

HRS SEPARATION OF DUTIES OVERVIEW

Summary:

Separation of Duties (SOD) is a key concept of internal control. SOD is a common policy when people are handling money so that fraud requires collusion of two or more parties. SOD ensures that people do not have conflicting responsibilities and are not responsible for reporting on themselves or their superiors, thereby reducing the risk that fraud or error could remain undetected.

Separation of Duties is widely used in financial accounting systems. Companies of all sizes understand the importance of not combining roles such as receiving checks, approving write-offs, depositing cash and reconciling bank statements, approving time cards, and having custody of paychecks.

Separation of Duties, as it relates to security, has two primary objectives. The first is the prevention of conflict of interest, the appearance of conflict of interest, wrongful acts, fraud, abuse and errors. The second is the detection of control failures that include security breaches, information theft and circumvention of security controls.

Financial Fraud Risk Workflow:

HRS is focusing on SOD as it relates to potential risks of financial fraud. Here are four scenarios that pose the most risk for financial fraud within HRS utilizing commonly assigned security roles (See Document: HRS Separation of Duties - Financial Fraud Risk Workflow):

Scenario #1

1. Ghost Employee is Hired
2. Time is Entered and Approved or Paysheet is Created for the Ghost Employee
3. Access to Unclaimed Checks or Check Distribution to Receive the Ghost Employee Paper Check

Scenario #2

1. Ghost Employee is Hired or Start and End Dates of an Existing Employee are Modified
2. Time is Entered and Approved or Paysheet is Created for the Ghost Employee
3. Add/Update Direct Deposit Bank Account for the Ghost Employee

Scenario #3

1. Ghost Employee is Hired or Start and End Dates of an Existing Employee Modified
2. Request/Enter Additional Payment for the Ghost Employee
3. Access to Unclaimed Checks or Check Distribution to Receive the Ghost Employee Paper Check

Scenario #4

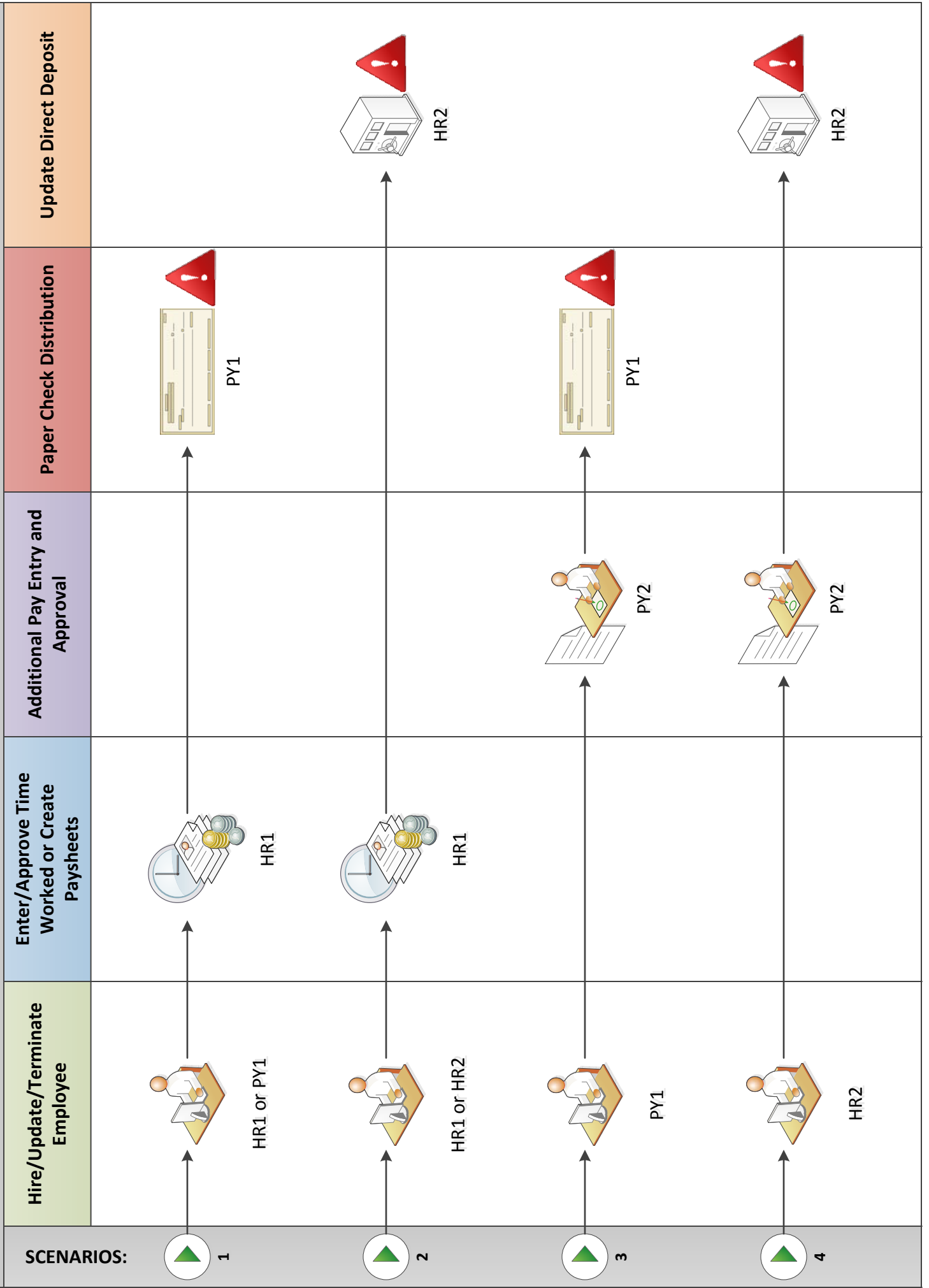
1. Ghost Employee is Hired or Start and End Dates of an Existing Employee Modified
2. Request/Enter Additional Payment for the Ghost Employee
3. Add/Update Direct Deposit Bank Account for the Ghost Employee

