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**For assistance with Petty Cash Procedures please contact Accounts Payable at [evendor@gmu.edu](mailto:evendor@gmu.edu) or ext. 3 – 2580.  
Additional resources are available at <https://fiscal.gmu.edu/accounts payable/request-petty-cash/>.**

# Petty Cash Fund Procedures

## Introduction

A departmental petty cash fund may be established and utilized as a change fund for cash registers or used as payment for various expenditures such as research subject payments. The Commonwealth Accounting Policies and Procedures (CAPP) Manual (Sec. 20330) details the handling of petty cash funds by state agencies. A petty cash fund may not be established to circumvent the state purchasing guidelines and must adhere to all George Mason University and Commonwealth of Virginia policies and procedures. A petty cash fund may not be used when a vendor will accept payment by [eVA purchase order](#) or small purchase charge card ([P-Card](#)). The university strongly encourages departments to consider obtaining a P-Card for small purchases as this program is designed to assist departments in the acquisition of small dollar value (usually less than \$5000) goods and services. Only employees of the university are authorized to take part in the Petty Cash Procedures detailed below. It is unlawful to misuse or abuse state funds.

## Types of Petty Cash Funds

**Change fund:** A specific amount of money placed in the custody of an individual for the purpose of maintaining a cash register. These change funds do not require replenishment; therefore, the amount on hand should remain constant at all times.

**Expenditure fund:** A supply of cash necessary to make immediate payments, such as cash payments to human research subjects. This fund requires replenishment every month.

## Responsibilities

**Assistant Director of Accounts Payable:** An individual within the Purchasing and Accounts Payable Office, who supervises the Petty Cash Officer and provides final approval for the disbursement of Petty Cash.

**Department Supervisor:** An individual, in a supervisor capacity within the department, who must authorize the issuance of petty cash for the department and approve of the Custodian.

**Office of Sponsored Programs:** An individual within the Office of Sponsored Programs who must authorize the issuance of petty cash for all Funds that begin with a "2."

**Petty Cash Custodian:** An individual within the department who is responsible for maintaining the security, accountability, and replenishment of the petty cash fund. The Custodian is responsible for any shortage, loss or misplacement of funds. Detailed responsibilities are listed below under *Custodian Responsibilities for Proper Petty Cash Management*.

**Petty Cash Officer:** An individual within the Purchasing and Accounts Payable Office, who has been given the authority to disburse petty cash and administer the fund according to the policies and procedures established by the Controller. This individual is accountable for overseeing that the cash, receipts, and expenditures for all petty cash funds reconcile to the total authorized amount for the University as a whole. The Petty Cash Officer is a staff member of Accounts Payable, which is under the authority of the Assistant Director of Accounts Payable.

## Custodian Responsibilities for Proper Petty Cash Management

### Maintaining Accountability and Performing Reconciliations

The amount received from the Petty Cash Officer should be verifiable at all times. All expenditures made from the fund should be recorded on a [Petty Cash Disbursement Log](#) located on the [Fiscal Services website](#). Proper cash handling procedures emphasizing internal controls and segregation of duties are necessary to prevent the mishandling of funds

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and to safeguard against loss. Custodians should verify and reconcile petty cash funds daily. The total of receipts plus cash on hand and any pending reimbursement requests should equal the total authorized amount of the Petty Cashfund. Any discrepancies found must be reported immediately to the Petty Cash Officer. In addition, discrepancies due to theft must be reported to the University Police. The department/unit is responsible for funding replacements of any Petty Cash fund shortages.

## Security of the Fund

The custodian MUST keep the Petty Cash fund in a secure location, such as a locked drawer in a locked filing cabinet. The key to the drawer must remain in the Custodian's possession at all times. Petty cash funds may not be used to cash checks. It is the responsibility of the Custodian and Supervisor to ensure proper safeguards are established.

## State Sales Tax Exemption

Mason is exempt from paying Virginia sales tax on all purchases of goods and services except lodging. Individuals purchasing goods or receiving services on behalf of the university should supply vendors with the university's sales tax exemption status. A copy of the **Sales and Use Tax Certificate of Exemption** is available here <https://fiscal.gmu.edu/wp-content/uploads/Tax-Exemption-Certificate-Form.pdf>. This form should be presented to and accepted by vendors located within Virginia.

