Petty Cash Policy

POLICY STATEMENT

This policy provides guidance for the authorization, establishment and replenishment of Petty Cash Funds, including appropriate uses and security standards. The purpose of a Petty Cash Fund is to allow for the reimbursement of necessary and reasonable minor business expenses in an efficient and cost effective manner. Petty Cash Funds are limited to reimbursement of faculty, staff, and visitors for small expenses not to exceed $80 (taxi fares, postage, office supplies, and unexpected emergencies). Petty Cash Funds may also be used for incentive cash payments for human subject research with the approval of the Institutional Review Board (IRB).

REASONS FOR THE POLICY

The policy describes the use of petty cash for appropriate business transactions, including the observance of internal controls over Petty Cash Funds, in order to minimize the University’s risk of financial loss.

RESPONSIBLE OFFICES

Accounts Payable (Contact: Accounts Payable Service Center - 212-854-2122 or apservice@columbia.edu)

Office of the Controller (Contact: pettycash@columbia.edu)

REVISION HISTORY

First Issuance: February 1, 2010

WHO IS GOVERNED BY THIS POLICY

Each individual, school, and department who uses petty cash should review and understand this policy.

 ROLES AND RESPONSIBILITIES

Office of the Controller (Financial Reporting and Operations Department) — Responsible for Petty Cash Fund establishment, modification (including increases and decreases), recertification and closure of accounts.

Accounts Payable — Responsible for processing appropriate requests for replenishment of all University Petty Cash Funds and for approving the final receipts when the account is ready for closure. Accounts Payable will review disbursements from such Funds to ensure compliance with University policy. Also responsible for updating Petty Cash Policy as needed.

Vendor Management — Responsible for approving the Petty Cash Fund Custodian as a vendor.
Office of the Treasurer — Responsible for application of the University Cash Handling Policy in regards to Petty Cash Funds.

CUMC Controller’s Office – Responsible for approving new Funds and Fund increases for CUMC.

Petty Cash Fund Custodians – Responsible for Fund reconciliations, providing adequate controls, management of expense reimbursements and Fund replenishments, recordkeeping and general fund administration. Custodians must be full-time salaried officers or staff employees of Columbia University.

DAF Approver — A Columbia University employee who has been assigned DAF authority for the approval of petty cash activities at the department level. This individual is authorized to approve the request to establish a Petty Cash Fund, approve replenishment requests for submission to Accounts Payable, and approve requests for modification and closing of a Fund. (For more information, see the Departmental Authorization Function (DAF) Policy located in the Columbia University Policy Library, http://www.columbia.edu/cu/administration/policylibrary/index.html).

Department Administrator - Responsible for identifying the individuals who are in-scope for tax reporting and ensuring the proper forms are completed and submitted in a timely manner. This includes ensuring the clinical trial participant has established themselves as a vendor in the University vendor management system and for communicating the applicable compensation amount to Accounts Payable when requested.

Institutional Review Board - The IRB has the responsibility to oversee the conduct of research that it approves.

DEFINITIONS

Human Subjects — Voluntary participants in qualified research studies.

Reimbursements – payments from a Petty Cash Fund to reimburse University faculty, staff, and student expenses. Petty cash should be used for reimbursements and not advances.

Reimbursable Expense — An approved University business expense that is not subject to IRS reporting or withholding as income (refer to Columbia University's Business Expense Policy for detailed guidance). Custodians should not provide reimbursements for expenses that are older than 120 days; such expenses must be processed using a Travel and Business Expense Report and require Supplemental Approval. Receipts that are older than one year will not be accepted in the replenishment process or when closing out a Petty Cash Fund.

Petty Cash Reimbursable Expense — Necessary and reasonable small business transactions not to exceed $80, such as local carfare, parking and tolls. It is not permitted to split the transaction in order to circumvent this limit. It may also be used for qualifying payments to human subjects engaged in research activities, subject to additional requirements described under —Additional Requirements for Petty Cash used for Human Subjects Research.

Replenishments – When an ongoing Petty Cash Fund is low, the Custodian requests
replenishment of the Fund through Accounts Payable. The Petty Cash Fund should be replenished regularly and the amount of the Fund should not exceed what can be used on a quarterly basis.

For information about when to use other procedures, a list of when Petty Cash can or cannot be used, and other pertinent information, visit the Finance Gateway at: http://finance.columbia.edu/content/petty-cash-1

POLICY

The University maintains a number of Petty Cash Funds. The Office of the Controller authorizes the establishment, modification and closure of these accounts. Establishment and increases in Petty Cash Funds must have appropriate DAF approval at the department level and, if it is a Columbia University Medical Center (CUMC) department, the CUMC Controller’s Office must also approve. Petty Cash Fund requests should be submitted only when other payment options are not available (refer to Columbia University’s Business Expense Policy and the Procurement Card (P-Card) Policy). The Office of the Controller will follow up with departments to confirm no other payment options were available before granting the establishment of a non-Human Subject petty cash account.