Role Conflicts by Financial Fraud Risk:

Based on the scenarios listed above we have outlined the conflicting security roles for each of the workflow chains. The matrix should be used to separate conflicting duties within HRS, or if a conflict is necessary, indicates the mitigating controls that must be followed to ensure a detection of fraudulent activities (See Document: HRS Separation of Duties Role Conflicts by Financial Fraud Risk).

Matrix Risk:	Description:
HR1	Fictitious Appointment, Inaccurate Appointment for Valid Employee Entry, or Ghost Employee Entry
HR2	Employee is Paid Prior to Official Start Date or Beyond Termination Date while Re-Routing their Direct Deposit
PY1	Paper Payroll Check is Misappropriated
PY2	Additional or Supplemental Payment May Be Issued Inappropriately

HRS SEPARATION OF DUTIES: FINANCIAL FRAUD RISK WORKFLOW



HRS SEPARATION OF DUTIES: ROLE CONFLICTS BY FINANCIAL FRAUD RISK

Overview: For each of the following SOD risks, corresponding roles have been identified as security access conflicts (i.e. Role “A” conflicts with Role “B”). If the two conflicting role assignments are necessary to ensure the operation of the business, the outlined mitigating controls for that risk must be in place to ensure detection of fraudulent activities.



SOD RISK	DUTIES TO SEPERATE	ROLE CONFLICT “A”	ROLE CONFLICT “B”	REQUIRED COMPENSATING CONTROLS FOR NECESSARY CONFLICTS
<p>HR1</p> <p>Fictitious Appointment, Inaccurate Appointment for Valid Employee Entry, or Ghost Employee Entry</p>	<p>A:</p> <ul style="list-style-type: none"> • Add New Employee • Add/Change Employee Appointment <p>B:</p> <ul style="list-style-type: none"> • Create Timesheet or Paysheet • Approve Time Worked 	<p>HR SERVICE CENTER (SUPER USER) BN BENEFITS TROUBLESHOOTING BN SERVICE CNTR BENEFITS UPD BN WRS ADMINISTRATOR PY UPDATE FICA & INCOME CODE PY SERVICE CENTER CYE UPDATE HR ADMINISTRATOR (UPDATE HR) HR STUDENT HELP UPDATE HR MANAGE HIRES FOR RECRUITING HR PERSON UPDATE BN JOB DATA HR JOB DATA OVER MAX UPDATE HR JOB DATA UPDATE HR TBH HR ADMIN APPROVAL UPD HR PER CONTACT & EMPL INFO UPD</p>	<p>PY PAYROLL CYCLE PROCESS PY SC PAYLINE BENEFIT TBSLHTR PY SERVICE CENTER PAYLINE TEAM PY PAYLINE PAYROLL BENEFITS PY PAYROLL PROCESS TEAM PY PAYROLL OPERATIONS PY INPUT EARN GENDED & BEN PY PAYLINE PAYROLL EARN GENDED PY SC PAYLINE PAYROLL TBSLHT TL SSC SUPER USER CORRECTION TL SSC TROUBLESHOOT TL UNV Payroll Coordinator TL UNV Supervisor / Approver TL UNV Non-UW Supervisor/Apppr</p>	<ol style="list-style-type: none"> 1. Reports are automatically run Sunday night, and saved within HRS. Nightly, the WED will display the reports which have not yet been signed 2. Conduct management review of the reports for discrepancies; taking action on any incorrect entries 3. Sign report following the steps detailed in KB 53881
<p>HR2</p> <p>Employee is Paid Prior to Official Start Date or Beyond Termination Date while Re-Routing their Direct Deposit.</p>	<p>A:</p> <ul style="list-style-type: none"> • Add New Employee • Add/Change Employee Appointment <p>B:</p> <ul style="list-style-type: none"> • Add/Update Direct Deposit Bank Account Information 	<p>HR SERVICE CENTER (SUPER USER) BN BENEFITS TROUBLESHOOTING BN SERVICE CNTR BENEFITS UPD BN WRS ADMINISTRATOR PY UPDATE FICA & INCOME CODE PY SERVICE CENTER CYE UPDATE HR ADMINISTRATOR (UPDATE HR) HR STUDENT HELP UPDATE HR MANAGE HIRES FOR RECRUITING HR PERSON UPDATE BN JOB DATA HR JOB DATA OVER MAX UPDATE HR JOB DATA UPDATE HR TBH HR ADMIN APPROVAL UPD HR PER CONTACT & EMPL INFO UPD</p>	<p>PY PAYROLL CHECK PROCESS PY PAYROLL OPS CORRECTION PY BALANCE ADJUSTMENT PY DIRECT DEPOSIT UPDATE</p>	<ol style="list-style-type: none"> 1. Reports are automatically run Sunday night, and saved within HRS. Nightly, the WED will display the reports which have not yet been signed 2. Conduct management review of the reports for discrepancies; taking action on any incorrect entries 3. Sign report following the steps detailed in KB 53881

