



Short-Term Operating Advance Policy

Policy Statement

Harvard only permits a short-term operating advance (STOA) account for human subject payments or short-term projects where use of other payment methods is not feasible. Under a STOA, Harvard cuts a check to an individual (custodian) who manages and disburses the funds on behalf of a project; the custodian must return any unused funds to Harvard by 30 days after the end date of the project. Harvard requires all tubs that request or maintain STOAs to do the following:

1. All STOA requests must be pre-authorized by tub financial deans or equivalents (or designees).
2. Custodians must submit all relevant personal tax reporting information to Harvard before taking custody of funds.
3. All STOAs must be monitored, reconciled and settled timely as outlined in the Procedures below.
4. A STOA not settled within 90 days of the project end date will be treated as taxable income to the managing custodian.

Reason for Policy

Disbursing University funds to an individual outside of Harvard's standard financial infrastructure entails risks of misuse or error, as well as potential tax reporting obligations. Proper authorizations and monitoring activities protect University assets and ensure IRS compliance.

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 STOAs.** STOAs are the funding method of last resort, used to provide cash for short-term project expenses where other methods of funding are impractical. For example, STOAs are sometimes used to fund projects in very remote areas or cash-based economies where banking services are not accessible or credit cards are not widely accepted. Typically, STOAs are used for projects lasting six months or less, although longer projects may qualify under special circumstances. Travel advances, not STOAs, should be used to fund incidental cash needs during travel; see the University's [Travel Policy](#) for more information. Note that some expenditures in foreign sites may have tax or other compliance implications; contact Global Support Services for more information.
- 2. Understand prohibited uses of STOAs.**
 - A. Service payments:** other than payments allowed by Harvard's Human Subject Payment Policy, STOAs must not be used for service payments to anyone (U.S. tax residents or foreign nationals) **inside the U.S.**, or service payments to **U.S. tax residents** anywhere in the world. If a department needs to make a service payment inside the U.S., contact your tub HR office or the Policy Office within Labor and Employee Relations for guidance.
 - B. STOAs must not be used for payments to vendors that can invoice Harvard.**



3. **Designate a custodian.** Typically, a STOA custodian should be a Harvard employee, as designating a nonemployee as a STOA custodian creates greater risk. However, there may be special circumstances where a student or other Harvard affiliate is the most practical STOA custodian for a project. In these cases, departments should weigh the project's operational efficiency against the greater risk inherent in designating a nonemployee as a STOA custodian. All nonemployee STOA custodians must provide Harvard with their full tax reporting information (SSN/TIN, visa type, etc.) and be set up as a vendor in Oracle. The custodian should be the person primarily responsible for disbursing project funds.
4. **Obtain advance approval from tub financial dean's office.** Before funding a STOA, the unit must first get their tub Financial Dean's (or designee) signature on the STOA Authorization Form, which requests the following information:
 - A. Name of the custodian, department and project
 - B. The line item budget of STOA expenditures
 - C. Beginning and end dates of the project
 - D. Departmental expense coding to be charged in the event that the account is not settled in a timely manner
 - E. The amount of the advance
 - F. Information about the activity funded by the STOA
5. **Set up the custodian as a new STOA Vendor Site.** Once the Financial Dean's office grants approval, request a new STOA Vendor Site for the custodian (if one does not already exist) via the online Vendor Setup form.
 - A. Setup
 - a. Search for "STOA" as the vendor name; you will add the custodian's name as a new site.
 - b. On the first line, include the word "OR" so that the individual can cash the check.
 - B. Information needed
 - a. The name of the custodian (person responsible for the funds)
 - b. Custodian's Harvard ID number (if applicable)
 - c. Custodian's mailing address
 - d. Any other required information if the custodian is not a Harvard employee, such as a completed W-9 Form
6. **Fund the advance.** Once the custodian site has been added and the STOA Advance Authorization Form has been approved, the unit must fund the advance via a Payment Request:
 - A. Create a Payment Request in HCOM
 - a. Select STOA as the Supplier Name
 - b. Choose the name of the custodian as the site
 - c. Enter the following coding: Locally responsible tub and org , 0501 for object code, other segments as appropriate
 - d. Enter "STOA for (name of project),(beginning and end dates)" along with a complete and descriptive business purpose in the Business Purpose field
 - e. Attach a scanned copy of the approved STOA Authorization Form bearing the signature of the Financial Dean or equivalent (or designee) to the requisition
 - f. The form of payment is a check payable to the custodian.



