

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM 2.25.55.01

**Policy Name:** Segregation of Duties-Sponsored Programs

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### General Policy and Procedure Overview:

The University accounting environment requires various levels of internal control over transactions. Some of those key controls over transactions are the authorization of activities, the review of accounting information and the managerial review of those transactions by appropriately authorized individuals. Federal and state regulations impose additional requirements for the authorization, review and documentation of sponsored activity that necessitate additional controls. This policy provides guidance for the implementation, execution and documentation of those additional controls. This policy applies to expenditure transactions only.

### Definition of Key Terms:

Allocable: costs incurred specifically for the sponsored program, or incurred for several activities but can be distributed between them in reasonable proportion to benefits received, and is clearly necessary to the program.

Allowable: costs or revenues directly related to the performance, and permitted under the terms of an award and Office of Management and Budget (OMB) circulars. These transaction amounts must be reasonable and allocable to the award and given consistent treatment through generally accepted accounting principles appropriate for the circumstance.

Authorization: process of giving someone permission to initiate a financial transaction, sometimes known as “approval”, indicates agreement that a transaction meets certain accounting and compliance requirements as defined by the University and the compliance requirements of allowability, allocability, consistent treatment, is within the begin and end dates of a sponsored agreement, and as set out in OMB Circulars A-21 & A-110.

Managerial Review: provides assurance that appropriate individuals are authorizing and verifying accounting transaction information.

Timely: Business Policy Manual, [BPM-213 Adjustments of Income and Expense Items](#), states “Any correction of income and/or expense items between ChartFields should be made within two accounting periods (two months) after the end of the accounting period in which the original transaction posted.” When errors and omissions are not discovered in a timely manner, additional approvals may be required.

Verification: confirms accuracy of accounting transactions, such as appropriate use of ChartFields and recording the transaction in the appropriate accounting period.

## **Detail Policy and Procedure:**

This policy addresses the requirements of allowability and allocability of transaction processing and must be determined before recording expenditure transactions for sponsored activity. Authorization, verification and managerial review should not be performed by the same person. However, although it is less than optimal, the PI may be allowed to perform all three functions when adequate compensating controls are in place. In circumstances where the only persons involved in a transaction are the person recording and the PI, the person recording the transaction must review the transaction for both reasonableness and sufficiency of underlying documentation (for requirements concerning segregation of duties see [APM 2.25.55 Segregation of Duties](#)).

The departmental office is responsible for maintaining accurate documentation of authorizations and retaining documentation of the delegation of authority in a reproducible form, in accordance with records retention requirements (see the [Records Retention Guides](#)).

### **Authorization for Compliance**

The PI is responsible for all sponsored activity to ensure the activity is allowable, allocable, and within the period of availability. For operational convenience the PI may delegate another employee to authorize transactions on his/her behalf in accordance with the Delegation of Authority discussion below.

### **Verification for Compliance**

Verification confirms that transactions have been authorized and accounted for accurately and timely in the financial system. Although in less than optimal circumstances a PI may be permitted to verify all transactions for their respective sponsored activity; internal controls are significantly enhanced when this function is performed by someone other than the PI.

### **Managerial Review for Compliance**

The key concepts of managerial review are:

- The PI's managerial review confirms authorization and verification of transactions.
- The managerial review must be documented.
- The PI should perform the managerial review monthly, but must perform the review no less than quarterly for adherence to compliance requirements.
- The PI must perform timely managerial reviews of the financial system reports including a budget to actual comparison for the sponsored program ChartField string(s).
- The PI is the only individual that may perform all the functions of authorization, verification, and managerial review without segregating these duties. The PI may not enter any financial transactions.

## Delegation of Authority

The person allocating transactions to ChartFields must be authorized. The PI may delegate authority for authorizing transactions to another employee. The department must manage delegated authority. The key concepts of delegation of authority are:

- Departmental/Division/School/group global authorization alone is not acceptable documentation for delegation of authority.
- A PI may impose a dollar limit and/or duration of the delegation of authority for authorization.
- Delegated authority exists only to the extent explicitly granted.
- Delegations can be made only to University employees.
- Delegate must have direct knowledge of the needs of the project or activity.

The process steps necessary for delegation of authority are:

- Document the delegation of authority by completing the PDF form available at [APM 2.25.55.02 Segregation of Duties-Delegation of Authority](#).
- The PI should provide the documentation of the PDF form to the delegate, and the delegate's departmental office.
- The departmental office must retain the delegation documentation form in accordance with the [Records Retention Guides](#) and the award.

*Effective Date: October 1, 2008*

*Revised Date: October 8, 2014*

## Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.