



Minnesota Management and Budget Statewide Operating Procedure

Minnesota Management and Budget, Internal Control & Accountability
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Compensating Controls

Objective

To ensure internal control is maintained in situations where inherently incompatible duties/responsibilities cannot be segregated.

When adequate segregation of duties cannot be achieved, management must mitigate the additional risks by implementing compensating controls that provide sufficient review and oversight of the incompatible activities. Compensating controls are less desirable than segregation of duties, because they generally occur after transactions are completed and take more resources.

General Procedures

Step	Action	Responsible Party	Timeline
1.	Identify all agency employees who have been assigned combinations of security roles that result in an inadequate segregation of incompatible duties. NOTE: A Conflict Matrix identifying incompatible functions in the SWIFT financial management and procurement system modules (FMS) and a SEMA4 Incompatible Access Policy have been developed for agency guidance. Links to these documents are provided below.	Agency Security Administrator, Agency Chief Financial Officer (CFO) or Accounting Director (FMS), and Human Resources (HR) Director (SEMA4)	N/A
2.	Develop and implement compensating controls for each business process, function, or control cycle where adequate segregation of duties cannot be achieved. Compensating controls may include independent reconciliations, reviews of detailed transaction reports, reviews of individual transaction supporting documentation, or analytical procedures performed by an independent person or oversight body.	Agency CFO or Accounting Director (FMS) and HR Director (SEMA4)	N/A

Step	Action	Responsible Party	Timeline
3.	<p>Document compensating controls plans to include, at a minimum:</p> <ul style="list-style-type: none"> • Identification of all the conflicting duties/security roles for which the compensating control(s) are being implemented. • A description of the compensating control procedure(s) to be performed, including as applicable, identification of the reports to be used/reviewed, systems or reports to be reconciled, transaction documentation to be reviewed, etc. • Frequency the compensating control procedure(s) will be performed. • Person(s) responsible to perform the compensating control procedure(s). • Person(s) or oversight bodies responsible for monitoring completion of the compensating control procedure(s), if applicable. • How performance of the compensating control procedures will be documented. <p>Maintain compensating control plans in a format that can be readily produced for inspection by Minnesota Management & Budget (MMB), the Office of Legislative Auditor, agency internal auditors, or any other auditor or oversight body.</p>	Agency CFO or Accounting Director (FMS) and HR Director (SEMA4)	N/A
4.	Review compensating control plans periodically for adequacy and applicability. Update/revise plans as necessary/applicable (e.g., when security role or job function responsibilities are altered, there are increases or decreases in the number of employees with accounting responsibilities, revisions to the MMB Conflict Matrix, etc.).	Agency CFO or Accounting Director (FMS) and HR Director (SEMA4)	Annually (see step 7) and as circumstances or changes dictate
5.	Run the Incompatible Security reports for SEMA4 (PFHRINCP) and SWIFT (PFHR5190) and provide the reports to the agency CFO, Accounting Director, or other individual(s) responsible for managing the compensating controls plans for incompatible security roles.	Agency Security Administrator	Annually
6.	Determine if each employee's security and access levels are appropriate, as required by Procedure 1107-01.1, Agency Security Administrators (i.e., are the individual access levels assigned necessary for the individuals to perform their job functions and responsibilities) and review for potential segregation of duties conflict as identified on the Conflict Matrix and the SEMA4 Incompatible Access Policy.	Agency CFO or Accounting Director (FMS) and HR Director (SEMA4)	Annually

Step	Action	Responsible Party	Timeline
7.	<p>Review Incompatible Security Role reports PFHRINCP and PFHR5190 and confirm that:</p> <ul style="list-style-type: none"> • Security access levels for each agency employee listed on the reports is appropriate (i.e., the security role(s) assigned to each employee listed are needed for the employees to perform their job functions and responsibilities.) • Compensating controls are implemented for each instance where an employee is assigned security access that results in an inadequate segregation of duties. • It remains cost beneficial to maintain the compensating control procedures versus separating the incompatible job functions/duties. • Compensating control plans are complete, up-to-date, and sufficient for mitigating the risks associated with the assignment of conflicting security roles. <p>Document the review/confirmation by signing and dating reports PFHRINCP and PFHR5190. Retain copies of the signed/dated reports in a format that can be readily produced for inspection by the Office of Legislative Auditor, MMB, agency internal auditors, or any other auditor or oversight bodies. If changes need to be made to employee security roles follow step's 3 and 4 in procedure 1101-07, Agency Security Administrators.</p>	Agency CFO or Accounting Director (FMS) and HR Director (SEMA4)	Annually

Related Policies and Procedures

[MMB Statewide Operating Policy 1101-07 Security and Access](http://mn.gov/mmb-stat/documents/accounting/fin-policies/1101-07-security-and-access-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/1101-07-security-and-access-policy.pdf)

[MMB Statewide Operating Procedure 1101-07.1 Agency Security Administrators](http://mn.gov/mmb-stat/documents/accounting/fin-policies/1101-07-01-agency-security-admin-procedure.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/1101-07-01-agency-security-admin-procedure.pdf)

See Also

[SEMA4 Incompatible Access Policy](http://www.sema4.state.mn.us/html/doc/eng/webhelp/incompatible_access_-_glossary.htm) (http://www.sema4.state.mn.us/html/doc/eng/webhelp/incompatible_access_-_glossary.htm)

[SWIFT Conflict Matrix](https://mn.gov/mmb/accounting/swift/security/security-roles.jsp) (https://mn.gov/mmb/accounting/swift/security/security-roles.jsp)