HARVARD UNIVERSITY FINANCIAL POLICY

Responsible Office: Strategic Procurement

Date First Effective: 12/5/2000

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- B.** When completing a Payment Request to fund a STOA, object code 0501 will automatically populate the approval hierarchy with approvers from the preparer's Tub Finance Office and from Strategic Procurement. Preparers should contact their Tub Finance Offices with questions on which approver to select. Once approved by the Tub Finance Office, HCOM will automatically forward the payment request to Strategic Procurement for final approval.

- 7. Settle the advance timely.** To settle an advance, units must reconcile expenditures to receipts, and process a journal voucher to allocate STOA expenditures to the appropriate object codes in the General Ledger, and credit the original STOA coding used. The settlement must account for the total STOA funds disbursed and may include a journal voucher as well as a credit voucher; contact your tub finance office for assistance.

 - A.** Tubs should keep a copy of the journal, detail of the expenditures, and all receipts (scanned receipts are acceptable) for auditing purposes.
 - B.** If receipts are in foreign currency, the reconciliation must be in U.S. dollars; use the currency converter on the [OANDA.com website](http://OANDA.com) and document the rate(s) used. The best practice is to use the exchange rate as of the date on the receipt, if available; using the monthly average exchange rate is also acceptable.
 - C.** As a best practice, settlements should first be reviewed by a program administrator who understands the project and second by a tub-level financial administrator.
 - D.** STOAs must be settled by 30 days after the end date of the project.
 - E.** If a STOA is not settled by 90 days after the end of the project, the amount of the STOA will be treated as taxable income to the custodian. Harvard may pursue disciplinary action against noncompliant custodians as well as legal action to recover the funds.
 - F.** Tub finance offices will charge the outstanding balance to the departmental account provided on the STOA Authorization Form.
 - G.** At fiscal year-end, assess any active STOAs for financial reporting materiality and record accruals as needed.

- 8. Collect any unused funds.** Tubs are responsible for collecting the unused STOA funds from custodians.

 - A.** Units must collect a check from custodians for any unused STOA funds. The check must be payable to Harvard University.
 - B.** Units must prepare a University Credit Voucher crediting the coding on the STOA form (be sure to use object code 0501).
 - C.** Send the check and the Credit Voucher to the Cash Receipts Office, 1033 Mass. Ave., 2nd Floor



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 reviewing and approving STOA Authorization Forms.

Tubs are responsible for charging the outstanding balance to the departmental account provided on the STOA Authorization Form for STOAs not settled within 90 days of the project end date, and for approving payment requests submitted to fund STOAs before the request is routed to Central Administration for final approval. In some tubs, these duties are performed at the Tub Finance Office and in others at the departments. Contact your Tub Finance Office for guidance.

Local units are responsible for deciding to establish a STOA for a project and choosing a custodian, weighing the relative risks and benefits involved. Units are responsible for collecting any required information and for completing and submitting all required forms, for monitoring and reconciling the STOA, for completing journal/credit vouchers to allocate expenses appropriately, and for collecting any unused funds from custodians.

Strategic Procurement is responsible for ensuring that payment requests submitted to fund STOAs have an attached approved STOA Request Form and for final approval of properly submitted payment requests. **Contact:** *William Shanker, (617) 496-3335 or william_shanker@harvard.edu*

Accounts Payable is responsible for processing vendor set ups and STOA site requests and for processing the Payment Requests that fund STOAs. **Contact:** *(617) 495-8500 or ap_customerservice@harvard.edu*.

