

Responsibility for University Financial Assets

Authority This Guide Memo was approved by the Vice President for Business Affairs and Chief Financial Officer.

Summary This Guide Memo outlines the roles and responsibilities of various University officers and organizations in managing the University's financial assets. Section headings are:

1. LEGAL STATUS
2. DELEGATED RESPONSIBILITY
3. ANNUAL AUDIT AND ANNUAL REPORT

1. LEGAL STATUS

By the terms of the Founding Grant and subsequent legislation and court decrees, the properties of Stanford University are held in trust by the University's trustees for the founding, endowment, maintenance and benefit of the University. The trustees have corporate powers and privileges; that is, they may organize and act as a Board of Trustees, elect officers, and adopt by-laws. For more information about the University's founding and the Board of Trustees, see Guide Memo 11, University Organization, <http://adminguide.stanford.edu/11.pdf>.

2. DELEGATED RESPONSIBILITY

- a. **President** – The Board of Trustees has assigned responsibility to the President for the management of the University's business activities. For more information, see Guide Memo 11, University Organization, <http://adminguide.stanford.edu/11.pdf>.
- b. **University Officers** – The Board of Trustees has delegated responsibility to individual University officers for management of funds in their accounts. For more information, and for information on further delegation of authority, see Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf>. University officers also exercise responsibility for financial management decisions through the University's governance structure, which is described in Guide Memo 11, University Organization, <http://adminguide.stanford.edu/11.pdf>, and accompanying organization charts.
- c. **Schools and Departments** – Schools and departments are responsible for appropriateness of expenditures and for recording transactions correctly. For information on mandatory cost policy training for all faculty and staff members before signature authority for expenditures is granted, see Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf>. A person must be given authority through Stanford's online Authority Manager to approve transactions or view financial information online. Access to online financial reports requires the signing of a Confidentiality Statement, found at http://financialgateway.stanford.edu/docs/confide_agreement.pdf. For step-by-step instructions, see Quick Steps: Grant Authority for Oracle Financial Reporting at http://financialgateway.stanford.edu/staff/finauthority/quick_steps/grant_auth_repting.html.
- d. **Business Affairs** – Business Affairs, headed by the Vice President for Business Affairs and Chief Financial Officer, plays a central role in assuring that the Trustees meet their fiduciary responsibility to donors, government officials, employees, students, and the general public. For more information on Business Affairs organization and responsibilities, see Guide Memo 12.1, http://adminguide.stanford.edu/12_1.pdf.

(1) **Controller's Office** – The mission of the Controller's Office is to promote the academic health of the University by delivering financial and accounting services to the Stanford community. The Controller's Office exercises legal and fiduciary responsibility over funds entrusted to the University by maintaining systems of internal control and financial reporting. The office supports decision making by providing financial information and consulting. It is responsible for establishing a sound business environment so that various funding sources (such as government agencies, donors, students, and bondholders) can confidently provide resources to support Stanford's academic mission. The Controller or specific designees are the only individuals authorized to open bank accounts on behalf of the University.

(2) **Research Administration**

The Board of Trustees has authorized the Office of Research Administration (ORA) to commit the University to the legal terms and conditions of grant or contract agreements. For more information, see the Research Policy Handbook, <http://www.stanford.edu/dept/DoR/rph/>.

In addition to administering sponsored projects, the Office of Research Administration assists the University in complying with its regulatory obligations to the federal government in the areas of indirect cost recovery, fringe benefits, service centers, capital equipment, space use, and cost studies. Information can be found on the web <http://ora.stanford.edu/>. The Office of Research Administration is also responsible for negotiating both indirect cost and fringe benefits rates on behalf of the University. Detailed information on rates is found on the web <http://ora.stanford.edu/rates/default.asp>.

(3) **Information Technology Systems & Services** – The Information Systems Delivery & Support division of ITSS provides the primary business information systems support for Business Affairs. Business systems applications also support administrative functions of schools and departments.

(4) **Internal Audit** – The mission of the Internal Audit Department is to assist University management and the Stanford Board of Trustees in identifying, avoiding and, where necessary, mitigating risks. The Department is responsible for examining and evaluating the adequacy and effectiveness of (1) the systems of internal control and their related accounting, financial, and operational policies and (2) procedures for financial and compliance monitoring and reporting. The Institutional Compliance Program is available on the web <http://institutionalcompliance.stanford.edu/>.

(5) **Finance and Bondholder Relations** – The Office of the Chief Financial Officer (CFO) manages the University's debt portfolio which includes working with the Board of Trustees to establish debt policy; setting the debt pool rate; monitoring the University's debt capacity; managing the issuance and refunding of bonds, notes, and commercial paper; communicating with rating agencies and investors in Stanford debt securities; working with the University Provost and other campus organizations such as the Stanford Management Company, Land and Buildings, Controller's Office, the University Budget Office, and Faculty & Staff Housing to coordinate the allocation of the University's debt.

(6) **Office of Risk Management** – The Risk Management Office is responsible for obtaining insurance from third parties, determining appropriate self-insurance coverage levels, and processing all insurance claims. Risk Management's overall goals are to ensure that the University's resources are expended wisely, that risks within a department's area of responsibility are managed effectively and efficiently, and that the University is protected against catastrophic losses.

e. **Facilities** – The role of the Facilities Department is to provide and sustain the physical environment of the campus.

f. **Office of Development** – The Office of Development solicits and processes gifts to the University. For more information, see Chapter 4, Gifts, <http://adminguide.stanford.edu/ch4contents.html>.

- g. Stanford Management Company** – The Stanford Management Company (SMC) is a separate division of the University formed in 1991 to manage financial and real estate investment assets. SMC manages the investments of the endowment, the expendable funds pool, and life income trusts. SMC also manages the real estate that the Board of Trustees has designated for the production of income (e.g., Stanford Shopping Center, Stanford Research Park, certain commercial properties, housing developments, and gift real estate).
 - h. Office of the General Counsel** – The Office of the General Counsel provides legal advice to the Board of Trustees, the University and its officers concerning the University’s legal rights and duties in its financial dealings.
 - i. Procurement** – The Board of Trustees has authorized Procurement to handle purchases of goods and services for the University. For more information, see Guide Memo 51, Procurement Policies, <http://adminguide.stanford.edu/51.pdf>.
- 3. ANNUAL AUDIT AND ANNUAL REPORT** – At fiscal year end, the Controller’s Office closes the accounting records for the year and prepares reports on the year’s financial activity.
- a. Annual Audit** – To assure that the University’s assets are protected and that transactions and events are recorded properly, an independent auditor selected by the Board of Trustees audits the annual financial statements in accordance with generally accepted auditing standards. The auditor’s procedures include obtaining an understanding of University systems, procedures and internal accounting controls, and performing tests and other auditing procedures to provide reasonable assurance that the financial statements neither are materially misleading nor contain material errors.
 - b. Annual Report** – The Office of University Communications publishes the auditor’s report, the audited summary statements and accompanying notes to the financial statements as the University’s Annual Financial Report. Departments and individuals may obtain copies from Office of University Communications, Bldg. 170 (650/725-8396).
 - c. Annual Report Detail** – The Controller’s Office publishes the financial schedules from which the audited statements are derived in a document distributed to school financial officers.