

Harvard Financial Policies Summarized

February 2023

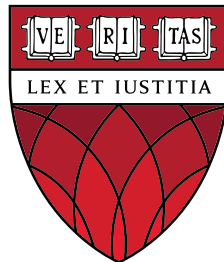
Why Financial Policies Matter

Financial policies outline the rules under which we are allowed to spend Harvard's funds. HLS has a stewardship obligation to use its resources prudently and in furtherance of its mission of education and research.

These policies come to us from:

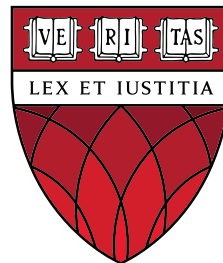
- The federal government, (Internal Revenue Service, Department of Labor, laws such as the Fair Labor Standards Act, Department of Homeland Security, etc.),
- The Commonwealth of Massachusetts laws and policies,
- Central Harvard offices, (Office of the General Counsel, Treasury Management, Human Resources, Financial Administration),
- And some policies are more specific to HLS or modified to fit our specific circumstances and programs.

If we are not compliant with Federal, State, or University laws and regulations, there are a variety of consequences that can cost money, invoke various regulatory penalties, and impact the ability of our departments and centers from their important work.



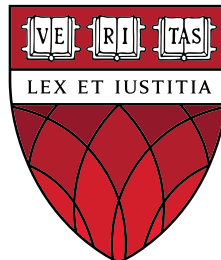
Who do these policies apply to?

- All employees of Harvard University/HLS who spend University funds on goods or services, including faculty and staff
- Students who are acting on behalf of Harvard/HLS in spending University funds on goods or services
- Consultants or visitors to Harvard who are paid with or reimbursed by Harvard/HLS funds (such as those traveling on Harvard business)



Policies covered in this presentation

- Paying for events, travel, gifts
 - [Gifts and celebratory events](#)
 - [Spending responsibly: Excessive Spend Policies](#)
 - [Disallowed Expenses](#)
- Policies specific to certain systems
 - [Purchasing Cards](#)
 - [International Wire Transfers \(B2P\)](#)
 - [General Procurement Policy](#)
 - [Reimbursement policies, including What Is A Receipt?](#)
- Paying individuals outside of Harvard
 - [Independent Contractors](#)
 - [Human Subjects](#)
 - [Executing Contracts and Who Should Sign Them](#)
- Employee-specific payments
 - [Staff cell phones](#)
 - [Late Reimbursements](#)



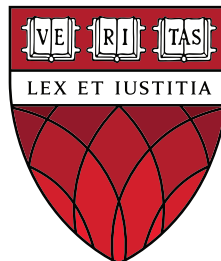
Gifts and Celebratory Events (Employee and Non-Employee)

Not Allowable:

- University funds in recognition of personal events or achievements unrelated to work-e.g. wedding or baby gifts, birthdays, housewarming or engagement gifts. **Please note that aggregated monthly birthdays may be celebrated as morale-building event.**
- Gift cards/certificates are ALWAYS taxable income to employee – do not give gift cards or certificates to employees. Always talk to the Finance Office before purchasing any gift cards for non-employees to ensure the purchase will be in compliance.

Allowable:

- Work-related achievement or farewell, morale-building events, sympathy on death or serious illness to employee or immediate family
- Tangible gifts (not cash), must be less than \$100; if greater than \$100, **entire** amount is taxable to recipient; Longer-service or retirement threshold is \$400
- Donations in lieu of flowers of \$100 or less to charitable organizations in the name of a deceased employee or employee's immediate family member are allowed
- Gifts to nonemployees: modest gifts of \$100 or less are allowable; gift cards/certificates may be given to nonemployees; special rules apply to donors, VIPs, dignitaries, contact HLS Development Office for further detail

