



# UNIVERSITY OF RICHMOND

## Policy Manual

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| <b>Policy #:</b>              | FIN-4101   | <b>Policy Title:</b>                    | Use of University Funds and Financial Responsibilities    |
| <b>Effective:</b>             | 07/01/2019 | <b>Responsible Office:</b>              | Office of University Controller                           |
| <b>Date Approved:</b>         | 06/13/2019 | <b>Approval:</b>                        | Executive Vice President and Chief Operating Officer      |
| <b>Replaces Policy Dated:</b> | N/A        | <b>Responsible University Official:</b> | Senior Associate Vice President and University Controller |

### **PURPOSE:**

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The University has a responsibility to ensure that University funds are used prudently, only for official University business, and in compliance with applicable laws, regulations, policies, and restrictions associated with grants, contracts and restricted funds.

Accordingly the University must establish and maintain internal controls to ensure the appropriate use of funds and to protect against improper spending and fraud.

The purpose of this policy is to clarify roles and responsibilities of University employees with respect to expenditure of University funds.

### **SCOPE:**

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This policy applies to the University of Richmond and all of its Affiliates. As used in this policy, the term “Affiliates” means organizations or entities in which the University owns a controlling interest or has the right to elect the majority of the entity’s governing board.

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### **POLICY STATEMENT:**

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*FIN-4101.1 – Definitions*

## Appropriate

Appropriate means an expense is suitable or fitting in the eyes of an objective third party and fulfills a valid business purpose.

## Business Purpose

The business purpose establishes that a particular good, service or activity is necessary to fulfill the mission of the University and primarily benefits the University.

## Necessary

An expense is necessary when it is required to achieve a particular business purpose.

## Reasonable Expense

A reasonable expense is ordinary – not lavish or excessive – and reflects a prudent decision to incur the expense on behalf of University in furtherance of its mission.

## *FIN-4101.2 – Policy*

The primary sources of University revenue are students and their families (e.g., tuition, room, board) and individuals and philanthropic organizations that have been inspired to give to the University in support of our mission (e.g., current use donations, endowment support). All members of the University community have a responsibility to exercise good judgment and prudence when spending University funds. University funds may only be spent in support of a legitimate business purpose and in accordance with University policies; expenditures must be reasonable and appropriate.

Many employees are permitted to expend University funds. Employees initiating the expenditure of University funds are referred to as *Fiscal Initiators*. All *Fiscal Initiators* are responsible for following related University policies, for using University funds prudently and only for a legitimate business purpose. For examples of allowable and non-allowable expenses, please see <https://controller.richmond.edu/sourcing-payments/policies.html>.

*Fiscal Approvers* are University employees responsible for ensuring that there is a legitimate University business purpose for the expense, that the expense is a prudent use of institutional resources, and that the expenditure is in compliance with all applicable laws, regulations and policies. *Fiscal Approvers* are responsible for timely approval of transactions.

*Fiscal Managers* are University employees who have oversight of specific departmental funds. They are responsible for ensuring that funds and purchasing cards (P-Cards) are regularly reconciled to ensure that appropriate supporting documentation is provided for the expenditure, that the expenditure has been charged to the appropriate index and account, and that sufficient funds are available to cover it. *Fiscal Managers* may delegate allocation and reconciliation to a *Fiscal Contact*, but must review and approve the reconciliation.

*Fiscal Contacts* are University employees who are responsible for day-to-day activities related to departmental funds for which they are not the *Fiscal Manager*. Responsibilities may include allocation and reconciliation, as well as trend tracking and record-keeping. Reconciliations and allocations prepared by a *Fiscal Contact* must be reviewed and approved by the *Fiscal Manager*.

*Fiscal Principals* are University employees who are responsible for the budget of a program, unit, department or division. *Fiscal Principals* are responsible for the financial health of their area of responsibility, including monitoring budget and expense trends, assessing whether budgets are going to remain in balance by end of fiscal year, and analyzing emerging budget pressures (or opportunities for reallocation). *Fiscal Principals* are also responsible for ensuring regular reconciliation, and for ensuring that *Fiscal Initiators*, *Fiscal Approvers*, *Fiscal Contacts*, and *Fiscal Managers* in their organization understand and follow University policies related to expenditure of funds.

