

Authorizing Expenditures

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

Summary This Guide Memo describes responsibilities for the management of funds in University Projects, Tasks and Awards (PTAs). Section headings are:

1. RESPONSIBILITY FOR UNIVERSITY FUNDS
2. AUTHORIZATION PROCEDURES
3. REVIEW AND ERROR CORRECTION
4. EXPENDITURES OF RESTRICTED FUNDS
5. SOURCES FOR MORE INFORMATION

1. RESPONSIBILITY FOR UNIVERSITY FUNDS

- a. University Officers' Responsibility** – The Board of Trustees has delegated to deans, department chairs, directors, principal investigators and other University officers (as described in Guide Memo 11, University Organization, <http://adminguide.stanford.edu/11.pdf>, and accompanying organization charts) the responsibility for management of funds in their PTAs. These officers have the authority to expend these funds to accomplish their assigned responsibilities, and are responsible for assuring that expenditures charged to their PTAs are:

- Reasonable and necessary.
- Consistent with established University policies and practices applicable to the work of the University, including instruction, research, and public service.
- Consistent with sponsor or donor expenditure restrictions.

For more information on cost policy, see Guide Memo 34.5, Cost Policy, http://adminguide.stanford.edu/34_5.pdf.

- b. Delegation of Authority** – Authority to sign expenditure documents for the purchase of services and materials on a PTA may be delegated, and the University officer may authorize the person to whom authority is delegated to further delegate signature authority. The University officer retains accountability for prudent control of the PTA. The University officer may place limits on the dollar level and the types of expenditures for which signature authority is delegated.

For more information, see the Financial Authority section of the Gateway to Financial Activities web site at <http://financialgateway/staff/finauthority/index.html>.

2. AUTHORIZATION PROCEDURES

- a. Training** – The Cost Policy and Chart of Accounts class (required for signature authority) is offered online anytime, and generally once per quarter in the classroom. Regardless of how the class is taken, an online test must be passed with 100% to receive credit. Additionally, the online training is always available as a desktop reference. The online class and information on registering for the instructor-led class are available at http://ora/cardinal/level_1/cost_policy/default.asp.
- b. Delegation of Signature Authority** –
- (1) **University Officers** – A letter from University officers indicating the organization for which they are responsible and the administrator to whom they have delegated the ability to manage authority must be on file in the Controller's Office.
 - (2) **Delegation of Signature Authority** – To delegate authority for both electronic and paper form transactions, the person responsible for the organization or PTA must delegate such authority via the Authority Manager.

- c. **Electronic Signature** – Users of campus financial systems identify themselves to these systems using approved, secure authentication methods. See Guide Memo 64, Identification and Authentication Systems, <http://adminguide.stanford.edu/64.pdf>, for details on these methods. In addition to these system-independent authentication methods, financial systems may have system-specific authentication methods (e.g., a username and password for a particular system). Regardless of the authentication method, authentication using any of the approved methods is the electronic equivalent of an employee's hand-written signature, and may be used as an "electronic signature" in electronic applications.
- d. **Signature Security** – Only the person to whom authority is delegated may authorize a transaction either manually or electronically. Disciplinary steps will be taken against individuals who are found to have fraudulently signed the name of another person, used the authentication information of another person, or divulged their authentication information to another person. The possible disciplinary actions for violations, which can include termination of employment or student status, will depend on the facts and circumstances of each case. User responsibilities for handling authentication information are described in Guide Memo 64, <http://adminguide.stanford.edu/64.pdf>.
- e. **Limitations on Signature Authority** –
- (1) **Expense Reimbursement** – No person may approve his or her own expense reimbursement, or the expense reimbursement of an individual to whom he or she reports either directly or indirectly. Expense reimbursements, which require two signatures, must have the signatures of the person incurring the expense and the person responsible for the management of the PTA or a properly delegated agent. In urgent cases, where the person with signature authority is not on campus, the reimbursement request may be routed to the Associate Controller for School & Department Operations.
 - (2) **Salaries** – No person may sign any payroll/personnel form that affects his or her own salary, or payroll/personnel forms that affect the salary of an individual to whom he or she reports either directly or indirectly.
 - (3) **Conflict of Interest** – No person may authorize payment to any individual or business where there is a conflict of interest (see Guide Memo 15.2, Conflict of Interest, http://adminguide.stanford.edu/15_2.pdf).
- f. **Revoking Signature Authority** – When a person with signature authority transfers to another department or leaves the University, the University officer who delegated authority (or the person who currently holds that position) is responsible for revoking the departing person's signature authority within the Authority Manager. For more information, see Quick Steps: Grant, Change or Revoke Financial Authority to Others at http://financialgateway/staff/finauthority/quick_steps/grant_revoke_auth.html.