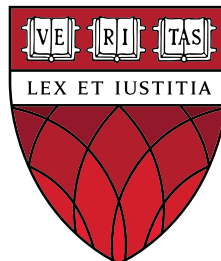


Excessive Spend

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- The following are guidelines for defining excessive spend. However, HLS Finance may review any transaction and request further information on individual expenses and may determine that they are ineligible for reimbursement in full.
- Business Meals: Guidelines as follows, amounts in excess of these may be flagged
 - Breakfast/\$20 pp, Lunch/\$45 pp, Dinner/\$100 pp including beverages
- Gratuities should not exceed 25%
- Lodging: Always book the most economical accommodation possible, taking into account accessibility and ground transportation ease and cost. If accommodations are in a conference-related hotel and these rates are costly, please get prior permission from HLS finance for the booking and document this in the transaction. Development events and Dean-related VIP events are exempt within reason
- Suites are not permitted unless the department verifies the need for extra space for business purposes

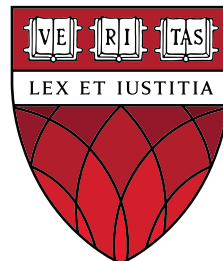
Excessive spend continued on next page



Excessive Spend

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- Travel:
 - Airfare: domestic airfare must be either economy or coach class; international may be either economy or business class
 - Rail: coach or economy class except Acela may use business class
 - Limousines or private car services are not allowed except in rare circumstances – HLS may reimburse at a lower cost if prior permission has not been obtained
- Gratuities: These should never exceed 25% except in rare circumstances which should be documented in the transaction. Prior approval is recommended as higher gratuities may not be reimbursed in full
- Gifts: Must tangible items (i.e., not cash) and must not be over \$100 (including shipping and handling). Restrictions and tax implications for each of these situations are covered in the Gift policy



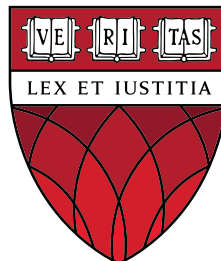
Disallowed Expenses for Reimbursement

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Please note that this list does not include EVERY expense that may be disallowed. If you have any question that a purchase may be ineligible, please be in touch with your Finance Office representative BEFORE making the purchase

- Birthday, wedding, engagement, housewarming, or baby shower gifts
- Personal expenses and services -- clothing, home office furniture, briefcase, home internet costs, hotel entertainment expenses,
- Lodging for spouse or persons not engaged in Harvard business
- Personal alcohol consumption not related to a business meeting
- Travel toiletries, dry cleaning, spa or links fees, etc.
- First-class and other extravagant travel arrangements.
- First class travel is sometimes permitted for VIP's or for medical reasons
 - If it is for a medical reason then the class of travel needs to be requested, approved and documented.

Disallowed expenses continued on next page



Disallowed Expenses for Reimbursement

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- Hotel *suites* have only been allowed if it is part of a conference where an additional room was needed for meetings.
 - Very costly hotel rooms have very rarely been approved (if it was the only room that they could get and they document that) or if they are attending a conference and the cost of travelling back and forth to a cheaper hotel would equal or exceed the cost of the more expensive lodging.
 - Lodging exceptions can be made if event logistics dictate it
- Very high gratuities (generally anything over 25% unless prior permission has been obtained). The definition of a very high gratuity is left up to the tubs but we ask that you use reasonable judgement and discretion when tipping someone
- Political contributions
- Most fines and penalties, except cancellations directly related to business purposes. Harvard never reimburses for parking tickets or late fees

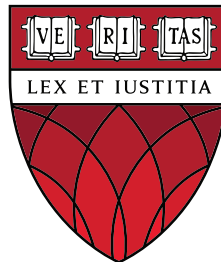
Note re sales tax: Harvard University is exempt from most sales tax and it is the responsibility of the department to ensure that it is not paid. Online accounts can usually be set up with tax-exemption; any taxes paid without due diligence may be not reimbursable and the responsibility of the individual making the purchase



PCard

Purchasing Cards (PCards) are a convenient way to pay for low-cost, high-volume expenses such as supplies, Fedex, local meals, etc.

