



**Policy Title: Signature Authority and Delegation of Approval
Authority for Financial Transactions**

Category: Accounting / Business Office

Policy Number: 910.05

Sponsor: Vice President for Finance and Administration

Effective Date: May 23, 2005

INTRODUCTION AND PURPOSE. This policy provides guidelines for the appropriate delegation of signature authority and approval for financial transactions at Rosalind Franklin University of Medicine and Science (the "University").

SCOPE AND APPLICABILITY. This policy applies to:

- Department head / principal investigators ("PI") / individuals responsible for departmental budgets; and
- Individuals who initiate, review, approve, process, or record financial transactions on behalf of the University.

POLICY STATEMENTS. The University has a fiduciary responsibility to effectively manage and use its financial resources.

A sound internal control environment requires that only authorized administrators and their formal designees approve financial transactions at the University. The University relies on these internal control measures to ensure that:

- Only legitimate and appropriate transactions are executed and recorded;
- Transactions are executed as intended, and in accordance with University policy and relevant financial, legal, and contractual requirements; and
- Errors are detected prior to execution.

PROCEDURES.

DELEGATION OF AUTHORITY. A signature or electronic approval must be evidence of the approval of transactions. The approval of a financial transaction attests to its completeness, accuracy, and validity.

Delegation of approval authority includes, but is not limited to the following items:

- Purchase orders, check requests, travel expenses, and employee reimbursements up to \$2,000.

Employees are not authorized to certify/approve vouchers, which include their own name as payee.

The delegation by a department head/PI of authority to approve transactions is delegation of an important management function and a potential department internal control weakness.

University policy specifies that while signature authority may be delegated, budgetary responsibility remains a function of the department head/PI. Accordingly, the department head/PI must carefully evaluate the delegation of authority to other employees. Qualified candidates for delegation of authority are:

- Regular employees of the University;

- Adequately trained in the responsibilities assigned to them; and
- Competent and skilled in their respective areas of employment.

Department heads/PIs and designee to approve financial transactions must both sign the Signature Authorization Form to document delegation. Such documentation will be retained in the Accounting/Business Office.

SEGREGATION OF DUTIES. Adequate segregation of duties is critical to effective internal control. Segregation of duties provides necessary checks and balances to deter fraud, detect errors, and prevent concealment of irregularities.

In general, the approval function, the reconciliation function, and the asset custody function should be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity.

Some examples of segregation of duties are:

- The person who initiates the purchase of goods or services should not be able to authorize payments; and
- The person who maintains and reconciles accounting reports should not be able to authorize purchases or payments.

In certain instances the person who initiates the transaction may also be the approver. In these circumstances, to compensate of the lack for segregation of duties, the department head/PI must sign a hard copy of the invoice/purchase order to document approval. The hard copy must be retained in the department for four years. The Accounting/Business Office may request a copy of the approved hard copy as verification of approval.

FINANCIAL REVIEW. Department heads/PIs must perform periodic reviews of approved transactions to ensure that their designees are exercising the delegated authority responsibly and appropriately. Department heads/PIs must be satisfied that their designees have either documentation or specific knowledge to confirm that the transaction is:

- Accurate;
- Valid;
- Complete; and
- In accordance with relevant financial, legal, and contractual requirements.

If the department head/PI is not satisfied that the above conditions have been consistently met, the employee's signature authority should be revoked.

A review of the department's monthly financial reports including detail transactions processed and charged to departmental accounts must be conducted monthly to detect any inappropriate or unauthorized transactions. Ideally, an employee with no responsibility for the approval of financial transactions should conduct this review in keeping with the internal control principle of segregation of duties. In certain departments this responsibility may fall to the dean, chair, or department head/PI.

ONLINE SYSTEM ACCOUNTABILITY. University employees with online requisition and approval responsibilities are held accountable for any inappropriate transactions or access, and inappropriate use of University information. Users are responsible for maintaining the security of system logon IDs and passwords. Employees are assigned unique logon IDs, which are not to be shared.

IMPROPER TRANSACTIONS. An employee of the University must not knowingly prepare or approve a business transaction that is incorrect, inappropriate, fraudulent, or in violation of University policy or governmental law or guidelines; nor grant inappropriate system access to any unauthorized person.

An employee with knowledge of an improper transaction or system access that has been inappropriately granted must immediately report the occurrence to his/her immediate supervisor, department head/PI, director, or dean.

If circumstances warrant reporting the matter outside the unit's direct administration, the report may be made to a representative in one of the following areas:

- Office of Compliance or Compliance hotline;
- Human Resources;
- Office of Sponsored Research; or
- Accounting/Business Office.

QUALITY ASSURANCE. Periodically, the Accounting/Business Office may request documentation of approval from the department head/PI to verify appropriate approval. In addition, the Accounting/Business Office shall conduct an audit of departmental expenditures to ensure employees are adhering to the University's Signature Authority and Delegation of Approval Authority for Financial Transactions policy. Departments that lack appropriate segregation of duties can expect to be audited more frequently with the audit focusing on the retention of documentation of approval.

POINTS OF CONTACT.

Accounting / Business Office.

Director of Accounting Services x8309

Director of Business Services x3252

Office of Sponsored Research.

Director x8524

RELATED FORM.

Signature Authority and Delegation of Approval Form 110-05