*The Petty Cash Officer cannot reimburse departments for unauthorized VA state sales tax paid from Petty Cashfunds. The university's tax-exempt status does not apply to other states taxes.*

## Unallowable Expenses

Petty cash funds may not be used for expenses that are prohibited by state rules. The following items are considered unallowable expenses:

- Subscriptions, except for bona fide business purposes, and not to exceed one year
- Cash advances
- Gifts or flowers
- Bottled water
- Coffee service, machines or supplies
- Alcoholic beverages
- Framing of award certificates
- Picture framing (unless the item remains the property of George Mason University)
- Books for classes (unless they remain the property of George Mason University)
- Snacks for employees
- Retirement parties or employee going-away parties
- Group luncheons for employees
- Holiday cards or decorations
- Non-business-related newspapers or magazines
- Charitable contributions
- Replacement of stolen or lost employee personal articles
- Personal items for employees
- Employee clothing (non-uniform)

*Petty Cash funds may not be used to purchase food and beverages. See [Food and Beverage Overview](#) for appropriate purchasing procedures.*

# Petty Cash Fund Procedures

## Review of Petty Cash Fund Usage

Upon receipt of a Petty Cash Reimbursement request, the Petty Cash Officer will review the receipt(s) for appropriateness and compliance with Commonwealth and university regulations. If it appears the fund is being used improperly, the Petty Cash Officer will refer the matter to the Director of Accounts Payable, who has the authority to recall the fund. The Petty Cash Custodian and Supervisor will be notified.

The Petty Cash Officer will periodically review each Petty Cash fund for the frequency of its activity. Petty Cash funds that do not generate enough activity to replenish themselves on a monthly basis may be recalled or reduced.

All Petty Cash funds are subject to unannounced periodic counts by Fiscal Services and/or Internal Audit. Custodians are expected to have the Petty Cash fund available at all times. These periodic reviews are performed to confirm that the department follows Mason's Petty Cash rules and regulations. The review will be performed with the Custodian present. When a representative of Fiscal Services or Internal Audit arrives for a review, the Custodian should request to see proper university identification. Custodians should contact the Petty Cash Officer for verification if the reviewer does not have proper photo identification.

## Change of Responsibility

A Petty Cash Custodian who is leaving the department, separating from the university, or who needs to transfer responsibility for a Petty Cash fund to another Custodian for any reason must perform a final Petty Cash reconciliation and complete the [Petty Cash Request Form](#) Section A&B – Select Modifying Existing Account. The form should be e-signed by the departing Custodian's Supervisor and by the new Custodian. E-Signing the form signifies verification of the amount and documents the change in custodianship in the university's records. Responsibility for Petty Cash funds may not be transferred to another employee without providing a notification to the Petty Cash Officer and properly completing the required documentation.

When a Custodian is no longer responsible for a Petty Cash fund and a new Custodian has not been appointed, the department head, or an individual delegated by the department head, must verify that proper safeguards are in place to secure the petty cash fund. This may include moving the fund to a new location (i.e. locked filing cabinet), taking possession of the previous custodian's key, or having a new key/lock generated.

## Guidelines for Petty Cash Requests

The guidelines below are for establishing a **Change** or **Expenditure not related** to research subject payments. Expenditure funds for research participants must also follow the *Guidelines for Research Subject Payments Using Petty Cash Fund* located in the next section.

### Establishing a Petty Cash Fund

Departments who wish to establish a Petty Cash fund should contact the Petty Cash Officer at 993-2580 to discuss the need for a Petty Cash Fund. The department should then complete the [Petty Cash Request Form](#) located on the [Fiscal Services webpage](#).

After the request has been received and approved, the Petty Cash Officer will request a disbursement check made payable to the person listed as the Custodian on the request form. When the check is ready, it will be mailed to the Custodian's home address. The Custodian may then cash the check and hold the funds in a secure location, such as a drawer in a locked filing cabinet within the department. The department/unit is responsible for safeguarding the funds and replacing any missing or stolen funds.

# Petty Cash Fund Procedures

## Replenishing Expenditure Funds

Replenishment for expenditure funds may be requested as needed. The custodian must complete the [Petty Cash Disbursement Log](#) and [Petty Cash Request Reimbursement Form](#), located on [Fiscal Services](#). The Custodian must attach itemized receipts for all expenses made with the Petty Cash. Please allow five business days to process the replenishment.

