

Memorandum

To: Carmen Scholz
President, Faculty Senate

From: Robert A. Altenkirch 
President

Christine W. Curtis 
Provost and Executive Vice President for Academic Affairs

Subject: Response to Faculty Senate Resolution 17/18-04 Reply on and Revision
of Signature Approval Policy

Date: January 4, 2018

Faculty Resolution 17/18-04 states that the Faculty Senate requests that the \$1,000 limit in Policy 02.01.64 Signatory Authority and Approval for Academic Affairs only be applicable to non-capital equipment purchases and be changed to \$5,000, the amount required for an expense to be classified as capital equipment, for all other expenses.

The historical context of this resolution is that at its called meeting on May 4, 2017, the Faculty Senate recommended three changes to Policy 02.01.64 Signatory Authority and Approval for Academic Affairs Policy:

- (1) The removal of the statement, "The provost, deans and directors may at their discretion choose to set the limit for a second signature at a lower amount."
- (2) The acceptance of the statement, "Dispute resolution will follow the academic administrative sequence for such instances."
- (3) The recommendation of a dollar limit of \$5,000 because as stated in the Faculty Senate meeting that is the dollar amount where capital equipment is documented and inventoried.

Recommendations 1 and 2 were accepted. The third recommendation was not accepted as was explained in the initial response:

The Faculty Senate recommended a dollar limit of \$5,000 because that is the dollar amount where capital equipment is documented and inventoried. Policy 06.04.04 UAH Business Services Policy and

Procedures Manual states that capital equipment, defined as “an item of movable, non-expendable, and tangible property” with a “useful life of more than one year and a cost or value of \$5,000 or more,” must be inventoried. The Business Services Policy and Procedures Manual also states that “the University tracks and maintains fixed asset database records on designated University purchased non-capital equipment.” These non-capital equipment items are delineated as

- Computers and computer equipment costing \$1,000 to \$4,999.99
- Audio-visual equipment costing \$1,000 to 4,999.99
- Other equipment costing \$1,000 to \$4,999.99

Academic Affairs faculty and staff are frequent purchasers of non-capital equipment items such as computers and computer equipment requiring tracking in the fixed asset database. The sources of the funding for these non-capital equipment items are from a variety of funding sources, ranging from state Ledger 2, Ledger 3, to Ledger 6 accounts. The dollar amount that requires tracking for above non-capital equipment is \$1,000. The amount of \$1,000 then becomes appropriate as the dollar limit for the “Signatory Authority and Approval Process Policy for the Division of Academic Affairs.”

The original recommendation by the Faculty Senate for the dollar limit in Signatory Authority and Approval Policy for Academic Affairs was \$5,000, which was chosen, as stated in the meeting when the policy was discussed, because it was the limit for capital equipment purchases. The first response stated that an equally legitimate limit is \$1,000 because it is the amount for non-capital equipment that must be inventoried in the fixed-asset database.

Rather than dwelling on the limits for capital equipment compared to non-capital equipment in the fixed-asset database as limits for the Signatory Authority and Approval Policy for Academic Affairs, it is important to remember the original reasons for the policy as was explained in a Faculty Senate meeting and in the policy. These reasons, respectively, are to reduce substantially with the intent of eliminating overspending and “to ensure appropriate fiscal oversight for all expenditures in Academic Affairs. It is good fiscal practice to have expenditures of public funds made by an individual who is responsible for an account monitored by the person who is in at least one position of higher administrative authority. The university by promoting sound fiscal practices is carrying out its ethical obligations as a holder of public funds.”

The initial concerns that led to the writing of this policy were that there were some accounts in Ledger 3 that were overdrawn. Some of them were overdrawn by several thousand dollars and some by substantially higher amount with the largest amount at

\$65,000. These monies had to be repaid by the units in which the deficits occurred and caused substantial hardships for those units. As unsettlingly as these deficits were, they were overshadowed by the concern that these deficits were allowed to occur, and the faculty, department chairs, and deans involved with these accounts were either unaware of the deficits or did not take responsibility for the accounts.

