

# 1 Segregation of Duties

2 Effective: Moved to Policy Library from UPM 10.2(4)

3 Contact: [Controller's Department](#)

## 4 Introduction

5 State and federal policies require that accounting transactions be authorized according to sound  
6 management practices. One of the most basic, yet most important principles of sound management  
7 is that of segregation of duties.

8 Segregation of duties is critical because it ensures separation of different functions and defines  
9 authority and responsibility over transactions. Segregation of duties is critical to effective internal  
10 control; it reduces the risk of both erroneous and inappropriate actions.

11 The fundamental premise of segregated duties is that an individual should not be in a position to  
12 initiate, approve, and review the same action. Also, the accounting/reconciling function, and the  
13 asset (e.g., money, inventory) custody function should be separated among employees. These are  
14 called incompatible duties when performed by the same individual.

## 15 Policy Statement

16 Responsible administrators must consider the principle of segregation of duties when designing and  
17 defining job duties. They must implement processes and control procedures that, to the extent  
18 feasible, segregate duties among employees and that include effective oversight of activities and  
19 transactions.

20 Maintaining segregation of duties is especially challenging for units with small numbers of  
21 employees. When these functions cannot be separated, more reliance must be placed on  
22 administrative oversight. A detailed supervisory review of activities involving finances, inventory, and  
23 other assets is required as a compensating control activity.

## 24 Resources

### 25 Links

- 26 • [Signature Authority for Internal Transactions](#)
- 27 • [Office of Internal Audit](#)