Custodians

Each approved Petty Cash Fund will have a Custodian, a designated full-time salaried officer or staff employee, who is responsible for:

- Adherence to University policy for all reimbursements and payments made from the Fund, as well as safekeeping,
- Reconciling the Fund on a monthly basis,
- Maintaining required records regarding disbursements that have been made from the Fund,
- Replenishing the fund within the approved level for the Fund,
- Closing the Fund immediately if the purpose for which it was established ends or changes significantly, and
- Providing updated Custodian information to the Office of the Controller.

Allowable Uses

Petty cash is a vehicle for payment/reimbursement of small dollar items, but is frequently not the most cost effective way to make purchases. Petty cash should be used for small or emergency business expenses where it is impractical to be billed, use a P-Card or to have a check issued beforehand. Business managers are encouraged to mainly use petty cash as a last resort when other payment options are not feasible (refer to Columbia University's Business Expense Policy http://policylibrary.columbia.edu/business-expense-policy).

Accounts Payable is responsible for processing replenishments of Petty Cash Funds, which
are subject to the University’s policies and procedures regarding expense processing.

Funds are limited to **$500** except in certain circumstances (which may necessitate additional documentation). For particular considerations related to Human Subjects Petty Cash Funds, see below.

All requests from Departments for establishing or increasing Petty Cash Funds must meet the proper guidelines, receive the proper DAF approvals and all new Custodians must meet training requirements.

Petty Cash Funds should not be commingled with any other fund and should never be deposited into personal banking accounts.

Minor approved business expenses (refer to Columbia University’s Business Expense Policy) may be reimbursed from the Fund using the Petty Cash Reimbursement Process. No expenses that are reportable to the IRS or subject to income tax withholding may be reimbursed through petty cash (for example, consulting services may not be reimbursed through petty cash). Petty cash should be used for reimbursements and not advances.

Petty Cash Funds may only be established and used for the following authorized purposes:

- Necessary and reasonable small business transactions, not to exceed $80. (Exception: reimbursement cost of monthly MTA Metrocards).
- Emergency purchases of office supplies costing $80 or less.
- Necessary and reasonable food (such as sandwiches and beverages – not including alcohol) brought into the office for business meetings, costing $80 or less. Expenses for food exceeding **$25** must be accompanied by original, itemized receipts and must adhere to the thresholds established in the University’s Business Expense Policy (refer to the Columbia University Policy Library http://www.columbia.edu/cu/administration/policylibrary/index.html).
- Local transportation, parking, and tolls. (Note: all airfare, train tickets, and car rentals reimbursements must be submitted using a Travel & Business Expense Report).
- For qualifying payments to human subjects engaged in research activities.
- Petty cash may NOT be used to reimburse purchases made on credit cards or debit cards.

Under NO circumstance may an individual, including the Custodian, approve his or her own petty cash expense or that of a person to whom he or she reports. It is the responsibility of the Custodian to ensure that each set of Petty Cash Reimbursement records is complete, accurate, and accompanied by original documentation/receipts. The Custodian should keep copies of all reimbursement and replenishment documentation for their own departmental files.

Custodians should not provide reimbursements for expenses that are older than 120 days; such expenses must be processed using a Travel and Business Expense Report and require
Supplemental Approval. Receipts that are older than one year will not be accepted in the replenishment process or when closing out a Petty Cash Fund.

It is critical that those seeking reimbursement from Petty Cash Funds provide original receipts. However, in the case of lost receipts or items without receipts, make sure the expense is fully documented and signed off by the recipient and the Custodian.

Petty Cash Funds must be closed immediately if the purpose for which the fund was established ends or changes significantly or upon termination of the Custodian's employment by the University (unless a new Custodian is appointed). There will be periodic reviews of account activity and all inactive accounts will be investigated and closed.

Reconciliation

The Custodian must reconcile the Petty Cash Fund on a monthly basis. Reconciliation ensures that the sum of the outstanding reimbursements, cash, and compiled receipts is equal to the original amount of the Fund. For those departments with multiple Petty Cash Funds, an overall department reconciliation should also be performed. Reconciliations must be properly reviewed and approved by a supervisor, with sufficient segregation of duties expected. For auditing purposes, retain complete reconciliation, reimbursement and replenishment records for your departmental files.

Annual Certification Process

The Office of the Controller manages an annual certification process of all Petty Cash account balances.

Security

It is the Custodian’s responsibility to take adequate precautions for the safekeeping of the Funds under their control. Petty Cash Funds must be stored in a secured device such as a safe or cash box in a locked cabinet. Only the Custodian and a senior staff member should have keys to the box and cabinet.

