



Responsibilities of Purchasers, Preparers and Approvers

Policy Statement

One of Harvard's fundamental internal controls is the proper review and approval of transactions. Preparing or approving any part of a transaction is a significant responsibility. This policy defines and codifies the responsibilities of individuals who spend Harvard funds and who prepare and approve transactions. Individuals who spend funds or who prepare or authorize expenditures on behalf of the University have a stewardship responsibility to ensure those transactions are reasonable, appropriate, and have a proper University business purpose. All requisitions must be prepared properly with adequate support and be reviewed and approved by designated individuals. ***If a transaction has multiple approvers, every approver is accountable for the elements of the transaction that he or she approves.***

Reason for Policy

Harvard has an obligation to safeguard its resources, adhere to donor and sponsor terms, and comply with all internal policies and external regulations.

Who Must Comply

This policy applies to all individuals who make purchases with University funds, or who prepare or approve transactions via Corporate Card, PCard, Web Reimbursement, or HCOM, as well as any transactions that feed into the Oracle e-business suite from other systems (e.g., Aleph, Presto, etc.)

Procedures

1. **Spend Harvard resources prudently.** Everyone who spends Harvard funds, either directly via a purchasing system (such as HCOM) or PCard, or indirectly, via Corporate Card or personal funds to be reimbursed, has an obligation to spend those funds with sound business judgment. Purchasers must ensure that each purchase is Harvard business-related and advances the work of the University, must spend according to budget or other approved funds, and must comply with Harvard policies and any sponsored or donor restrictions.
2. **Prepare transactions properly.** Employees who prepare a transaction are, at a minimum, responsible for ensuring the business purpose is complete and accurate, proper support is provided, and that the transaction is submitted for approval in a timely manner. Units, particularly those with centralized approval models, may place additional responsibilities on their preparers.
3. **Review and approve transactions in a timely manner.**
 - A. Knowledge of the transaction: ***all transactions must have an authorized approver who has sufficient knowledge to make an informed judgment that the transaction is appropriate.*** Ideally, an approver will have direct knowledge about the transaction or circumstances to validate the expense; if not, the approver should rely on compensating procedures to gain a reasonable level of assurance that the expense is



valid. These compensating procedures should include a periodic review of budget to actual expenditures, a review of activity in certain object codes, looking for unusual spending patterns, and asking questions about nonstandard expenses. Note that the approver of a transaction may or may not be the person who clicks the "approve" button in Harvard's financial system; some tubs or units may have approvers who review and sign off on transactions on paper. An approval carries the same importance whether it is on paper or electronic.

- B. Due diligence: approvers must perform due diligence if there are questions or concerns about the expenditure; if the approver has questions or concerns regarding the expense, it is the approver's responsibility to seek help from an appropriate resource until the questions are resolved. While Central Travel and Reimbursement may audit samples of transactions, this audit is not a substitute for an approver's due diligence. The Responsibilities by Role Template (see Appendix) is a guideline for the various elements of a transaction that should be reviewed as part of a transaction's approval process.
- C. Multiple approvers: in some cases, there may be more than one approver in an approval hierarchy. For example, a department administrator might approve an expenditure that must be subsequently approved by a sponsored or gift administrator, and then finally approved by the tub finance office. Tubs must ensure approvers understand which elements of a transaction they are responsible for approving. **Approving any part of a transaction is a significant responsibility; every individual in an approval chain is accountable for the elements of the transaction that he or she approves.** Approvers must also be knowledgeable about applicable local and University policies and external requirements/regulations where relevant (i.e., federal guidelines for sponsored projects, etc.).
- D. Reimbursee responsibility: note that when a reimbursee signs an employee/non-employee reimbursement form (or coversheet), the reimbursee is certifying that the expenses are accurate and valid University business expenses.
- E. Responsibilities by role: in addition to validating the underlying expense, an authorized approver should validate the key elements of every transaction, for example, that there are funds for the purchase and that the coding used is correct. See the Appendix: Responsibilities by Role Template.
- F. Separation of duties: generally, it is not a recommended best practice for individuals to approve transactions where they are also the purchaser or preparer ("self-approval"); or where their direct or indirect supervisor is the purchaser or preparer. In some units, strict separation of duties may be impractical. In these cases, units should work with their tub finance office and/or RMAS to assess the risks and if necessary, develop an alternative means of review and approval (e.g., approval by tub finance office, tub finance office monitoring of spending, etc.).



