

Policy 1104**Signature Authority and Delegation of Approval Authority for Financial Transactions**

Responsible Office	Office of the Vice President for Finance and Administration	Effective Date	11/1/00
Responsible Official	Associate Vice President for Finance	Last Revision	11/1/00

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Scope

This policy provides guidelines for the appropriate delegation of signature authority and approval authority for financial transactions at the University.

Reason for the Policy

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.

Policy Statement

The Yale Corporation delegates primary financial and fiduciary responsibility for the University to the Vice President for Finance and Administration who is responsible for establishing a sound internal control environment.

Signature authority to approve and execute contracts, tax returns, investment manager agreements, construction contracts, bank accounts, insurance arrangements, real estate lease agreements, benefit contracts, employment contracts, estates and trusts, and borrowing is delegated to specific individuals by the Vice President, with approval of the Corporation.

Approval authority for general operating expenditures within a budget approved by the Provost is delegated to the dean, director or chair of a unit.

Within each operating unit, the dean, chair or department head is responsible for the overall operations of the unit and may delegate transaction approval authority to the unit's business manager. Within that structure, the Vice President delegates the signature authority for execution of certain financial transactions to department business managers and managers of business support centers. Such business managers and their certified designees may execute delegated financial transactions; certain financial transactions require higher levels of signature authority. See Section 1104.1 for further information on delegated and undelegated functions.

A signature must evidence the approval of transactions. The approval of a financial transaction attests to its completeness, accuracy, and validity. Authority to execute transactions is normally granted only upon completion of training required as part of the certification process. System-executed transactions must carry evidence of approval in the form of the unique NetID of the approver or some other auditable means of identification.

Definitions

Approval authority

Permission to approve transactions for execution. This approval attests to the appropriateness of the transaction within the University's program objectives and budgetary authorizations.

Certification process

A method for ensuring a minimum knowledge base necessary to perform designated tasks.

Contract

Any commitment to exchange money or property, currently or in the future, from or to the University, or to perform services which would require the expenditure of money or use of University resources, or increase risk to the University.

Fiduciary responsibility

A duty, created by one's employment, to act primarily for the University's benefit in business transactions and matters related to the handling of money or property.

Financial transaction

Any exchange involving the transfer of money or property, currently or in the future, from or to the University.

Signature authority

Permission to execute transactions up to limits established by relevant University policies. If individually delegated by the Vice President for Finance and Administration, permission to execute restricted transactions and/or enter into agreements and contracts on behalf of the University.

Policy Sections.

1104.1 General Principles

Delegation of Authority

Transaction signature authority delegated to business managers includes, but is not limited to the following list of items:

- travel reimbursements up to \$2,000
- business meals and entertainment reimbursements up to \$500
- OK to Pay invoices up to \$ 2,000
- purchasing card transactions up to \$5,000.

Authority to sign expenditure documents and other financial transactions may be further delegated by department business managers as warranted to other qualified employees within the business office to improve operational efficiency. However, the department business manager continues to retain accountability and responsibility for the delegated transactions. Accordingly, the business manager must carefully evaluate the delegation of signature authority to other employees. Qualified candidates for delegation of authority are:

- regular employees of the University;
- adequately trained and certified in the responsibilities assigned to them; and,
- competent and skilled in their respective areas of employment.

Business managers should evaluate risk and place limits as appropriate on dollar level and types of transactions for which signature authority is delegated, and should limit their delegation of authority to the minimum number of designees needed to support the operations of the department.

Business managers must maintain appropriate documentation of any delegation of signature authority within their department. Such documentation must include, at a minimum:

- name of the employee to whom such authority is delegated
- specific scope of the delegation
- date of authorization, the employee's signature
- name and signature of the business manager.

Such documentation must be retained for seven years beyond the employee's term of employment.

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 accounting/reconciling 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
- the person who maintains and reconciles accounting reports should not be able to authorize purchases or payments.

Financial Review

Business managers must perform periodic reviews of approved transactions to ensure that their designees are exercising delegated authority responsibly and appropriately. Business managers 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 business manager is not satisfied that the above conditions have been consistently met, the employee's signature authority should be revoked.

A review of financial statements including detail transactions processed and charged to departmental funds 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 smaller departments the review responsibility may fall to the dean, chair or department head.

1104.2 Online System Accountability

University employees with online responsibilities are held accountable for any inappropriate transactions or access, and inappropriate use of University information. Users are responsible for maintaining the security of NetIDs, system logon IDs and passwords. Information is to be kept confidential and to be shared only with authorized employees. Employees will be assigned unique NetIDs, which are not to be shared.

Consult Policy [1601](#) Information Security and Access for a more detailed discussion.

1104.3 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, business manager, or chair, dean or director of the unit.

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:

- Human Resources;
- Controller;
- Internal Audit; or
- University General Counsel.

1104.4 Quality Assurance

Upon request, a department business manager will submit to central University offices appropriate documentation of any delegation of signature authority as specified in Section 1104.1.

Special Situations/Exceptions

Exceptions must be approved by the Associate Vice President for Finance.

Contacts

Subject	Contact	Phone
Interpretation of policy	Office of the Controller	432-5524

Roles and Responsibilities

Vice President for Finance and Administration

Has primary financial and fiduciary responsibility for the University. Delegates signature and approval authority as set forth in this policy.

Deans, chairs and directors

Responsible for overall operations of their units; delegate approval authority to the department business manager as necessary and appropriate; and review the monthly financial statements of the unit if a proper level of segregation of duties as described in Section 1104.1 cannot be maintained.

Department business managers and managers of business support centers

Approve only appropriate and legitimate financial transactions; delegate transaction signature authority to other qualified employees under their scope of authority, as warranted; maintain appropriate documentation of such delegation; periodically monitor approved transactions to ensure appropriateness of delegation; maintain adequate segregation of duties; report improper transactions and violations of this policy.

Delegated approvers/signers

Approve only appropriate and legitimate financial transactions for which authorized; maintain necessary skills in relevant areas; maintain confidentiality of NetIDs, system logon IDs and passwords; report improper transactions and violations of this policy.

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