations
- 21) Reviews Bank Reconciliations(External)

	Executive Assistant	Fiscal Operations Analyst	Fiscal Operations Manager	Chief Financial Officer	Executive Director/Authorized Board Member	Compensating Controls
1) Receives Cash/Cash Log	X					
2) Reconciles Cash Receipts to Daily Cash Log			X			
3) Prepares Bank Deposit		X				
4) Approves Deposit				X		
5) Takes Deposit to Bank			X			
6) Records Deposit Transaction into Financial Edge (or other Subsidiary Ledger)		X				
7) Reconciles Deposits to amounts recorded in G/L			X			
8) Reviews Cash Reconciliations				X		
9) Prepares Voucher Package for payment (Match PO, receiving evidence, invoice)		X				
10) Prepares Check Requests		X				
11) Reviews Check Requests and Source Documents; Approves in System			X			
12) Approves & Signs Invoices/Check Request for Payment				X		
13) Affixes Signature					X	
14) Mails Vendor Checks	X					
15) Posts Disbursements to Subsidiary Ledger		X				
16) Reconciles Disbursements from Subsidiary Ledger to G/L			X			
17) Reviews G/L Reconciliation				X		
18) Maintains Check Stock		X				X
19) Reconciles Bank Statements			X			
20) Approves Bank Reconciliations				X		
21) Reviews Bank Reconciliations(External)						X

Investments and Treasury

- 1) Initiates request to open bank accounts
- 2) Authorizes opening of new bank accounts
- 3) Adds new account information to G/L
- 4) Initiates investment transactions
- 5) Reviews and approves investment transactions
- 6) Posts investment activity to the G/L
- 7) Reconciles Investment Accounts to amounts reported on G/L
- 8) Maintains investments (i.e., stock certificates, cd's, etc.)
- 9) Reviews investments (i.e., stock certificates, cd's, etc.)

	Fiscal Operations Analyst	Fiscal Operations Manager	Chief Financial Officer	Executive Director/Treasurer	Compensating Controls
			X		
			X		
		X			
			X		
			X		
	X				X
		X			
			X		
			X	X	

Purchasing

- 1) Initiates Purchase Order Requisitions
- 2) Reviews Purchase Requisitions and inputs into System
- 3) Determines Method of Procurement (i.e. small order, quotes, bids, sole source)
- 4) Approves Purchase Requisitions
- 5) Prepares Purchase Order
- 6) Provides review and system approval
- 7) Approves Purchase Order
- 8) Places orders with Vendor; arrange services
- 9) Modifies Master Vendor File
- 10) Approves Vendor/ System's Modifications
- 11) Receives goods from Vendor
- 12) Approves Vendor Invoices for Payment

	Shipping/Receiving	Purchasing Assistant	Department Head	Fiscal Operations Manager	Chief Financial Officer	Executive Director	Compensating Controls
			X				
		X					
		X					X
					X		
		X					
				X			
				X			
				X			
	X						
				X	X		

Pro-Card (Company Credit Card)

- 1) Approves Purchase Order
- 2) Determination is made to use Pro-Card (low dollar amount purchase, extenuating circumstances)
- 3) Merchandise is ordered from Vendor
- 4) Receives goods from Vendor
- 5) Reviews Pro-Card Statement along with source documents
- 6) Approves Pro-Card Statement for Payment (including source documents)

	Shipping/Receiving	Purchasing Assistant	Fiscal Operations Manager	Chief Financial Officer	Compensating Controls
				X	
			X		
	X				
			X		
				X	

Payroll

- 1) Responsible for Modifying Employee Master File
- 2) Approves modifications to Employee Master File
- 3) Prepares payroll file for processing
- 4) Approves payroll file
- 5) Generates & Submits Payroll for processing
- 6) Process Payroll for Direct Deposit (Paychex Service)
- 7) Reviews and approves payroll reports and journals
- 8) Distributes Payroll checks or vouchers
- 9) Records payroll expense in G/L (two part process)
- 10) Reconciles payroll subsidiary module to G/L

	Executive Assistant	Business Manager/HR	Fiscal Operations Manager	Chief Financial Officer	Compensating Controls
		X			
				X	
		X	X		
				X	
		X			X
					X
				X	
	X				X
			X	X	
			X		

Capital Assets

- 1) Initiates Purchase of Capital Assets (This may be covered in Purchasing Area above)
- 2) Approves Purchase of Capital Assets
- 3) Approves Capital Asset Disposals
- 4) Disposes of Capital Assets
- 5) Records Capital Asset additions and disposals in Asset Management module
- 6) Performs periodic physical counts of Capital Assets
- 7) Reconciles physical Capital Asset counts to Asset Management sub-system
- 8) Makes adjustments to Asset Management sub-system
- 9) Approves adjustments to Asset Management System
- 10) Reconciles Asset Management sub-system to G/L
- 11) Reviews reconciliation of Asset Management sub-system to G/L
- 12) Maintains Capital Asset sub-system (updates Master File for asset categories, useful lives and depreciation tables)

	Department Head	Fiscal Operations Analyst	Fiscal Operations Manager	Chief Financial Officer	Executive Director	Compensating Controls
1)	X					
2)				X		
3)				X	X	
4)	X		X			
5)			X			
6)	X	X				
7)			X			
8)			X			
9)				X		
10)			X	X		
11)				X		
12)		X	X			

General Ledger

- 1) Responsible for modifying (adding, deleting, mapping) G/L accounts
- 2) Approves changes to G/L accounts
- 3) Prepares journal entries for posting
- 4) Approves journal entries
- 5) Posts journal entries
- 6) Prepares financial statements from G/L
- 7) Approves financial statements (unaudited)
- 8) Reviews financial statements(External Review)
- 9) Reviews and accepts financial statements

	Fiscal Operations Manager	Chief Financial Officer	Executive Director/CEO	Treasurer/Finance Committee and/or Board	Compensating Controls
1)	X				X
2)		X			X
3)	X				
4)		X			
5)	X				
6)	X				
7)		X	X		
8)					X
9)				X	