- 4. Create evidence of the approval.** Approvers must document their approval of the expense (for example, by approving the expense in the online payment system, signing paper forms, or via a statement written in an email). It is best practice for approvers to write brief comments to thoroughly substantiate their review and approval. For example, after reviewing an invoice and receiving goods, an approver might write on an invoice "Reviewed invoice, received goods, OK to pay" and then write his/her initials and date.

Responsibilities and Contacts

Financial deans or equivalent tub financial officers are responsible for distributing and communicating all applicable financial policies throughout their tubs as well as ensuring all employees have access to training and are informed regarding their responsibilities under University financial policies and their accompanying procedures.

Tub finance offices are responsible for creating and maintaining the approval hierarchies within their tubs, for communicating those responsibilities to preparers and approvers, and for providing guidance to units on nonstandard expenses and on separation of duties.

Local units are responsible for ensuring that this policy is communicated to all individuals who purchase, prepare or approve transactions, and that an adequate organizational processing structure is in place to ensure all transactions are properly prepared, documented and approved. Local units are responsible for identifying employees who will use the various processing systems and assigning the associated role (e.g. proxy, preparer, or approver). Units must ensure that transaction approvers have appropriate training and are knowledgeable regarding acceptable business practices and University policies and procedures.

Approvers are responsible for the review of transactions submitted to them, making informed judgments about the reasonableness of those transactions, evidencing their authorization of those transactions (either on paper or online) and approval (or rejection) in a timely manner. Note that the approver of a transaction may or may not be the person who clicks the "approve" button in Harvard's financial system; some tubs or units may have approvers who review and sign off on transactions on paper. Approvers must also be knowledgeable about applicable local and University policies and external requirements/regulations where relevant (i.e., federal guidelines for sponsored awards, etc.). See attached appendix for detailed list of responsibilities.

Preparers at a minimum are responsible for ensuring that each transaction has a business purpose that is complete and fully descriptive of the underlying expense, and that transactions are prepared with sufficient time for review and approval. Units, particularly those with centralized approval models, may place additional responsibilities on their preparers. See attached appendix for detailed list of responsibilities.

Purchasers are responsible for spending Harvard resources with sound business judgment. Purchasers must ensure that each purchase is Harvard business-related and advances the work of the University, must spend according to budget or other approved funds, and must comply with Harvard policies and any sponsored or donor restrictions. In addition, purchasers are responsible for providing complete support documentation to the preparer with sufficient time for processing, review and approval. See the attached appendix for a detailed list of responsibilities.



HARVARD UNIVERSITY FINANCIAL POLICY

Responsible Office: Financial Policy Office
Date First Effective: 9/2/1999 (formerly "Stewardship Responsibility")
Revision Date: 1/1/2016

Reimbursees are responsible for ensuring that expenses that they submit for reimbursement are accurate, legitimate University business expenses and that they are submitted in a timely manner. Reimbursees certify the validity of their submitted expenses by signing the Employee Reimbursement Form.

Risk Management and Audit Services (RMAS) provides advice to tubs and local offices on risk assessment, control measures, and advises the University community on additional or revised control procedures, as appropriate. **Contact:** (617) 495-3642 or <http://rmas.fad.harvard.edu/>.

Central Accounts Payable (AP) is responsible for new vendor set up and maintenance and for processing invoices that departments have approved and submitted through HCOM.

Reimbursements and Card Services (RCS) is responsible for auditing samples of employee and non-employee reimbursements that are approved and submitted by departments after local approvers have fully performed all of their responsibilities as outlined by this policy. RCS forwards employee reimbursements to AP for processing and payment.

Strategic Procurement is responsible for serving as an additional approver on certain transactions (i.e., STOAs and purchases over \$250K) once those transactions have been fully approved locally.

Financial Policy Office (FPO), within the Office of the Controller, is responsible for maintaining this policy and providing advice and assistance to tubs on the operation of the policy and on specific concerns, as necessary. **Contact:** (617) 495-3976 or financialpolicy@harvard.edu.

