



Session Number – Who Owns Segregation of Duties?

Sarah Thompson, PwC Risk Assurance
Director

Back to Business

Agenda

- Introductions
- What is Segregation of Duties, Anyway?
- So Now I Know What It Is... Why Do I Care?
- Sure, SoD is Important, But Who Owns It?
- Okay, You Sold Me – But How Can I Help Make it Happen?
- Questions / Comments

Introductions

- Who: Sarah Thompson
- What: Risk Assurance Director, PwC
- Where: San Francisco (Now...)
- When: Since 2008 (but started with PwC in 2002)
- Why:
 - Love the Bay Area (Wine tasting, hiking, beach)
 - Segregation of Duties is a pet peeve

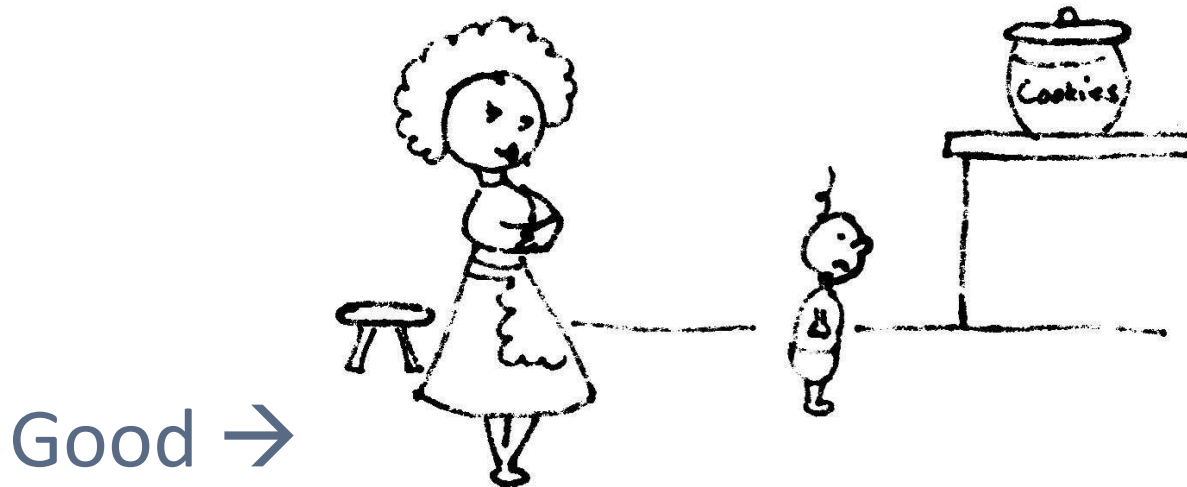
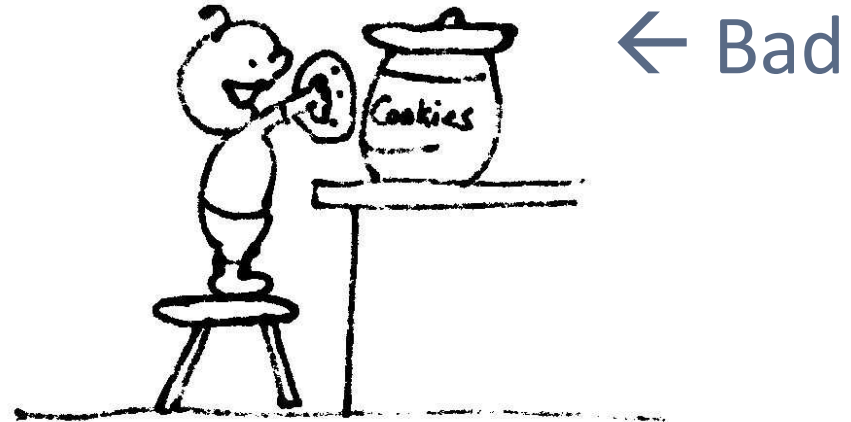
Introductions

- So Who Do We Have in the Room?
 - Name, Title, Company
 - Reason for Attending SoD Course
 - Interesting Tidbit

What is Segregation of Duties, Anyway?

