



SAINT LOUIS

# SAINT LOUIS UNIVERSITY

## Separation of Duties- Management Review POLICY

**Policy Number: RA-009**

**Classification: Sponsored Programs**

**Responsible University Office:**

Vice President for Research

**Version Number: 1.0**

**Effective Date: 03/31/2010**

### 1.0 INTRODUCTION

OMB Circular A-110 requires that PI's review financial accounts related to their award on a periodic basis and compare expenditures against their awarded budget in order to adjust any spending that may be inconsistent with the awarded budget. Proper internal controls require that the University have adequate separation of duties involving financial transactions to ensure no one person can authorize record, verify, and provide managerial review of the same transaction.

### 2.0 PURPOSE

The University accounting environment requires various levels of internal control over transactions. Some 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.

### 3.0 DEFINITIONS

**3.1 Allocable:** Costs incurred specifically for the sponsored program or costs incurred for several activities that are clearly necessary to the sponsored program. In the latter case, those costs must be clearly allocated to the various activities, and those related to the sponsored program must be proportional to benefits received. .

**3.2 Allowable:** Costs or revenues directly related to the performance of a sponsored program 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.

**3.3 Authorization:** The process of giving someone permission to initiate a financial transaction, sometimes known as “approval”. An authorization 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.

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

**3.5 Timely:** Within two (2) accounting periods after the accounting period in which a transaction originally occurred or should have occurred.

## 4.0 APPLICABILITY

All sponsored activity at Saint Louis University.

## 5.0 POLICY

**5.1** 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

### 5.2 Authorization for Compliance

The PI is responsible for all sponsored activity to ensure that 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.

### 5.3 Verification for Compliance

Verification confirms that transactions have been authorized and accounted for in an accurate and timely manner as recorded in the financial system. Although 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.

## 5.4 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 comparison of budgeted to actual expenditures for the sponsored program fund.
- 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 into the University Banner System.

## 6.0 SANCTIONS

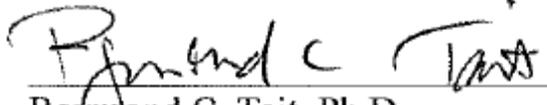
Costs not approved, verified, and management review may be deemed unallowable by sponsors and/or regulators. The home department of PI will be responsible for reimbursing sponsors for costs deemed unallowable.

## APPROVAL SIGNATURES

This policy was developed by:

The Office of the Vice President for Research

This policy has been approved by:

 Raymond C. Tait, Ph.D. Vice President for Research Saint Louis University	03/31/2010 Date
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Revision History	Version	Modification
Effective Date	1.0	New Document
March 31, 2010		