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<p>PY1</p> <p>Paper Payroll Check is Misappropriated</p>	<p>A:</p> <ul style="list-style-type: none"> • Add New Employee • Add/Change Employee Appointment <p>-OR-</p> <ul style="list-style-type: none"> • Approve Time Worked/Leave <p>B:</p> <ul style="list-style-type: none"> • Print Paper Check • Create Online Check • Custody of Unclaimed Paper Checks • Distribute Paper Checks 	<p>HR SERVICE CENTER (SUPER USER) BN BENEFITS TROUBLESHOOTING BN SERVICE CNTR BENEFITS UPD BN WRS ADMINISTRATOR PY UPDATE FICA & INCOME CODE PY SERVICE CENTER CYE UPDATE HR ADMINISTRATOR (UPDATE HR) HR STUDENT HELP UPDATE HR MANAGE HIRES FOR RECRUITING HR PERSON UPDATE BN JOB DATA HR JOB DATA OVER MAX UPDATE HR JOB DATA UPDATE HR TBH HR ADMIN APPROVAL UPD HR PER CONTACT & EMPL INFO UPD</p> <p>TL SSC SUPER USER CORRECTION TL SSC TROUBLESHOOT AM CAMPUS COORDINATOR AM DEPARTMENT COORDINATOR AM SUPERVISOR TL UNV Payroll Coordinator TL UNV Non-UW Supervisor/Appr TL UNV Supervisor / Approver</p>	<p>PY FUTURE FUNCTIONALITY PY BALANCE ADJUSTMENT CUSTODY OF UNCLAIMED PAPER CHECKS DISTRIBUTION OF PAPER CHECKS</p>	<p>Check Handling Policy: The complete check custody process must be performed by an individual that does not possess the ability to perform one or more of the following as listed in the SOD conflict PY1:</p> <ul style="list-style-type: none"> • Add New Employee • Change Employee Appointment • Approve Time Worked/Leave <p>1. Maintain a Chain of Custody register to record, track, and audit individuals that have custody of paper checks from print to distribution.</p> <p>2. Review the Chain of Custody registers for individuals that violate the Check Handling Policy.</p>

SOD RISK	DUTIES TO SEPERATE	ROLE CONFLICT "A"	ROLE CONFLICT "B"	REQUIRED COMPENSATING CONTROLS FOR NECESSARY CONFLICTS
<p>PY2</p> <p>Additional or Supplemental Payment May Be Issued Inappropriately.</p>	<p>A:</p> <ul style="list-style-type: none"> Request/Approve Additional Payment <p>B:</p> <ul style="list-style-type: none"> Enter Additional Payment in HRS 	<p>APPROVE/REQUEST ADDITIONAL PAYMENT</p>	<p>PY PAYROLL OPS CORRECTION PY ADDITIONAL PAYROLL</p>	<p>Additional Pay Entry Policy: The additional pay entry process must be performed by an individual that does not possess the ability to request or authorized an additional payment for an individual.</p> <ol style="list-style-type: none"> Utilize an Additional Payment Request/Authorization form. Form must be completed by an individual that does not possess the ability to request or authorized an additional payment for an individual. Reports are automatically run Sunday night, and saved within HRS. Nightly, the WED will display the reports which have not yet been signed Conduct management review of the report against the Additional Payment Request/Authorization forms for discrepancies. Investigate and document any discrepancies that violate the Additional Pay Entry Policy. Sign report following the steps detailed in KB 53881