



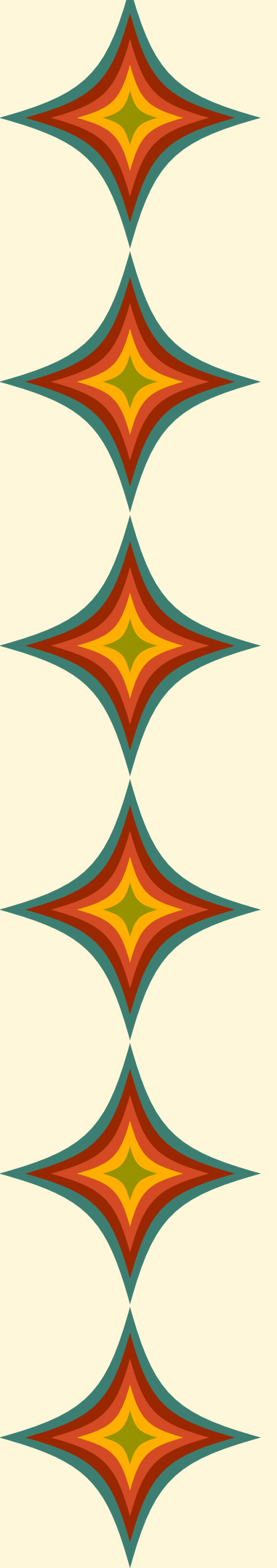
Fiduciary Responsibilities

**Separation of
Financial Duties**



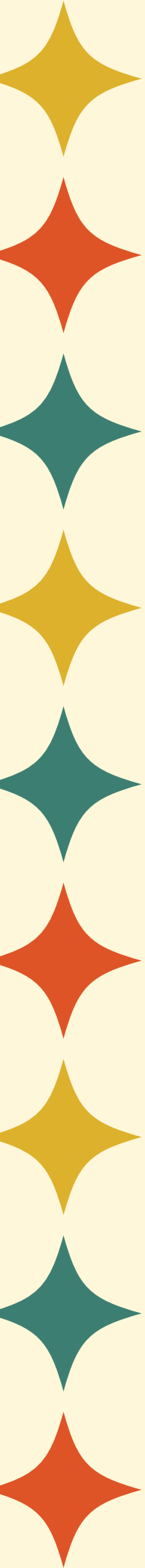
Introduction

The separation of financial duties is important for nonprofits to ensure transparency, accountability, and mitigate the risk of fraud or mismanagement. Overall, the separation of financial duties is a fundamental practice that promotes good governance, safeguards the organization's assets, and reinforces the integrity and reputation of nonprofit organizations.



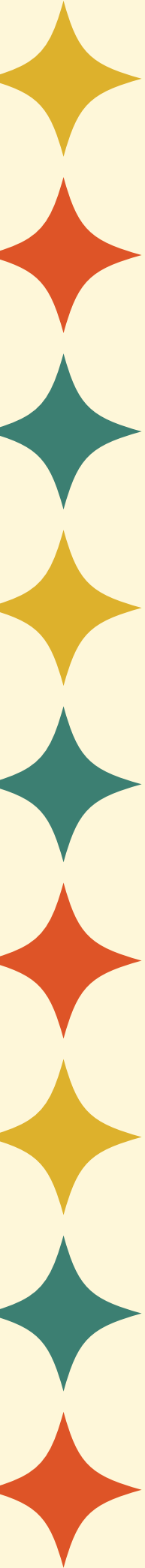
Fraud Prevention

By separating financial duties, nonprofits create a system of checks and balances that helps prevent fraud. When multiple individuals are involved in different aspects of financial processes such as receiving funds, recording transactions, and reconciling accounts, it becomes more challenging for any one person to manipulate or misuse funds without detection.



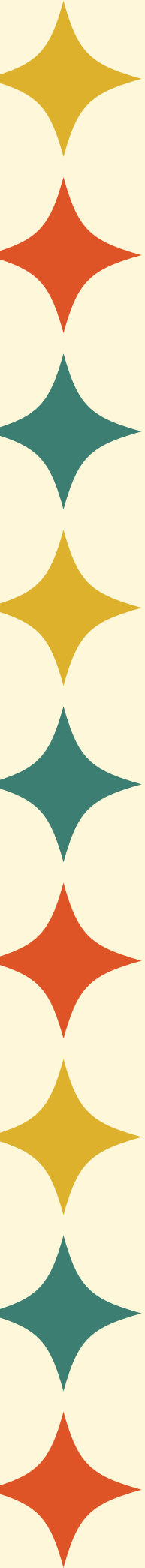
Internal Control

Separation of financial duties establishes an internal control mechanism within the organization. It helps to distribute responsibilities and prevents any single individual from having complete control over financial activities. This reduces the likelihood of errors, irregularities, or intentional misconduct going unnoticed.



