

**Date:** [Insert Date]

**To:** [Insert Owner/Manager Name]

**From:** [Insert Name/Title]

**Subject:** Internal Control Memo: Segregation of Duties

Dear [Insert Name],

In small business environments, the risk of financial error or fraud is often higher due to the limited number of staff members available to handle accounting tasks. To protect the company's assets, we are implementing a formal "Segregation of Duties" policy.

The objective is to ensure that no single individual has total control over a financial transaction from beginning to end. To achieve this, duties will be divided among the following roles:

- **Authorization:** [Insert Name/Role] is responsible for approving purchases, invoices, and payroll entries.
- **Custody:** [Insert Name/Role] is responsible for handling physical assets, such as signing checks, receiving cash, or managing inventory.
- **Record Keeping:** [Insert Name/Role] is responsible for entering data into the accounting software and maintaining financial records.
- **Reconciliation:** [Insert Name/Role] will perform monthly bank reconciliations to verify that records match bank statements.

In areas where staff limitations make complete separation impossible, the management will perform a "Compensating Control" by conducting a formal monthly review of all bank statements and high-value transactions.

Please review these assignments. Adherence to this structure is mandatory to ensure the financial integrity of our operations.

Sincerely,

[Your Signature]

[Your Printed Name]

[Your Title]

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**Acknowledgment of Receipt:**

I acknowledge that I have received and understand the segregation of duties outlined above.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_