

Control Activities and Proper Segregation of Duties

Purpose: To provide State of Alaska Agencies examples of specific control activities and proper segregation of duties for their use when designing and maintaining their Internal Control System.

Scope: For State of Alaska State Agencies to use as a guide. This is not an all-inclusive list.

Important: Documentation that the Control Activity is in place and operating effectively is required. Plan activities to include documented proof for auditors and historical audit trail.

Control Activity Examples:

1. **Policies and Procedures** – created by State Agencies incorporating State, Federal, and all other applicable requirements for the specific P&P; statements of responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness.
2. **Authorization** – Delegation of Authority forms are limited to only what specific positions requires to perform assigned duties. Management clearly communicates authorizations to personnel to ensure only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into.
3. **Review and Approval** – transactions, reports, compliance processes have been reviewed for accuracy and completeness by appropriate personnel. Also verifies occurred timely.
4. **Controls over Information Processing** – edit checks of data entered; accounting for transactions in numerical sequences, comparing file totals with control accounts, and control access to data, files, and programs.
5. **Access Restrictions** – limits access to resources and records to authorized individuals only. Management should periodically compare resources with recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alterations.
6. **System controls/Security Management** – computers require passwords, or possible dual authentication, Information Systems also require passwords and user set-up.
 - For State Accounting System – IRIS Security Forms should only include what the employee needs to complete their assigned duties. Only authorized signers can review and submit the forms to DOF for processing.
7. **Verification** – Computer and manual process that all accounting information has been correctly captured.
8. **Reconciliation** – Accuracy of financial records through the periodic comparison of source documents to data recorded in the accounting information system.
9. **Physical Security Over Assets** – assets are safeguarded and protected from loss or damage due to accident, natural disaster, negligence, or intentional acts of fraud, theft, or abuse.

10. **Management of Personnel** – provide qualified and continuous supervision, complete performance evaluations and timely feedback system to ensure the right personnel are on board for the job and are provided the right training, tools, structure, incentives, and responsibilities.
11. **Education, Training, and Coaching** – reduces the risk of error and inefficiency in operations by ensuring that personnel have the proper education and training to perform their duties effectively. Education and training programs should be periodically reviewed and updated to conform to any changes in the agency environment or fiscal processing.
12. **Performance Planning and Evaluations** – establish key performance indicators use to identify unexpected results or unusual trends in data which could indicate situations require further investigation and/or corrective action. Evaluations may be performed at multiple levels – agency as a whole, major initiatives, specific functions or programs.
 - a. Compliance Review
 - b. Financial review of budgets to actual, forecasts, and prior performance
13. **Other** – Department of Administration Division of Support Services Payables Portal, limit submission access to certain staff and review Portal Reports to ensure no unauthorized submissions.

Proper Segregation of Duties:

Definition is the separation of the authority, custody, and accounting of an operation.

1. State of Alaska Organizational Structure – helps to minimize risk of fraud, waste, and abuse; Expenses & Expense Approvals.
 - Division/Program Staff are delegated funding authority to authorize purchase/procurement of a good or service and for the accounting to hit their budgeted appropriations. Create the Purchase Requisition (REQ); Management approves the REQ.
 - Admin/Procurement Staff in DAS or SSOA with appropriate Procurement Purchasing Level of Certification Creates the Purchase Order (PO) or Contract (CT); Procurement Management approves the PO/CT
 - Accounting staff in Division of Administrative Services (DAS)/Shared State Services (SSOA)/Division of Finance (DOF) record transactions in State Accounting System.
 - Department of Revenue Treasury and Cash Management maintain custody of the Cash and Investment Assets.
2. Vendor Maintenance & Posting Invoices – helps to prevent fictitious customers with fictitious invoices.
 - Only DOF staff have ability to create and maintain vendors in IRIS.
 - Agency DAS or SSOA staff post and pay invoices.
3. Mail Processing and Daily Deposits

- Agency Admin staff opens mails, records all checks and cash received that day in a log
 - Separate Admin or Accounting staff performs the daily deposit
4. Payments & Bank Reconciliations
 - Only DOR Cash Management staff perform bank reconciliations.
 - Agency DAS or SSOA staff post and pay invoices.
 5. Timesheet & Paychecks & Bank Reconciliations
 - Agency Staff create their own timesheet, Direct Supervisor Approves.
 - Only DOF Payroll staff create paychecks.
 - DOR Cash Management staff perform bank reconciliations.
 6. Journal Entry & Approvals
 - Different State Employee enters Journal Entry then Certifies Journal Entry via IRIS Workflow.
 - Additional approval may be required by Division/Program staff for activity hitting their budgeted appropriations.
 7. Custody of Cash & Account Receivable Reconciliations
 - DOR Cash Management records Cash Receipts (CR IRIS documents)
 - Agency DAS staff clear the Receivable (RE IRIS document) using CR2 or clears to appropriate Fund/Appropriation using CR1 document.
 8. Revenue Collection & Write-offs
 - Only Division/Program staff authorize write-offs; or DOF at a higher level
 - DAS staff handles payments
 9. Hire & Hire Approval & Set Compensation
 - Agency staff complete hiring paperwork, with Administrative Services Director (ASD) and Human Resource (HR) Approval.
 - DOF Payroll staff complete the Step Determination for what range/step employee pay will be set at.
 - i. If Advance Step additional approvals including Director or Personnel and Labor Relations required.
 10. System Access Permissions
 - Office of Information Technology (OIT) adds and edits system access permissions, controls firewall rules; DOF processes all State of Alaska Accounting System IRIS Security Requests for User set-ups.
 - State of Alaska employees use the computers based on appropriately assigned access; Agency DAS or SSOA staff post financial activity in IRIS.
 11. System Configurations & Approvals
 - DOF sets-up and updates all worklists, workflows, and system updates.
 - Agency DAS or SSOA management perform the review/approval of documents entered by their staff in IRIS.