Petty Cash Funds

Policy Statement

This policy establishes the proper uses and administration of petty cash funds. Petty cash funds provide cash to local units to cover minor expenses, such as reimbursement of staff members and visitors for small expenses like such as taxi fares, postage, office supplies, generally not to exceed $50; petty cash may also be used for human subject payments of $100 or less. The University requires each petty cash fund to have an approved Custodian, who documents expenditures, keeps receipts, and safeguards the funds. Wherever possible, local units should use other disbursement methods (i.e., HCOM, PCard) instead of petty cash.

Reason for Policy

Petty cash funds provide a convenient way to pay for small expenses, but keeping cash in any office entails risk of misuse or theft. This policy provides procedures designed to mitigate these risks.

Who Must Comply

All Harvard University schools, tubs, local units, Affiliate Institutions, Allied Institutions and University-wide Initiatives must comply.

Procedures

1. Understand appropriate uses of petty cash. Petty cash funds should not be used as an operating fund, i.e., to pay invoices for goods or services, to pay salaries or wages, or to make advances or loans. Petty cash accounts may be used to make cash payments to human subjects in accordance with the Human Subject Payment policy.

2. Designate a petty cash fund Custodian.
   A. Each fund must have a Custodian approved in writing by the financial dean or equivalent on official tub letterhead. Subsequent changes of a custodian must also be approved by the financial dean or equivalent.
   B. Custodians must be Harvard employees.
   C. Call the University Financial Services Customer Service Line to add the Custodian to the vendor file.

3. Establish the petty cash account.
   A. Business units are responsible for submitting the initial request to open a petty cash account.
   B. Business units should evaluate their business needs and limit the petty cash account to the lowest amount that will meet those needs. Generally, petty cash funds used for minor office expenses should not exceed $1,000; petty cash funds used for human subject payments may be higher depending on a department’s specific needs.
   C. University Financial Services opens new petty cash funds, makes changes to custodians and closes existing funds at the direction of Financial Dean.
   D. Once the petty cash account is approved and established, UFS cuts a check to the custodian and the check is delivered by mail services to the departmental address.

4. Safeguard the cash.
   A. Keep petty cash funds in a secure area such as a locked drawer or small safe.
   B. Petty cash funds should be active. Inactive funds should be terminated by local units. Funds are considered inactive if they have no activity during a six-month period.
   C. In the event of theft, the Custodian should notify his/her immediate superior as well as the University Police.
5. **Document expenditures.**
   A. The local business unit Custodian is responsible for maintaining:
      a. A Petty Cash Log
      b. Receipts for each transaction.
   B. Logs and receipts will be subject to review by Risk Management and Audit Services.

6. **Replenish the funds.**
   A. The petty cash custodian is responsible for replenishment when a petty cash fund runs low.
   B. When petty cash funds are replenished the total of the receipt report cannot exceed the total dollar value of the fund.

7. **Reconcile the log to the amount in the cash box at least quarterly.**

8. **Evaluate need for petty cash account annually.** At least once per year, departments must re-examine whether the petty cash account is still required to meet the department’s business needs, or if alternative disbursement methods could suffice.

### Responsibilities and Contacts

Tub financial deans or equivalent tub financial officers are responsible for ensuring that local units abide by this policy and the accompanying procedures, and for making official requests to UFS to open or change accounts.

Petty Cash Custodians are responsible for disbursing cash from a petty cash account, documenting expenditures and keeping receipts, replenishing the account when it runs low, and generally safeguarding the cash.

Risk Management and Audit Services is responsible for performing periodic audits on petty cash accounts. Contact: 617-495-3642 or [http://rmas.fad.harvard.edu/](http://rmas.fad.harvard.edu/)

University Financial Services (UFS) is responsible for adding Custodians to the vendor file, making changes to designated Custodians, setting up new petty cash accounts and making changes to and closing existing accounts. Contact: [617] 495-8500

### Definitions

**Custodian:** an approved Harvard University employee who is responsible for management of local unit’s petty cash account.

### Related Resources

Petty Cash Log [http://able.harvard.edu/forms/petty_cash.xlsx](http://able.harvard.edu/forms/petty_cash.xlsx)
Petty Cash FAQs: [http://vpf-web.harvard.edu/ofsf/acc_faq_pc.shtml](http://vpf-web.harvard.edu/ofsf/acc_faq_pc.shtml)

### Revision History

6/30/2013: updated format and recommended dollar limits

### Appendices

N/A