- Text book definition: an element of internal control which ensures no employee or group of employees should be in the position to both perpetrate and to conceal errors or fraud in the normal course of duties. (www.theiia.org)
- Simply put? SoD is requiring more than one person to complete a task.

What is Segregation of Duties, Anyway?



Now I Know What SoD Is, Why Do I Care?

- The PCAOB cares
- The AICPA cares
- The International Standards on Auditing board cares
- Management cares

Now I Know What SoD Is, Why Do I Care?

Fraud is expensive for everyone – your company,
your government, yourself



Sure, SoD is Important, But Who Owns It?

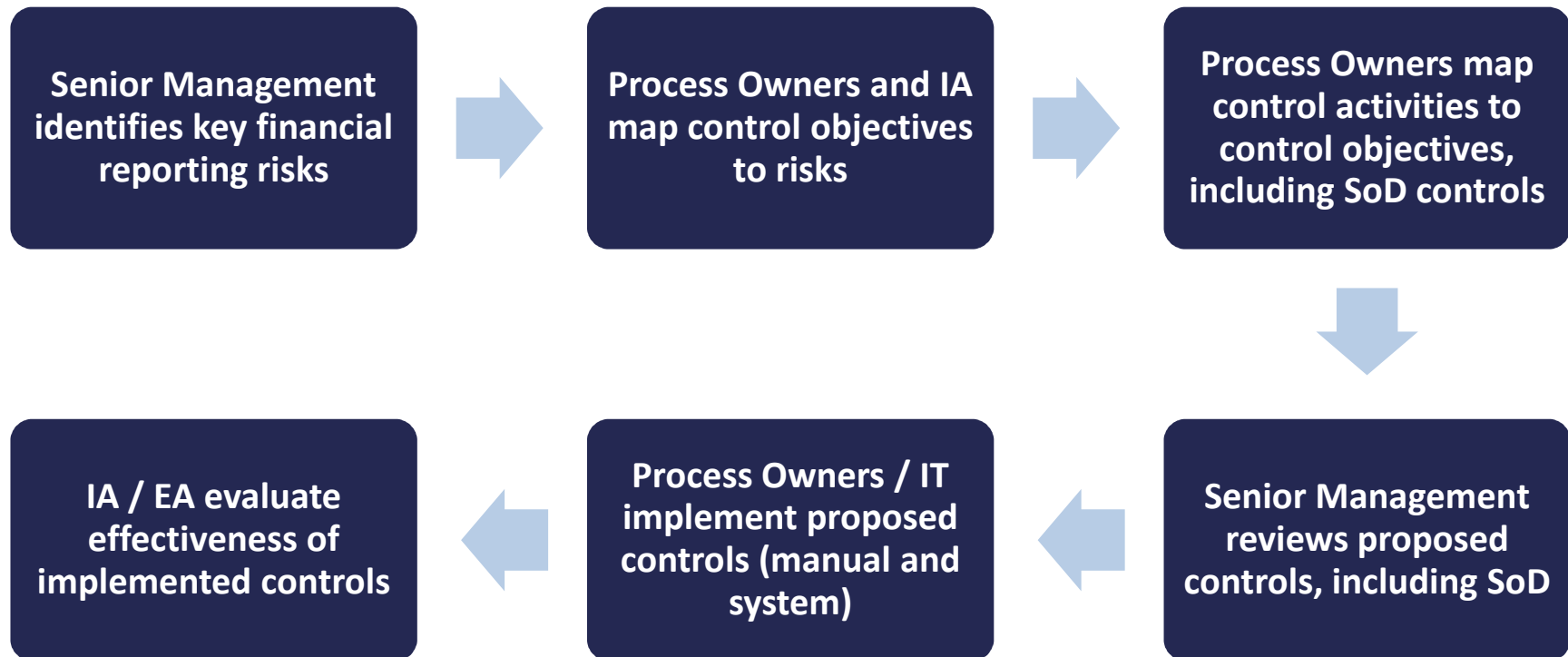
- Senior Management (CEO, CFO, CIO, CTO)?
- Internal Audit?
- Process Owners (Accounting Managers, Finance Managers, HR Managers)?
- External Audit?
- IT?

Sure, SoD is Important, But Who Owns It?

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- External Audit?
- IT?