Cash Receipts Office accepts Credit Vouchers from tubs to process unused funds and credits to the appropriate STOA object code as recorded on the Credit Voucher. **Contact:** *cash_receipts@harvard.edu, Cash Receipts Office, 1033 Mass. Ave., 2nd Floor.*

Tub HR offices or the **Policy and Compliance Office** in Labor and Employee Relations (**Contact:** *617-495-7455*) can advise on how to properly make service payments to individuals.

Global Support Services (GSS) advises local units on local regulations and considerations, including service payments and the safety and security concerns related to cash payments. **Contact:** *globalsupport@harvard.edu or (617) 495-1111*

Definitions

Short Term Operating Account (STOA): a funding mechanism for Harvard projects in which funds are disbursed to a designated custodian, who uses the funds to pay for University business expenses.

Credit Voucher: a form used to deposit funds into a University General Ledger account.

Custodian: an individual who receives STOA funds to pay for Harvard project expenses.

Other payment methods: other payment methods that might be used in place of a STOA include but are not limited to HCOM, travel advance, PCard, Corporate Card, and employee reimbursement.

Settlement: the process of reconciling and documenting project expenditures made by a STOA custodian, allocating expense to the proper object codes and crediting the STOA coding.



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Short-term projects: generally, projects lasting six months or less, although longer projects may qualify under special circumstances.

Related Resources

Credit Voucher Form (PIN-protected): <http://able.harvard.edu/links/credit-voucher-form-pdf>

[Expense Recognition Policy](#)

[Historical currency converter](#) on the OANDA.com website

[Travel Policy](#)

[Independent Contractor Policy](#)

Revision History

7/1/2015: allowed STOA to be used for all project related expenses (including travel expenses), allowed nonemployees to be custodians in special circumstances, updated procedures for set up of custodian and for funding of STOA through AP.

Appendices

Short-Term Operating Advance Request Form

SHORT-TERM OPERATING ADVANCE (STOA) AUTHORIZATION FORM

Requested by: _____ Phone: _____

Department Name: _____ Date: _____

Name of Custodian: _____ Harvard University ID#: _____

Name of Project: _____

Business Purpose for the STOA: _____

Beginning Date of Project: _____ End Date of Project: _____

What is the location of the project (City/Country): _____

Please confirm that **NO** service payments will be made to anyone (U.S. tax residents or foreign nationals) inside the U.S., or to U.S. tax residents anywhere in the world (contact your HR office or LER for guidance). Confirmed: _____

How do you plan to access and disburse funds at the project destination? (i.e., withdraw from personal account, travel with cash, etc.) _____

BUDGET INFORMATION

A detailed advance budget must be itemized below or attached in a similar format. Advances are for project expenses that cannot be paid via other methods (e.g., corporate card, Purchasing Card, or vendor invoice). Other than as outlined in the Human Subject Payments Policy, STOAs must not be used to make service payments inside the U.S. or to U.S. tax residents abroad nor can they be used to pay vendors that can invoice Harvard.

Individual Expense Items <i>(include all lines; attach additional lines if necessary)</i>	Advance Amount
	\$
	\$

Department Account: *Unrestricted account coding will be charged if the advance is not properly settled within 30 days of the end of the project. Failure to comply with the STOA policy will result in a taxable event for the custodian.*

		0501				
Tub (3)	Org (5)	Object (4)	Fund (6)	Activity (6)	Sub-activity (4)	Root (5)

CUSTODIAN CERTIFICATION: I, the undersigned custodian, certify (a) that these funds will be spent for legitimate Harvard business purposes, and (b) that all funds will be returned to Harvard or accounted for as required by University policy within 30 days of the project end date noted above. I understand that if this advance is not settled within the allowed time period that Harvard will treat the advance as income to me and will report it to the IRS.

Signature of Custodian

Date

Signature of Local (Department/Unit) Approver

Date

Signature of Financial Dean or Designee

Date

Completed, signed forms should be scanned and attached electronically to the Payment Request that funds the STOA. The electronic Payment Request must be submitted first to the Tub Finance Office and then to Strategic Procurement for approval.