During the last year, reports for Ledger 6 accounts were made available. Again deficits were found in the range of about \$1,000 to greater than \$30,000. The same concerns arose. Why did the individuals responsible for these accounts allow these deficits to occur? Why was no one watching? Again, the deficits had to be repaid by the units involved, causing hardship on those units because of those individuals who overspent and those who did not monitor the expenditures.

The Signatory Authority and Approval Policy for Academic Affairs with the requirement for an approval for expenditures greater than \$1,000 places responsibility on the faculty, administrators, and staff members who are responsible for given accounts and the transactions thereof and upon the approvers to ensure that the funds are available and that they are spent appropriately. The procedures in the Policy 02.01.64 Signatory Authority and Approval for Academic Affairs will help us all be more cognizant of our fiscal responsibilities, will assist us in eliminating overspending, and will increase our fiscal accountability for public funds.

Based on recent experience with overspending and in an effort to rein it in, and with little to no experience with the approval procedures outlined in Policy 02.01.64, it is prudent to initiate implementation conservatively. In that spirit, the dollar limit for Academic Affairs will remain at \$1,000 but will be revisited following a full fiscal year of experience at the end of FY19. The policy previously approved is attached.

C: Todd Barré, Vice President for Finance and Administration
Laterrica Simmons, Director of Compliance and Title IX Coordinator

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE FACULTY SENATE

FACULTY SENATE RESOLUTION 17/18-04:

Reply on and Revision of Signature Approval Policy

History: Bill 413 was submitted to FSEC for first reading on 9/14/2017
Bill 413 passed first reading on FSEC on 9/14/2017
Bill 413 passed second reading in Faculty Senate unanimously on 9/21/2017

Whereas the Faculty Senate, to achieve consensus on the proposal for Policy 02.01.64, Signature Authority and Approval Process Policy for the Division of Academic Affairs, involved a compromise in which the dollar limit at which the policy applied was \$5000, and

Whereas the (June 29, 2017) Administration Response to the Senate's action rejected the Senate's compromise position of \$5000, adopting instead a limit of \$1000, and

Whereas the Administration Response argued the reason for the \$5000 limit was that non-capital equipment items costing \$1000 or more were documented and inventoried, and

Whereas the Administration Response agreed with the Senate's analysis that capital equipment was only documented and inventoried if it cost \$5000 or more, and

Whereas Policy 02.01.64 should match the Business Services Policy Procedures Manual

Therefore, be it resolved

That the Faculty Senate asks that the \$1000 limit in Policy 02.01.64 be applicable only to non-capital equipment purchases, and

Be it further resolved

That the Faculty asks that \$5000 limits be set in Policy 02.01.64 for all other expenditures, and.

Be it further resolved

That, upon passage of this bill, that the Faculty Senate President and President-Elect publish this bill upon the official records of the Faculty Senate, and

Be it further resolved

That, upon passage of this bill, that the Administration make all necessary changes to implement the bill's intent, ideally by simply replacing each instance related to \$1000 in the policy to an indication of \$1000 or above for non-capital equipment and \$5000 for everything else, with the revised policy routed back to Senate for reconsideration (as all potential policy revisions are routed).

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
SIGNATORY AUTHORITY AND APPROVAL PROCESS POLICY FOR
THE DIVISION OF ACADEMIC AFFAIRS

Number 02.01.64

Division Academic Affairs

Date September 2016

Purpose The purpose of this policy is to develop and implement a signature authority and approval process to ensure appropriate fiscal oversight for all expenditures in Academic Affairs. It is good fiscal practice to have expenditures of public funds made by an individual who is responsible for an account monitored by the person who is in at least one position of higher administrative authority. The university by promoting sound fiscal practices is carrying out its ethical obligations as a holder of public funds.

Policy The basic principle is that the individual who has responsibility for the account is the person who determines what transactions should occur, is the individual who makes transaction on that account, and is responsible for the account, and the second person, typically a department chair/unit head/director/associate dean/dean/associate provost/provost will approve the transactions made by the responsible individual on each account. Two individuals should sign on each transaction. Only one person is involved in the transaction and the other person, the person of next highest administrative authority, is an independent party. For this policy a second signature on a transaction is required for all transactions over \$1,000.