**ALL OF THE ABOVE EXCEPT
EXTERNAL AUDIT!**

Sure, SoD is Important, But Who Owns It?



Case Study: Background

- Company is a private headphone manufacturer of ~100 people. Manufacturing is done at its home office in CA, and distribution managed out of 2 distribution centers in NV or Tiajuana. All corporate functionality is performed at the home office, except payroll, which is outsourced. Returns are shipped to the home office or to one of the distribution centers, for evaluation (scrap, refurb, etc).
- Company uses a single ERP for all transaction processing except for warehouse movements, which is handled in a separate inventory management application.

Case Study: Trigger

- Company is considering IPO, and as such has discussed with its external auditor what would be necessary to become SOx compliant. External auditor provides a high-level overview of what it means to have an effective ICFR.
- CEO, CFO, COO, and Director of IA meet for a day-long round table to evaluate key risks to the company. Results include the following:
 - Fraud risk
 - Significant customer incentives exist (sales returns, discounts)
 - Cycle counts are performed, instead of performing a full physical inventory

Case Study: Next Steps

- Senior Management shared their opinions of the key risks with their departmental key reports, and asked each to consider what is being done currently to address these risks
- Each Department Head sat with an internal auditor and described their process. The internal auditor documented the inquiry and created a controls list from the discussion for the Department Head to review.
- Department Heads reviewed and confirmed the controls, starring those controls that they thought would address the specific risks highlighted by senior management.

Case Study: The Narrative

- See HandOut

Case Study: The Matrix

- See HandOut

Okay, You Sold Me – But How Can I Help Make it Happen?

- Know your role
- Understand the steps that go into an effective evaluation
- Educate, educate, educate
- Don't let the process go stale – re-evaluate!

Okay, You Sold Me – But How Can I Help Make it Happen?

- Don't just buy a tool (or suggest that your Company just buy a tool)
- Work collaboratively
 - IA/Process Owners know the business. Explain to IT what you're trying to segregate within an ERP and also how you get to what you're trying to segregate
 - IT knows the systems. Explain to IA/PO how you can restrict access (e.g. group, user, navigation) so options are clear when controls are designed

Example of the Wonders of Collaboration

Business Area Name	Business Process Name	Program Key	Program Name
General Ledger	Enter Journal Entries	P0911	Enter Journal Entries
General Ledger	Manage A,Als	P0012	Manage A,Als
General Ledger	Post Batches	R09801	Post Entries
Inventory	BoM Maintenance	P3002	BoM Revisions
Inventory	BoM Maintenance	W3002A	BoM Revisions
Inventory	Inventory Master Data Maintenance	P4101	Item Master
Inventory	Standard Cost Management	P30026	Cost Components
Inventory	Standard Cost Management	W30026C	Cost Components
Inventory	Work Order Management	P31225	Manufacturing Scheduling Workbench
Inventory	Work Order Management	W31225C	Manufacturing Scheduling Workbench
Purchase and Payables	Invoice Management	P0411	Invoice Entry
Purchase and Payables	Purchase Order Management	P43008	AP Approval Levels
Purchase and Payables	Purchase Order Management	P4310	Purchase Order Entry
Purchase and Payables	Purchase Order Management	P43101	Purchase Order Workbench
Revenue and Receivables	Customer Master Data Maintenance	P03013	Customer Master Maintenance
Revenue and Receivables	Deductions Management	P03B40	Deductions Processing
Revenue and Receivables	Pricing Master Data Maintenance	P4072	Price and Adjustment Revisions
Revenue and Receivables	Receipt Management	P03B0001	Standard Receipts Entry
Revenue and Receivables	Receipt Management	P03B102	Standard Receipts Entry

Example of the Wonders of Collaboration

Green:
Not a conflict (Marked as "N")

Red:
Defined as a conflict (Marked as "Y")

		Enter Journal Entries	Manage AAls	Post Batches
General Ledger	Enter Journal Entries	X		
	Manage AAls	Y	X	
	Post Batches	N	N	X

Okay, You Sold Me – But How Can I Help Make it Happen?

- Remember, not every conflict needs to be systematically restricted – take credit for manual controls where it makes sense
- Participate in timely review

Questions? Comments? Concerns?