Individuals may have multiple roles, serving in different capacities with respect to different transactions and sources of funding.

## *FIN-4101.3-Roles and Responsibilities*

### Roles and Responsibilities: Approval

#### I. Approver Roles

*Fiscal Approvers* are typically the supervisor of the *Fiscal Initiator*.

- An expenditure may never be initiated and approved by the same individual.
- If a proxy prepares the documentation for the expenditure (such as an expense report or a Purchasing Card report) on behalf of a *Fiscal Initiator*, the approval process will still function as if the *Fiscal Initiator* had prepared and submitted the documentation.

If the *Fiscal Approver* for a transaction is not the *Fiscal Manager* for the source of funds for the expenditure, the *Fiscal Manager* must also approve the transaction.

If the transaction is providing direct payment to a student, the transaction must be approved by a University official authorized to make payments to students. [See *FIN-2101* Policy on Provision of Financial Resources to Students]

#### II. Conditions of Approval

Approval is an authorization of a specific transaction which signifies that all of the following are true:

- Approval signifies that there is a legitimate business purpose for the expense;
- Approval signifies that the expense conforms to University policy and other relevant laws, regulations and grant or donor restrictions. (Where the supervisor is not the *Fiscal Manager* for the source of funds for the expense, approval by the *Fiscal Manager* signifies that the expense conforms to any grant or donor restrictions associated with the source of funds);
- Approval signifies that in the professional judgment of the approver, the expense is reasonable;
- Approval signifies that there is appropriate documentation for the expense;
- Approval signifies actual knowledge of the transaction, and approvers are expected to question any unusual or unknown items before approving.

## III. Delegation

Approval delegation may be authorized by the primary approver to perform their approval duties in their absence for a limited time period. Any long-term delegation of approval responsibilities must be discussed with and approved by the University Controller.

A delegate has the same responsibilities as the primary approver and is acting in the primary approver's name. The approver bears responsibility for ensuring that the delegate is aware of and appropriately carries out all responsibilities of the approver. Delegates must be trained to understand the University business purpose of expenses and all relevant policies, regulations, and restrictions on funds.

A delegate may not approve an expenditure initiated by their supervisor or by the approver for whom they are acting as delegate.

For transactions related to grants, a principal investigator may only delegate approval to someone with first-hand knowledge of the research/project that the grant is funding (e.g. a lab manager or post-doc working on the same project).

### Roles and Responsibilities: Reconciliations

Reconciliation is a review of transactions associated with a specific account or P-Card:

- Reconciliation signifies that all expenses are charged to the correct Fund, Org, Activity (if applicable), and the appropriate account for financial reporting purposes;
- Reconciliation signifies that there are sufficient funds available to cover that expense;
- Reconciliation signifies that all expenses meet any permissible use restrictions associated with a fund or grant to which those expenses are being charged;
- Reconciliation signifies that there is source documentation to support the expense. Source documentation is required for all expenses except payroll transactions and approved interdepartmental charges that appear on budget reports.

P-Card allocation and reconciliation must occur on a monthly basis and be approved by the due date. P-Card allocation, reconciliation, and approval is conducted in the Chrome River system.

Account reconciliation must be completed on a monthly or quarterly basis, depending on the volume of transactions to be reconciled.

### **RELATED POLICIES:**

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*FIN-4403* Procurement Policy

*FIN-4408* Contract Management Policy

*FIN-4301* Purchasing Card Policy

*FIN-2101* Policy on Provision of Financial Resources to Students

*FIN-4204* Policy on Business Meals and Entertainment

*FIN-16001* Policy on Reporting and Investigating Suspected Financial Fraud, Waste, and Abuse

*FIN-1100* Policy on Gifts, Prizes, and Awards

*GOV-1005* Policy on Monetary Support and Cash Donations

**POLICY BACKGROUND:**

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This policy was reviewed by Academic Deans and President’s Cabinet prior to approval on 06/13/2019.

**POLICY CONTACTS:**

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Senior Associate Vice President and Controller