

Steps to Evaluate the Status of, and Develop Policy on Firewalls, Conflict of Interest, and Separation of Duties

A. Steps to Evaluate Firewall Issues and Create a Firewall Policy

1. Identify the organizations that are performing more than one of the following functions: staff to the LWDB, Fiscal Agent, One-Stop Operator, and Service Provider.
2. Have the organization identify the unit, and staff positions within the unit, that performs any of the 4 functions noted above.
3. Determine whether the functions are sufficiently separated within the organization by having, for each function, separate staff and supervisors to perform that function and who report to management separately from the other functional areas.
 - a. If Yes, the organization appears to have sufficient firewalls in place. The additional expectation is that the organization provides independent oversight and monitoring of each function and reports their findings to top management (and/or to the LWDB if applicable).
 - b. If No, have the organization determine whether it can reorganize how it performs the multiple functions to achieve adequate firewall protections. If that is not reasonably possible, then go to the next step.
4. Require the organization to identify compensating controls that mitigate the effect of not having sufficient firewalls in place. It is the responsibility of that organization to develop adequate compensating controls. Those compensating controls might include the following steps:
 - a. Developing enhanced guidelines for supervisors and managers to follow in overseeing the work in each functional area to ensure that maximum possible separation between the functions is being maintained.
 - b. Developing a monitoring process and tool to review the work of the functional areas, and having the monitoring be performed by staff who are independent of the functions being monitored.
 - c. Having the monitors report their results to top management, and to the LWDB if applicable
 - d. Having top management or the LWDB evaluate whether the compensating controls are having the intended effect, and adjust the approach if needed to make the compensating controls more effective
5. Regions can structure their policy and procedures on firewalls by incorporating these same steps into that policy.

B. Steps to Evaluate and Develop Policy on Conflict of Interest

1. The checklist that was provided during the training identifies the statutory and regulatory requirements on conflict of interest. Regions can develop their policy and procedures by incorporating each of these requirements into the policy, along with the state and local requirements that may be in addition to the Federal requirements. The policy can separately address each of the following elements:
 - a. Disclosure requirements
 - b. Organizational conflict of interest, including procurement
 - c. Individual conflict of interest, including procurement
 - d. LWDB member conflict of interest, including recusal from participating in both the decision-making process and in voting on any matter in which the board member and family has a financial or other interest in the outcome.

C. Steps to Evaluate and Develop Policy on Separation of Duties

1. The policy on separation of duties can mirror the policy steps noted above for firewalls. Particular attention should be given to separating the roles of custodian of assets, approving authority, recording transactions, and reconciling reports and bank accounts with accounting records.
 - a. Identify the staff positions that perform each of these 4 roles.
 - b. Determine whether any one person performs more than one of these roles.
 - i. If No, then the organization appears to have adequate separation of duties.
 - ii. If Yes, have the organization determine whether it can reorganize how it performs the multiple roles to achieve adequate separation of duties. If that is not reasonably possible, then go to the next step.
2. Require the organization to identify compensating controls that mitigate the effect of not having sufficient separation of duties. It is the responsibility of that organization to develop adequate compensating controls. Those compensating controls might include the following steps:
 - a. Developing enhanced guidelines for supervisors and managers to follow in overseeing the work performed by staff in each role to ensure that maximum possible separation between the roles is being maintained.
 - b. Developing a monitoring process and tool to review the roles being performed by staff, and having the monitoring be performed by staff who are independent of the roles being monitored.
 - c. Having the monitors report their results to top management, and to the LWDB if applicable
 - d. Having top management or the LWDB evaluate whether the compensating controls are having the intended effect, and adjust the approach if needed to make the compensating controls more effective
3. Regions can structure their policy and procedures on separation of duties by incorporating these same steps into that policy.