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 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, according to departmental budget, in furtherance of Harvard activities, and in compliance with Harvard policies and any sponsored or donor restrictions. See the Appendix for more information.

2. **Prepare transactions properly.** Employees who request a reimbursement or make purchases and the staff who prepare the transaction are responsible for ensuring the expense is appropriate, the business purpose is complete and accurate, proper support is provided, and that the transaction is submitted for approval in a timely manner.

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 communicate to each approver 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.

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.
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 are appropriately trained and 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 and communicating those responsibilities to preparers and approvers.

Local units are responsible for ensuring 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 expertise 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.).

Preparers are responsible for having a working knowledge of University and local policy, that each transaction has a business purpose that is accurate, complete, and fully descriptive of the underlying expense, and that transactions are prepared with sufficient time for review and approval.

Purchasers are responsible for ensuring all purchases are compliant with University, local policy and external regulations, and that each purchase is solely to benefit Harvard business and advance the work of the University. Purchasers are responsible for providing complete support documentation to the preparer with sufficient time for processing, review and approval.

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 central advice to tubs and local offices on 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.

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).

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

Related Resources

Business Expense Reimbursements Policy
Fraud Reporting and Awareness Policy
Purchasing Card Policy
Restricted Fund Spending Compliance Policy
Sponsored Expenditures Guidelines
Travel Policy

Revision History

September 1, 2015: updated title from “Stewardship Responsibility” and clarified procedures; added appendix

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.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Purchasers</th>
<th>Preparers</th>
<th>Approvers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasers are responsible for ensuring all purchases are solely to benefit Harvard and advance the work of the University</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a documented business purpose provided that clearly and completely explains the purchase (on paper or online)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The business purpose is valid</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>The purchaser is authorized to spend the funds</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The purchase is in compliance with established policies and procedures of the Org, School, Harvard University and any required external regulations</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>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</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>There are sufficient budget funds to cover the expense</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The amount to be spent is reasonable (i.e., appears to be mathematically correct and of an appropriate level of spending for the circumstances)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Complete support 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</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When submitting an employee reimbursement, the purchaser has documented his or her approval of these expenses (on paper or online)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The correct 33-digit coding, including the proper object code, is used for the expenditure</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>The preparer has performed reasonable due diligence in addressing any questions about the payment</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The transaction is prepared and forwarded to an appropriate approver with sufficient time for review and approval</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The approver has performed reasonable due diligence in addressing any questions about the payment</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The transaction is approved or rejected in a timely manner</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each approver has documented his or her approval/rejection of the expenditure (on paper or online), including the date</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>