

Departmental Payroll Processing - Separation of Duties

(As recommended by the University of Minnesota Department of Audits.)

Separate Departmental Functions Involved in Processing Payroll	
Function 1	Collection of information, preparation and review of payroll forms (I-9, W-4 etc)
Function 2	Authorized signature to approve the specifics of an appointment and authorize entry into HRMS
Function 3	Entry of payroll data into HRMS
Function 4	Verification that entries appearing on Payroll Abstracts agree with payroll source documents entered into HRMS
Function 5	Approval of Payroll Abstract. This should be done by someone in a position to know that payroll entries are legitimate, and who is authorized to sign off on payroll.
Function 6	Receiving and distribution of payroll checks to employees (In departments where all employees are on payroll direct deposit, this step is not critical)

Minimum Separation of Duties

As a minimum there must be two different people involved in departmental payroll processing. In departments that have only two people involved in this process, one would typically perform preparation and processing of payroll documents and entries (Functions 1, 3, 4, and 6) while the other would authorize appointment documents and approve payroll abstracts (Functions 2 and 5). Where this is the case, compensating controls can be implemented, such as having a supervisor or someone else periodically verify the abstracts, or distribute the checks.

Preferred Separation of Duties

In addition to the minimum separation described above, where staffing allows, it is preferred to separate out several other functions. Where feasible it is desirable to have the person verifying the Payroll Abstracts to be different from the person entering payroll data into the HRMS. Also when possible it is preferred to have payroll checks received and distributed by someone not involved in processing the payroll.