## Changing a Fund - Increase/Decrease/Extend

The Custodian may request an increase or decrease to a petty cash fund, change in custodian, or an extension to the fund's return date. To submit a request, the Custodian must select "Modifying Existing Account" and complete Sections A & B of the [Petty Cash Request Form](#) located on the [Fiscal Services website](#).

- **For an increase**, indicate the new amount and provide justification. If approved, the Petty Cash Officer will request a disbursed check and mail to the Custodian.
- **For a decrease**, deposit the overage amount online through the [Fiscal Services – Petty Cash Return](#) store. The custodian can pay the overage amount using a personal credit/debit card or ACH. The Custodian should save the email confirmation and attach it to the [Petty Cash Request Form](#). Instructions are available on the [Petty Cash Return Guide](#).
- **For an extension**, indicate the extended date requested and provide the reason for the extension request in the "Explanation" section.

**For a change in Custodian or a fund/org, the Custodian provides new information, including new custodian name, G number, email address or new fund/org code. The new custodian must e-sign the Petty Cash Request to acknowledge the change in custodianship.** If approved, the Custodian will be notified by the Petty Cash Officer.

## Closing a Fund

Petty Cash Expenditure funds must be closed no later than 30 days after the date the funds are scheduled to be returned. Petty Cash Change funds must be closed when the fund is no longer needed. A Petty Cash Expenditure, related to a sponsored research project, must be closed no later than two weeks after the project is complete. Failure to close a Petty Cash fund in a timely manner may result in a deduction of the outstanding amount from the Custodian's paycheck.

Steps to close a Petty Cash fund:

1. Complete the Petty Cash Request Form - Sections A & C located on the [Fiscal Services webpage](#)
2. Deposit any unused money online through the [Fiscal Services – Petty Cash Return](#) store. The custodian can pay the unused amount using a credit/debit card or ACH. The custodian should save the email confirmation (Deposit Receipt) and attach it to the [Petty Cash Request Form](#). Instructions are available on the [Petty Cash Return Guide](#).
3. Total disbursement is the amount of fund expended at the last submission
4. Total Deposit Receipt plus Total Disbursement must equal the original Petty Cash fund amount.
5. Attached a copy of the Deposit Receipt, log of expenditures, and other supporting documents to the Petty Cash Request Form.

## Guidelines for Research Subject Payments Using a Petty Cash Fund

A Petty Cash fund may be established to pay one-time research subject payments as part of a research project. These payments are generally small amounts. If payments to a single individual is expected to total more than \$600, additional tax reporting is required (See section *Research Subject Participant Tax Considerations* below). Petty Cash Funds obtained for research subject payments may not be used for the payment of personal services. Individuals who perform services would be considered independent contractors and must be paid through Purchasing and Accounts Payable.

In lieu of petty cash, Academic Units may use a Mason P-Card to purchase gift cards for research subject payments. The cards must be physically secured at all times by lock and key. Gift cards may only be used in accordance with the Institutional Review Board (IRB). Procedures and responsibilities are outlined on the [Gift Cards for Research Subject Payments Guide](#).

# Petty Cash Fund Procedures

## Establishing the Fund

The Principal Investigator (PI) should complete and sign the [Petty Cash Request Form](#) located on the [Fiscal Services webpage](#). The PI will be the Petty Cash Custodian and must review the guidance provided above under section *Custodian Responsibilities for Proper Petty Cash Management*. If the expenditures will be charged to a fund beginning with a "2", the request is routed to OSP for approval by Accounts Payable after reviewing. OSP will review and approve the requested amount and provide the **Grant EndDate** and the **Budget Amount** if available.

The request must include the following information:

1. **Department Name & Location of Fund** (building/room) – where fund will be kept.
2. Indicate the **Fund Type** by selecting Expenditure.
3. Frequency to use fund, expect amount to pay each study.
4. **Need by Date** and **Return by Date** (return date can't exceed IRB expiration date)
5. **Amount Requested** and **Fund/Org Number**.
6. **Purpose** of establishing the fund, Project Title(s), expected frequency of use and a copy of the written approval or exemption determination from the Institutional Review Board (IRB).
7. **Budget Amount** and **IRB Protocol No** (*OSP will provide the Grant End Date*).