Under no circumstances should Petty Cash Funds be removed from University approved premises. If security issues exist please contact the Department of Public Safety or the Office of the Controller for guidance.

Funds should never be left unattended and unsecured. In the event funds are lost or stolen, the Custodian or a senior staff member must contact the University's Department of Public Safety to process a Security Report, plus notify the Office of the Controller (pettycash@columbia.edu) by sending a memo outlining pertinent information of loss, including the unrestricted ARC chartstring the loss should be charged to. Any funds missing from a Petty Cash Fund will be charged to an unrestricted ARC chartstring of the responsible department. The Custodian may be subject to disciplinary action for any violations of this policy that contributed to the loss of funds.

ADDITIONAL REQUIREMENTS FOR PETTY CASH USED FOR HUMAN SUBJECTS RESEARCH
This part of the policy applies to all human research studies that will provide payments to qualified participants or subjects for either: a) expenses that will incur as a result of participation (i.e., travel related costs) or b) payments to compensate subjects for their willingness to participate in the research study.

All plans to compensate participants/subjects in research studies must receive prior approval from the Institutional Review Board (IRB).

Please note that further procedural guidance is described under —Further Guidance - at the end of the policy.

**Background**

Human research relies on volunteers to participate in studies. It is not uncommon for a researcher to reimburse subjects for travel or other expenses that they may incur as a result of participation in a study. Some studies may also offer compensation as a means to attract volunteers.

The IRB reviews all proposed plans for reimbursement or compensation provided to subjects to ensure that such payments are not coercive or provide the potential for undue influence. Another consideration of the IRB, particularly for research involving the collection of sensitive data, is that the confidentiality of the subject(s) is protected.

Columbia University has developed this policy to provide a standard process to handle compensation of research subjects through Petty Cash and to protect the confidentiality of subjects, to the extent allowable by law, during the reimbursement process.

**Administration of Human Subjects Research Petty Cash Funds**

For each funded grant project, a unique Petty Cash Fund may be established to support the anticipated human subject reimbursement activities.

The Principal Investigator should monitor all Petty Cash expenditures on a monthly basis, to insure consistency with agency funding requirements and that any variances from the operating budget are identified and addressed.

The fund initiator is required to justify the base amount of the Fund, regardless of funding source.

Replenishments must be processed following general Petty Cash Fund policies and must be coded specifically as human subject payments.

At the conclusion of the research study, the Petty Cash Fund must be closed.

**Human Subject Payments or Reimbursements**

For human subject incentives or reimbursements, the study coordinator should distribute the cash to the subject and prepare a receipt or log for the subject to sign. All receipts/logs for human subjects need to be HIPAA compliant. (3-part HIPPA compliant receipts are available from the IRB and are required for use at CUMC). For further information please see further guidance below.
Note that under HIPAA guidelines, names and signatures of subjects are considered confidential subject information and will not be included on any receipt or log submitted to Accounts Payable. It is customary to give some type of receipt to the subject. Information identifying human subjects being paid should be kept at the research site as part of the permanent confidential records (and should NOT be sent to Accounts Payable).

The informed consent document, reinforced by the informed consent process, must clearly iterate the responsibility of the institution to report to the IRS as a taxable income all payments to an individual subject aggregating $600 or more in a calendar year. The IRB must review and approve the informed consent document prior to use.

If a series of subject payments to one individual result in total compensation of $600 or more in any given calendar year, the clinical trial participant must prepare a W-9 Form providing their name, address, and social security number and submit it to the department administrator. The department administrator is responsible for identifying the individuals who are in-scope for tax reporting and must ensure the proper forms are completed and submitted in a timely manner. This includes ensuring the clinical trial participant is established as a vendor in the University vendor management system and for communicating the compensation amount to Accounts Payable when applicable by the 5th business day in January of the following calendar year. An IRS 1099 Form will be issued to the recipient. Refer to the Procurement website at Columbia University Finance Gateway:

http://finance.columbia.edu/content/1099-withholding-reporting
http://finance.columbia.edu/procurement/vendor-management

**CROSS REFERENCE TO RELATED POLICIES**

Cash and Check Handling Policy - [http://policylibrary.columbia.edu/cash-check-handling](http://policylibrary.columbia.edu/cash-check-handling)
FURTHER GUIDANCE

All Petty Cash related forms and related procedures are located in the Columbia University Finance Gateway at http://finance.columbia.edu/content/petty-cash-1.

This website also includes:

- Examples of how to complete forms and submit them;
- Information about when to use other procedures, a list of when Petty Cash can or cannot be used, and other pertinent information;
- Contact information; and
- Specific guidance on Human Subject Research.

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