- \$2,500 per transaction limit; \$10,000 per month; **Charge splitting to avoid the single transaction limit is strictly prohibited**
 - The PCard is only to be used for local transactions – for out-of-town expenses, use the Corporate Travel Card or Department Card
 - No travel expenses should be charged to the PCard, with the exception of local ground transportation
 - No gift cards should ever be charged to the PCard, and **we suggest avoiding any gift transactions with this card**
 - No personal purchases
 - Cardholders must ensure that sales tax is not charged on the card – Harvard's tax-exempt number is printed on each card. If taxes are charged, the cardholder is responsible for getting that amount refunded
 - No payments to Independent Contractors should ever be made on a PCard (or any credit card); this includes PayPal, UpWork, Square and other third-party entities
- **Misuse or mismanagement of the Purchasing Card may result in the card being cancelled**



Wire Transfer Requests

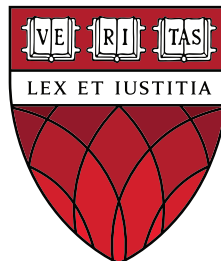
This is a University policy that we have condensed and highlighted a few pertinent bits of information below. We also have a job aid available if needed.

- International wires can be made in USD or most foreign currencies
- USD must be \$1000 or over. Exceptions to this rule are only granted by the OTM (Office of Treasury Management), usually in cases where safe transmittal of funds aren't possible by mail, or where local bank can't deal with a paper deposit
- International wires which must be paid in foreign currency and can be sent for any amount
- Domestic wires (USD) are not allowed – however, ACH and other electronic transfer of funds may be possible
(Exceptions to the are granted by the OTM office if there is no other way to get the funds to the payee but there is a high bar for this exception)



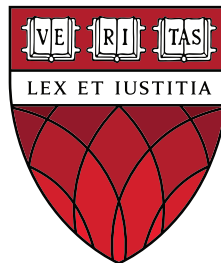
Procurement Policy

- Whenever possible, all individuals purchasing on behalf of Harvard University should purchase goods and services from Harvard Preferred Vendors / Suppliers to reduce administrative burden and maximize the University's buying power
- Adhere to Responsibilities of Purchasers, Preparers, and Approvers (ROPPA) and Conflict of Interest Standards – see ROPPA and Procurement policy for details
- Apply tax exemptions where applicable
- Sponsored awards -- for Purchases with Federal Funds – follow Uniform Guidance
- Follow Other Best Purchasing Practices
 - Contracts
 - Approval authority and submission
 - Vendor diversity initiative
 - Environmentally preferred products



Receipts

- The IRS has very specific requirements for what constitutes a 'receipt'
- Receipts must show that the purchase was actually made. This does not include invoices, estimates, summary of charges, or travel itineraries unless payment information is clearly displayed. Credit Card statements are not accepted in lieu of a receipt
- Receipts must be submitted for reimbursements and purchases \$75 and over for B2P and Concur
- Travel-related receipts (airline, lodging, conference fees) have specific requirements - please refer to the HLS website for complete details
- Evidence of the following required: *Date of transaction *Name of Merchant *What was purchased *Amount of Purchase *Form of Payment (cash, credit card, etc.) *indication that payment was made (balance due \$0 or similar)
- If a receipt is incomplete, unobtainable, or lost, one can submit a Missing Receipt Affidavit (MRA). **This is a last resort option** and should never be a regular business practice



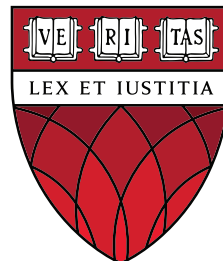
Independent Contractor Policy

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This is a university policy that we have highly condensed. The HLS HR office is the 'owner' of this policy so please refer to HR with questions.

- The Independent Contractor Policy exists to ensure compliance with federal and state labor and tax rules and to protect the rights of individuals engaged to provide services to Harvard
- An Independent Contractor (IC) is generally an individual who is in an independent trade, business, or profession and offers services to the general public. An IC may work as an individual or through a business entity such as a sole proprietorship, partnership, or limited liability corporation. ICs are sometimes also referred to as consultants, 1099s, contractors, or vendors.
- All Independent Contractors must set themselves up as suppliers in B2P, providing tax information that allows Harvard to verify that they are able to hire the individual or their firm.
- All Independent Contractors and the hiring party must complete an Independent Contractor Questionnaire (ICQ) and submit it to HR for approval. In certain cases, a simpler Attestation Form (AF) is allowed; that form can come straight to Finance. Many guest speakers and performers fall into this category.