Definitions

Approver: any individual (faculty, staff, etc.) who is authorized to certify that a transaction (or a particular element of a transaction) is correct and appropriate; these certifications may happen online in Harvard's Oracle e-Business suite or on paper.

Business-related: not a personal expense. Some expenses, while ordinary and necessary for an employee's work, are considered personal, living or family expenses and thus cannot be paid or reimbursed as business expenses. Common examples are regular commuting expenses, repetitive meals and costs for professional attire. Payment of such personal expenses constitutes taxable income to the recipient. The IRS distinction between business and personal expenses can be complex; see the [Business Expense Reimbursements Policy](#) for more information.

Compensating procedures: a series of analyses that can help an approver gain a reasonable level of assurance that an expense is valid. These analyses should include a periodic review of budget to actual expenditures, a review of activity in certain object codes, looking for unusual spending patterns, and asking questions about nonstandard expenses.

Preparer: an individual who assembles the information and backup needed for a transaction, keys it into the system and submits it for approval.

Purchaser: an individual who spends University funds, both directly (through use of HCOM, or PCard) or indirectly (through use of Corporate Card or personal funds to be reimbursed).



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Reimbursee: an individual who spends personal funds on a University business expense that must be reimbursed.

Related Resources

[Business Expense Reimbursements Policy](#)

[Conflicts of Interest or Commitment](#)

[Faculty Financial Conflict of Interest Policy](#)

[Fraud Reporting and Awareness Policy](#)

[Purchasing Card Policy](#)

[Restricted Fund Spending Compliance Policy](#)

[Risk Management and Audit Services Compliance Hotline](#): 1-877-694-2ASK (2275)

[Sponsored Expenditures Guidelines](#)

[Travel Policy](#)

Revision History

January 1, 2016: updated title from "Stewardship Responsibility," added, expanded on and clarified procedures; added appendix

Appendix

Responsibilities by Role Template

APPENDIX: RESPONSIBILITIES BY ROLE TEMPLATE

Purchasers, preparers and approvers have related and overlapping responsibilities. Tubs are responsible for communicating responsibilities to their purchasers, preparers and approvers. The following is a template of minimum required responsibilities by role. At their discretion, units may place additional responsibilities on any role, Preparers in particular.

	Responsibilities	Purchasers	Preparers	Approvers
1	Purchasers are responsible for ensuring all purchases are Harvard business-related, benefit Harvard, and advance the work of the University	X		
2	There is a documented business purpose provided that clearly and completely explains the purchase (on paper or online) i.e., includes the “who, what, why, where, when”	X	X	X
3	The business purpose is legitimate, i.e., that the expenditure is an appropriate use of Harvard funds			X
4	The purchaser is authorized to spend the funds	X		X
5	The purchase is in compliance with established policies and procedures of the Org, School, Harvard University and any required external regulations	X		X
6	The transaction complies with University and any applicable external (e.g., grant) conflict of interest policies	X		
7	For restricted gift and endowment funds (302000-389999, 430000-699999), the charge is in accordance with the terms of the fund; for all sponsored funds (100000-299999), the charge is within the budget and project period and in accordance with terms of the sponsored fund and with applicable external requirements and regulations	X		X
8	There are sufficient budgeted or other approved funds to cover the expense	X		X
9	The amount of the purchase is reasonable (i.e., an appropriate level of spending for the circumstances)	X		X
10	Completed supporting documentation is provided to the preparer (e.g., an invoice, receipts, an email with written approval of a purchase, etc.) with sufficient time for processing, review and approval	X		
11	When submitting an employee reimbursement, the purchaser has documented his or her approval of these expenses (on paper or online)	X		
12	The correct 33-digit coding, including the proper object code, is used for the expenditure		X	X
13	Perform reasonable due diligence in addressing any questions about the payment		X	X
14	The transaction is prepared and forwarded to an appropriate approver with sufficient time for review and approval before University deadlines		X	
15	Transactions are approved in the system before the paperwork is sent to Central Administration for processing		X	
16	The transaction is approved or rejected in a timely manner			X
17	Each approver has documented the approval/rejection of the expenditure (on paper or online), including the date			X
18	When any role performs receiving in HCOM: do reasonable due diligence to ensure correct items were received	X	X	X
19	Reply promptly to questions from Accounts Payable or Reimbursements and Card Services	X	X	X