



United States Department of the Interior

OFFICE OF THE SECRETARY
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FINANCIAL MANAGEMENT MEMORANDUM 2011-005 (Vol. VI.A.)

To: Bureau Assistant Directors for Administration
Bureau Chief Financial Officers

From: Don Geiger *Don Geiger*
Acting Director, Office of Financial Management

Subject: Financial Business and Management Systems Segregation of Duties Policy

Segregation of duties (SoD) is one of the key concepts of internal controls. SoD is critical because as an internal control feature, it ensures separation of incompatible functions and defines authority and responsibility over transactions. The concept of SoD is to separate the following responsibilities in each Financial Business and Management System (FBMS) business process:

- Initiation
- Authorization
- Record keeping
- Custody of assets
- Reconciliation

Ideally, no single individual should handle more than one of these responsibilities for a transaction. For example, an individual should not initiate, approve, and record a contract for goods or services. SoD controls greatly reduce the risk of errors and improper actions.

SoD controls that are built into an information system are one of the most efficient and effective methods to implement these types of controls. If bureaus/offices (users) cannot implement the system as designed, a waiver from particular SoD controls must be obtained from senior bureau management. The FBMS Project Management Office (PMO) will provide detailed procedures, including standard forms, on SoD waivers. Please note that some particular SoD controls may not be eligible for a waiver because of the importance of the control.

If a SoD waiver is granted, it is the user's responsibility to design and implement appropriate compensating controls. Compensating controls are preventive, detective or monitoring controls that are executed by an independent, supervisory employee who does not have initiation, authorization, record keeping, custody of assets, or reconciliation responsibilities over the transaction.

The compensating controls should be reviewed and approved by the user's senior management and then forwarded to the PMO for review and approval. If the user and PMO are unable to reach an agreement on the design of compensating controls, the issue will be elevated to the Department's Office of Financial Management for resolution. The PMO will provide detailed procedures, including standard forms, on compensating controls.

Users should evaluate the control waivers and test the compensating controls in the OMB A-123 assessment process. Within the first year after implementation of a new compensating control, an assessment should be performed to ensure the control was properly designed and is operating effectively.

A repository of documentation on waived controls and the corresponding compensating controls will be maintained within the FBMS Compliance Software. The repository will be accessible to users to aid in requesting a waiver and developing and implementing compensating controls.

If you have any questions on this subject, please contact Eric Eisenstein on (202) 208-3417.

cc: Financial Statement Guidance Team
Finance Officers Partnership

Cancelled FMMs: n/a

Additional FMMs on the Subject: n/a