



Annual security certification: An internal control opportunity

- **Statewide internal control is enhanced when security roles are appropriately assigned.**
- **Financial risk is reduced by segregating incompatible duties.**
- **Security review and certification forms are due to MMB by February 1.**

Happy New Year! January is the month for taking down the holiday decorations, hanging new calendars, making legislative session preparations, and completing the Minnesota Management & Budget (MMB) annual security review and certification exercise.

Each year, all organizations that use the SWIFT and SEMA4 systems must evaluate the security roles assigned to each of their staff and certify those role assignments to be appropriate, pursuant to MMB Statewide Operating Policy 1101-07, *Security and Access*. This exercise provides each organization with an excellent opportunity to improve the internal controls.

Management objectives when reviewing security roles are twofold: First, to ensure that employees have been assigned the access to systems, system screens, data, and maintenance capabilities needed to perform the duties and responsibilities outlined in their position descriptions. Failure to meet this goal could result in business disruption or inability to deliver services efficiently and effectively. Second, to ensure that incompatible duties are adequately segregated to mitigate financial risk. Failure to maintain good separation of duties could make it possible for an individual(s) to commit errors or fraud and be in position to conceal it in the course of their normal job duties.

Ideal segregation of duties is achieved when the functional responsibilities of transaction authorization/approval, custody of assets, and transaction accounting/recordkeeping are separated between business units or individuals within a unit, and when accounting records are periodically compared/reconciled against the assets by independent employees.

The updated security role descriptions and conflict matrix are available to facilitate the annual review and assist agencies in making appropriate security role decisions. The new role descriptions provide greater detail regarding what

the individual roles can and cannot do. The conflict matrix identifies incompatible security role combinations that, if assigned to individual employees, would present additional financial risk to the respective agencies, and the state as a whole.

The conflict matrix does not prescribe how agencies should run their businesses or decree which security roles can or cannot be assigned. Those are agency management decisions. Rather, the conflict matrix is a tool that identifies risks for agency managers to consider and address when making security role decisions.

Pursuant to Statewide Procedure 1101-07.2, *Compensating Controls*, MMB does require that agencies implement compensating control procedures whenever conflicting roles are assigned. However, MMB is not dictating how detailed or in-depth those procedures need to be. Agency managers need to determine those procedures after careful consideration of the associated risk levels, cost/benefit analyses, and the resources they have available.

Suggested Action Steps:

- Ensure that compensating control procedures are in place, and documented, for situations where it is not possible to completely separate incompatible duties.
- Periodically, review all compensating control procedures to ensure they are operating effectively.
- Complete and submit your security review and certification documentation to MMB by February 1, 2013.

If you have questions, please contact Mike Thone, Internal Control Specialist, at 651-201-8132 or at Mike.Thone@state.mn.us.