

REED COLLEGE – Business Office

Area: Accounting

Policy: Cash Advance Policy

Updated: 12/04/19

Purpose

The cash advance policy establishes guidelines, process, and standards for the advancement of cash for expenditures in which reimbursement or use of the College purchase card is not possible.

Applicability

The cash advance policy applies to all faculty, staff, and students (the Recipient) who receive an advancement of funds prior to their expenditure for any College related events, travel, supplies, or food and entertainment. Cash advances cannot be used for personal expenses.

IRS Guidance

Reed College is required to follow IRS guidelines for reimbursements and advances. Those guidelines are outlined in Publication 535, *Business Expenses* and allow for tax-free reimbursement of business expenses that meet the following criteria:

- i. Business purpose – The expense has a reasonable and legitimate business connection – that is, it was paid or incurred while performing services as an employee of the College or by a student in relation to the direct support of an educational activity or group.
- ii. Adequate accounting – The employee provided an adequate account of the expense to the college within a reasonable period of time, and
- iii. Excess funds – The employee returned any excess reimbursement or allowance within a reasonable period of time.

Reimbursement or advances that do not meet the criteria above are required to be reported as taxable income to the Recipient if they are an employee of the College.

Process

The College has developed the following process and requirements for faculty, staff, and students who would like to receive a cash advance.

- I. Complete the Reed College Cash Advance Request Form including the following fields:
 - Recipient's name and Reed ID
 - Amount requested
 - Date requested
 - Date required
 - Must be submitted no later than 24 business hours of needing the cash advance to allow for sufficient time for the Business Office to process.
 - Purpose of the advance
 - Must clearly document the business purpose of the advance.

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- Cash advances are **not** be used for personal expenses (e.g. personal bills, clothes, gifts, etc.)
 - Accounting: ORGN and ACCT
 - Special instructions
- II. Submit the form to the finance manager or authorized signer for the ORGN for signature.
- III. Submit the completed (and signed) form to the Business Office.
- Must have all the necessary fields completed to prevent delays in obtaining the advance.
 - Must have all prior advances in good standing.
 - Faculty, students and staff can only have one advance at a time.
- IV. Pickup
- The cashier will notify the Recipient via email that the cash is ready for pick up or that it has been distributed via direct deposit.
 - For non-direct deposit advances, the funds can be picked up in the Business Office during normal cashier hours (10 a.m. to 4 p.m. Monday through Friday).
 - The Recipient will be required to sign the form confirming receipt of the cash and acknowledging their responsibility.
- V. Submit receipts and unused cash to the cashier
- Receipts must be submitted for any cash expended (see below for additional information regarding proper receipt documentation).
 - Receipts and unused cash must be submitted within 7 business days of the cash being advanced, unless prior approval has been granted by the Business Office. Failure to submit within 7 days may result in suspension of future cash advances.
 - The receipts and unused cash must total the amount of the cash advanced. Advances not supported by proper documentation or submitted late (i.e. after 60 days of being disbursed) will be handled as outlined below:
 - Employees (faculty and staff) – reported as taxable wages on the employee’s W-2.
 - Students – added to the Recipient’s Reed Business Office account, which must be settled prior to registering for classes or receiving a transcript or diploma.

It is the responsibility of the Recipient to ensure all cash is accounted for and the necessary documentation submitted timely. An outstanding cash advance must be returned and in good standing prior to receiving a future advance.

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Proper Receipt Documentation

- If the advance is being paid to multiple individuals for participation in a survey, study, etc., the Recipient must maintain a list of the individuals receiving the funds and obtain their signature for the amount they received. This list of signatures and amounts must be submitted in lieu of receipts.
- In instances where a vendor cannot produce a receipt, the Recipient is to provide an itemized list of purchases along with their cost. The cashier has receipt books that can be used upon request.
- If a receipt is lost or stolen, the Recipient must complete a missing receipt form and have it signed by the finance manager who authorized the advance. Multiple instances of lost receipts may result in suspension of cash advance privileges.

Definitions

- **Recipient:** the employee or student who submitted and received the cash advance.
- **ORGN:** Organization number, the number given to a particular budget/department for accounting purposes.
- **ACCT:** Account Number, a line item describing either a revenue or expense within an ORGN. Common accounts are: 5210 - Supplies, 5310 - Fees and Services, 5410 - Travel, Food, and Entertainment.
- **Finance Manager:** The person that is in charge of a particular budget (ORGN).
- **Authorized Signer:** A person granted signing authority on a budget (ORGN) by a finance manager.
- **Business Purpose:** Activities that support or advance the goals and objectives of the College.
- **Disbursement Form:** The official form to be reimbursed by the College.
- **Original Receipt:** Proof of purchase directly from the person/vendor or place a purchase is made, this is not a copy or a bank statement.
- **Cash Advance Request Form:** The new and preferred method of requesting a cash advance, previously this was done with a disbursement form.

Contacts

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