For the types of accounts and the budget transfers indicated below at least one position of higher administrative authority than the responsible individual must approve the expenditures. The exception is expenditures made on a purchase card which is monitored according to University purchasing card policy.

The accounts and budget transfers affected include:

Ledger 2: State accounts

Ledger 3: Discretionary Accounts including startup, PI, professional development, college, department, residual funds, and some internal research accounts, etc.

Ledger 6: University gift funds and some internal research accounts, etc.

Foundation Accounts

Budget Transfers: from college/center fund balances, Ledger 3 accounts, Ledger 6 accounts, etc.

Procedures

1. Transaction approval process

In the process outlined below, it is acceptable and, indeed desirable, for those who have signature authority and those who are in the required approval process to utilize fully the support and knowledge of the staff/administrative assistants and budget resource managers in the department, college, academic support unit, center, or office. The approval required by the department chair/unit head, dean/director, and/or provost in no way diminishes the importance of the work the staff/administrative assistant and resource budget manager do to assist the faculty, staff, chair/unit head, dean/director and provost in determining if the right account is being used, if the expenditure is appropriate, if the expenditure is a legitimate expense for the type account from which it is being spent, and any other information that is needed.

Process:

- A. All transactions must have at least two signatures for the transactions at or above \$1,000 to occur: the person responsible for the account and initiating the transactions and the person who is in a higher position of administrative authority approving the transaction.
- B. Transactions are approved in the following manner:
 1. Department chairs and unit heads must approve all transactions at or above \$1,000 prior to the transaction occurring that faculty and staff initiate and may seek the assistance of the staff assistant and budget resource manager as stated above.
 2. College deans and directors must approve all transactions at or above \$1,000 prior to the transaction occurring that department chairs/unit heads and assistant/associate deans and associate directors initiate. The dean/director may delegate the approval authority of department chair and unit head transactions to associate deans or associate directors and may seek the assistance of the budget resource manager as stated above.
 3. If the college or unit does not have departments, the dean/director or the associate dean/associate director designated by the dean/director must approve all faculty and staff transactions at or above \$1,000 prior to the transaction occurring and may seek the assistance of the budget resource manager as stated above.
 4. The provost must approve the assistant/associate provost transactions at or above \$1,000 prior to the transaction occurring. Likewise, the provost or the designated associate provost must approve all of the

dean's/director's transactions at or above \$1,000, including accounts listed above and fund balance transfers.

C. Procedure for administrative approval.

1. The administrator with approval authority may approve the transaction by signing the appropriate form, by approving in self-serve Banner, by signing the requisition or by any other appropriate means. The administrator with signatory approval responsibility must ensure that copies of all approvals are kept as record for seven years.
2. The administrator with approval authority is responsible for all P-card transactions in the administrative unit and needs to ensure that the expenditures are appropriate and within budget in accordance with the Purchasing Card policy. The administrator may choose to place additional approval restrictions on P-card expenditures.

D. The provost is authorized by the President to make appropriate expenditures in Academic Affairs and is held accountable for these expenditures that are routinely reviewed.

2. Foundation accounts

Foundation accounts require additional approvals in addition to the signatures required at the Foundation. The basic principle applies to all Foundation transactions: the person responsible for and initiating the transaction signs for the transactions and the person of the next higher administrative authority approves. Foundation transactions will be routed to the provost's office for signature approval prior to the transactions going to the Foundation,

3. The above approval system becomes effective upon approval of this policy. The deans' and directors' offices will coordinate this effort and send the appropriate signature authorization forms to general accounting.
4. All non-online reimbursement must follow the same approval process outlined above.
5. Dispute resolution will follow the academic administrative sequence for such instances.

Review

Academic Affairs will review this policy every five years or sooner as needed.

Approval

John D. Cates
Chief University Counsel

7/7/2017
Date

Christine W. Carter
Provost and Executive Vice President for
Academic Affairs

6/29/17
Date

APPROVED:

Robert G. Allenbach
President

7/10/17
Date