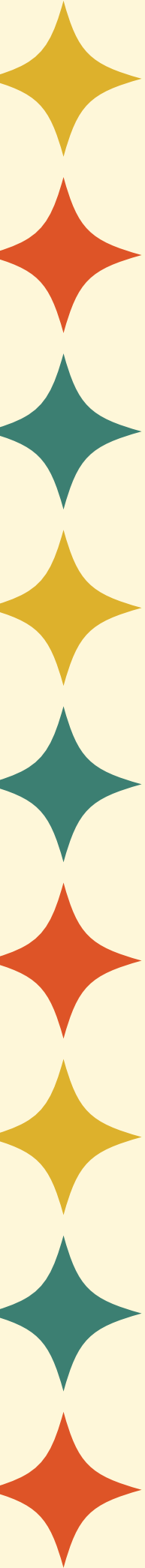
Accuracy and Reliability

Having different individuals responsible for various financial tasks enhances the accuracy and reliability of financial records. The segregation of duties ensures that multiple people are involved in verifying and cross-checking financial information, reducing the risk of errors or omissions.



Transparency and Accountability

Nonprofits have a fiduciary duty to their donors, stakeholders, and the public to manage funds responsibly. By separating financial duties, nonprofits create a transparent environment where the financial activities can be properly documented, reviewed, and audited. This transparency enhances accountability and helps maintain the trust and confidence of donors and stakeholders.



Compliance with Regulations

Many nonprofit organizations are subject to various legal and regulatory requirements, including financial reporting standards, tax laws, and donor restrictions. Separation of financial duties helps nonprofits comply with these regulations by ensuring that the necessary controls are in place, and financial information is accurate and reliable.



Separation of Duties - 2 People



Accountant or other professional staff*

- Mail checks
- Write checks
- Reconcile bank statement
- Record credit/debits
- Approve payroll
- Disburse petty cash
- Authorize purchase orders
- Authorize check requests
- Authorize invoices for payment



Executive Director

- Receive and open bank statements
- Sign checks
- Make deposits
- Perform interbank transfers
- Distribute pay checks
- Review petty cash
- Review bank reconciliations
- Approve vendor invoices
- Perform analytical procedures
- Sign important contracts
- Make compensation adjustments
- Discuss matters with board or audit committee
- Review wire/ACH transactions
- Review account activity

**Non-accounting personnel such as a receptionist, administrative personnel, etc. can be trained to perform some of the less technical duties.*



Separation of Duties - 3 People

Accounting Staff

- Write checks
- Reconcile bank statement
- Record credit/debits
- Reconcile petty cash
- Distribute payroll



Executive Director

- Sign important contracts
- Make compensation adjustments
- Sign checks
- Complete deposit slips
- Perform interbank transfers
- Perform analytical procedures
- Review bank reconciliation
- Review wire/ACH transaction
- Review account activity

Accountant / other*



- Approve payroll
- Process vendor invoices
- Mail checks
- Perform analytical procedures
- Approve invoices for payment
- Disburse petty cash
- Open mail and log cash
- Receive bank statements

**Non-accounting personnel such as a receptionist, administrative personnel, etc. can be trained to perform some of the less technical duties.*

Separation of Duties - 4 People



Executive Director



- Sign important contracts
- Make compensation adjustments
- Sign checks
- Perform analytical procedures
- Review wire/ACH payments
- Review account activities



Accounting Staff

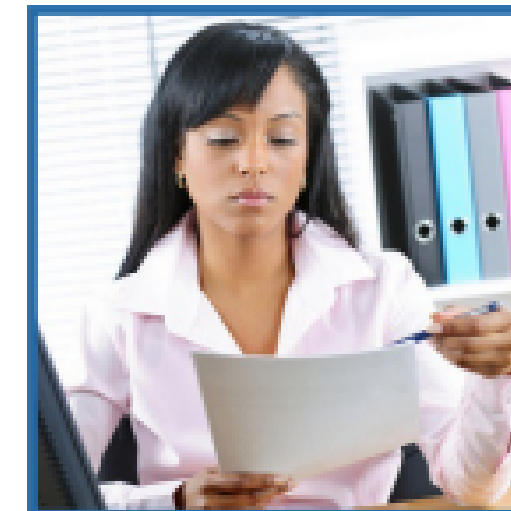
- Write checks
- Reconcile bank statement
- Record credit/debits
- Reconcile petty cash

Accountant / other*

- Distribute payroll
- Open mail and log cash
- Disburse petty cash
- Mail checks
- Review bank reconciliation

Accountant / other*

- Approve vendor invoices
- Perform interbank transfers
- Approve payroll
- Complete deposit slips



**Non-accounting personnel such as a receptionist, administrative personnel, etc. can be trained to perform some of the less technical duties.*