3. REVIEW AND ERROR CORRECTION

- a. **Departmental Review** – The deans, department chairs, directors, principal investigators and other University officers to whom funds are allocated are responsible for reviewing their expense transactions and monthly expenditure/operating statements to assure that:
- Any expenditure is necessary and for University purposes.
 - Charges are correct.
 - Charges are allowable for the PTA.
 - Charges are correctly coded as allowable or unallowable for inclusion in the University's indirect cost rate calculations.
 - Charges are allocable to the PTA.

- Any allocation of costs is reasonable and equitable.
 - Charges are appropriately documented, and are recorded in a consistent manner within departmental accounts.
- b. **Evidence of Review** – Review of transactions is evidenced by a manual or electronic signature in the appropriate field of the form.
- c. **Responsibility for Error Correction** – The department is responsible for correction of errors. Time limits for error correction are outlined in Guide Memo 38, Cost Transfers, <http://adminguide.stanford.edu/38.pdf>. Occasionally errors are found after the regular time limits for correction. Regardless of when the error is found, the University officer whose PTA used the good or service must pay for it, either from the same or another appropriate PTA.
- d. **Central Office Review** – To supplement (but not replace) the University officer's basic review responsibility, the Controller's Office or the Office of Sponsored Research reviews most University expense transactions which have not been previously certified or verified. Some transactions are reviewed on a sample basis. If incorrect or improper charges are found, the reviewing office directs the person responsible for the expenditures to correct the error. If necessary, the reviewing office may correct the department's error and will provide the department with a copy of the accounting entry.

4. EXPENDITURES OF RESTRICTED FUNDS

- a. **Conformity to External Restrictions** – Expenditures of restricted funds, such as organized research or gift funds, whether from federal or non-federal sources, must conform to any limitations or exclusions set forth in the agreement or gift document. Expenditures of funds for federally sponsored projects are subject to the allowability, allocability, and reasonableness standards of the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, and to negotiated agreements between the University and the federal government.

Cost-sharing tasks are subject to the same standards as the sponsored project that they support.

- b. **Monthly Review of Charges** – For sponsored projects and related cost-sharing tasks, the expenditure statements must be reviewed each month, as noted in Guide Memo 34.2, Activities/Accounts, http://adminguide.stanford.edu/34_2.pdf. The review should include areas such as those covered by the Monthly Review Guidance and Monthly Reconciliation tools, which can be found at <http://ora.stanford.edu/expenditure/default.asp>. The review is evidenced by a signature on the monthly expenditure statement. The review must be completed within two months of the end of the month of the statement (e.g., October expenditures must be reviewed no later than December 31).
- c. **Quarterly Certification of Charges** – The following certification of direct costs is preprinted on expenditure statements for sponsored projects and cost-sharing tasks each month:

" TO THE BEST OF MY KNOWLEDGE, SALARY AND WAGES CHARGED TO THIS PROJECT, ARE APPROPRIATE IN RELATION TO WORK PERFORMED ON THIS PROJECT. ALL OTHER COSTS CHARGED TO THIS PROJECT ARE, TO THE BEST OF MY KNOWLEDGE, APPROPRIATE. WHERE REQUIRED, CORRECTIONS HAVE BEEN OR WILL BE MADE THROUGH THE ACCOUNTING SYSTEM.

PRINCIPAL INVESTIGATOR'S Signature_____Date_____"

This certification statement must be signed by the principal investigator, but can be based upon a review by another knowledgeable person. Only the last expenditure statement for the academic quarter must be signed by the principal investigator. The quarterly certification must be completed within two months of the end of the academic quarter being certified, as described in the Research Policy Handbook Document 3.1, <http://www.stanford.edu/dept/DoR/rph/3-1.html>.

This signature means that the principal investigator or designee has reviewed all direct charges to the project and that either the charges on the expenditure statement are reasonably accurate as shown or that the appropriate individual in the department has initiated accounting entries to correct any differences. Review and correction of differences must be completed within the deadlines outlined in Guide Memo 38, Cost Transfers, <http://adminguide.stanford.edu/38.pdf>.

- d. **Record Retention** – The certified expenditure statements must be retained in the department files for future review by government and University auditors in accordance with University record retention requirements for sponsored projects (see Guide Memo 34.4, Retention of Financial Records, http://adminguide.stanford.edu/34_4.pdf).

5. SOURCES FOR MORE INFORMATION

- a. **Cognizant Office** – The Controller's Office or the Office of Sponsored Research are available to answer questions about expenditure authorization. For contact information, see http://financialgateway.stanford.edu/staff/fundsmgmt/res_jobaid/helpmatrix.html or <http://financialgateway.stanford.edu/contact/staff.html>.