



Make your signature count

- **Approvals are key control activities that indicate the transaction is appropriate, accurate, and complies with applicable legal requirements.**
- **The signer should review all supporting documentation and obtain adequate explanations for any unusual items.**
- **By signing, the approver accepts responsibility for the transaction and can be held accountable.**

A few years ago, several large mortgage companies were sued by frustrated home owners and state attorneys general over the review and approval of mortgage and foreclosure paperwork. The series of incidents, fondly referred to in the press as the “robo-signing scandal,” alleged that bank employees signed documents that they did not review or even read. Others claimed that the signers were often unqualified people that had no basis to make the approval decisions asked of them. We may shake our heads and wonder how this might have happened. On the other hand, these headlines may cause us to look somewhat suspiciously at our own signing behaviors and question whether each one of us may occasionally exhibit some “robo-signing” tendencies ourselves.

Approvals are usually considered key control activities. It is essential in most processes to make sure there is an independent review of each transaction, looking for errors or discrepancies. Approvals generally indicate that all documentation is in order and that the transaction is appropriate, accurate, and complies with applicable laws, regulations, policies, and procedures. By signing, the approver accepts responsibility and should be held accountable for the transaction.

To make approvals an effective control, approvers need to do more than just sign paperwork or electronically approve on-line workflows. In other words, all approvers must perform due diligence on the transactions for which they are responsible, not just automatically (i.e. robo-) sign.

The following are some important aspects of approvals that should be considered:

Supporting documentation The approver should review all supporting documents, ensuring that all necessary information is present before

signing. Those seeking approvals can greatly help this process by assembling all required paperwork before forwarding forms for approval.

Unusual items Approvers should question any odd, infrequent, or unusual items, based on their knowledge and experience. They should be satisfied with the explanations received before signing.

Approved authority The approver should be clear as to the limits of his/her authority to sign.

Separation of duties The person initiating the transaction should not be the person who approves the transaction. Sharing passwords for electronic approval authority or pre-signing forms should never be allowed.

Legal requirements The approver should be knowledgeable about legal requirements and qualified to make decisions about whether the transaction complies. The signer should be close enough to the transaction to feel confident that the appropriate policies and procedures have been followed.

A well thought out approval process can be a powerful preventative control activity. Do not get caught automatically signing paperwork without performing an adequate review of the transactions. Make your signature count!

Suggested action steps: Think about the situations within your unit or business processes where approvals are required. Do approvers have adequate knowledge to make informed decisions? Do they have the proper authority to approve? Do they have sufficient time and information to perform due diligence on the transactions before signing?

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