*\*The request in dynamic form is routed to OSP for approval after Accounts Payable review.*

The Petty Cash request will be reviewed and if approved, the Petty Cash Officer will request a disbursement check made payable to the person listed as the Custodian on the request form. When the check is ready, it will be mailed to the custodian's home address. The Custodian may then cash the check and hold the funds in a secure location, such as a drawer in a locked filing cabinet within the department. The department/unit is responsible for safeguarding the funds and replacing any missing funds, including stolen funds.

## Maintaining the Fund

The Custodian **MUST** store the Petty Cash Fund in a secure location such as a locked drawer or cabinet and reconcile the fund daily. The key to the drawer or cabinet must remain in the Custodian's possession at all times. A log of payments to research subjects must be kept for all disbursements. For each disbursement, the [Petty Cash Disbursement Log](#) must be completed and include:

- The date of disbursement
- Recipient Code Number\*
- Amount paid to the Recipient
- Method of payment (cash amount)
- The description of the expenditure (research subject payment, etc.)
- Resident or Nonresident indication

*\*The PI must maintain a unique recipient code number for each payee and the key that cross references to the code numbers for **five years** if using a State fund and **ten years** if using a sponsored fund.*

The total amount of funds disbursed, as recorded on the Petty Cash Disbursement Log plus any cash on hand must equal the total amount of the Petty Cash fund at all times. In the event of suspected theft of petty cash funds, the Custodian should immediately notify the University Police Department and then contact the Accounts Payable Petty Cash Officer.

## Research Subject Participant Tax Considerations

Individuals, including Mason employees, students, and non-employees, who participate in Mason research projects, may be compensated through petty cash. The compensation for research participation will be reported either on the

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1099-MISC or 1042-S tax form if required by the Internal Revenue Code (IRC). As such, notice must be provided to research participants about the tax implications of accepting compensation for participating in the study. In the event of an IRS audit, it will be the responsibility of the unit/department to supply clear supporting compensation documentation.

## The principal investigator (PI) must maintain the following records regarding ALL participants:

- Informed Consent Forms for all individuals participating in the research, unless the requirement has been waived by the Institutional Review Board (IRB).
- **Petty Cash Disbursement Log** documenting the coded human subject, study location, residency status of the participant (U.S. Resident or Nonresident) and payment(s) made to each human subjects. A log of payments to research subjects must be kept for all disbursements.

## Payments to human subjects who are U.S. Tax Resident:

- If the participant is a U.S. tax resident, and payments are \$600 or greater in any one calendar year, the university is required to file a 1099 form with the IRS. For amounts less than \$600, the individual is responsible for reporting the additional income but the university does not file 1099 tax forms with the IRS.
- If payment is equal to or greater than \$600 in a calendar year – the Principal Investigator (PI) is required to collect a completed W-9 form from each U.S. tax resident and receipts/log of disbursement showing paid amount(s). The W9 can be submitted via <https://fiscal.gmu.edu/purchasing/do-business-with-mason/> and required documentation can be sent to Accounts Payable MSN 3C1. The PI must notify Accounts Payable if at any time, either at the beginning of each research study or during the course of the research study, it is recognized that the human subject will receive a total of \$600 or more in a calendar year as remuneration (petty cash funds or other payment).

## Payments to human subjects who are Nonresidents for tax purposes:

- If the participant is a Nonresident for tax purposes, the payment (or item) is likely taxable at a rate of 30% (withholding should occur at the time of payment). A Form 1042S will be issued and all payments reported to the IRS. The required IRS information to be collected by the PI on each nonresident payment recipient is as follows: Name (First and Last), Amount of Compensation, Street Address, City, State, Zip Code, and Social Security Number or Tax Identification Number. (See the Certification for Research Study Participants). The PI must store the information following University Policy 1114 - Data Stewardship, until the close of each calendar year, when the International Tax Office will contact the PI to transfer the information for tax reporting purposes.
- Statutory 30% tax withholding will be withheld on top of the payments to Nonresidents. The International Tax Office will request that PI provides a fund/org to charge for the withholding tax.
- In cases when deemed necessary and essential to the project, the IRB must approve the non-collection of IRS information. A payment to nonresidents participating in a research study where IRS information is not being collected is limited to a total payment of \$50 or less per individual from all such research studies during the calendar year. Payments to Non-Resident Alien human subjects for research activities outside of the United States are neither reportable nor subject to the U.S. tax withholding if the activity is conducted outside the United States. PI's should note the location of the research in the payment disbursement log.