Independent Contractor Policy continued on next page



Independent Contractor Policy

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- The AF is permitted if Parts A, B, and C, are all met:

Part A:

- 1) The worker must be free from Harvard's control and direction in connection with the performance of the service, both under a contract for the performance of the service and in fact; AND
- 2) The service performed by the worker must be outside the usual course of Harvard's business; AND
- 3) The worker must be customarily engaged in an independently established trade, occupation, profession, or business of the same type as the service being performed for Harvard.

Part B: Total payments to the IC will not exceed \$3,000, AND

Part C: Period of work is less than 90 calendar days

--> If A, B, and C are not all met, an ICQ will be required.

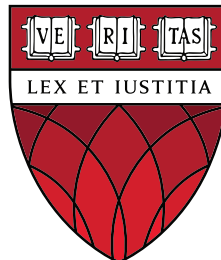
- No contract can be executed or signed and no work is allowed to commence until the ICQ or AF have been approved by HR
- No work can be paid for unless an ICQ or AF and a signed contract have been placed on file in the HR and Finance Offices



Human Subject Payments

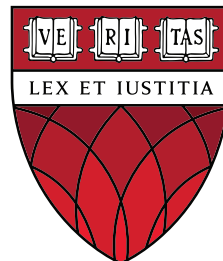
(Always talk to the Finance Office before study/research begins to ensure these complex rules are followed)

- Individuals conducting Harvard research studies that compensate human subjects must collect and document all personal information necessary to comply with IRS tax-reporting regulations. High-risk confidential information must only be collected when necessary per this policy; any confidential information collected must be protected in accordance with the University's Enterprise Information Security Policy
- Understand basic IRS rules for human subject payments. The IRS treats human subject payments, whether cash, check, bank card, gift card/certificate or in-kind items (books, DVDs, etc.) as taxable income to the recipient
- Pay subjects according to tax reporting requirements. Generally, payments of \$100 or less can be made by cash or gift card and do not require collection of a participant's information while payments over \$100 must be made by check (see exception in VI A regarding U.S.-based study participants and earnings thresholds)
- Understand different rules for US-based versus Foreign-based projects
- Use an appropriate payment mechanism – different circumstances may dictate whether a check, cash or gift card is appropriate
- Maintain required documentation. In the event of an IRS or sponsored programs audit. It is the joint responsibility of the PI/researcher and the related local finance office, working with Central Accounts Payable, to supply all required supporting documentation for human subject payments made from the PI/researcher's accounts.



Contract and Signatory Guidelines

- Note that depending on nature of the contract/agreement, different signatory approval thresholds exist.
- Each of the below has specific signing and/or disclosure requirements; see policy appendix for matrix that lists threshold levels by contract/agreement type:
 - Independent contractors (e.g., consultants, individuals)
 - Goods and Services (e.g., conferences, hotels, catering, *not* individuals)
 - Building and equipment related
 - Software/IT
 - Collaboration agreements



Cell Phone Policy

(Mobile Device Stipend Payment - Staff Only)

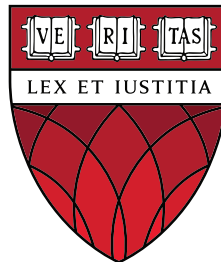
- Process is through HR; added to the payroll
- Stipend Approval form to be completed and request to be submitted through staff member's HR BP for approval
- \$50 monthly stipend



Late Reimbursement Policy

This is a University policy and has very few exceptions to it. Generally, an exception is only granted if the reimbursement delay is clearly Harvard's fault.

- Employee Reimbursements must be submitted ASAP
- Any expenses submitted after 90 days are considered Additional Pay and must go through Payroll
- Any expenses over 182 days cannot be reimbursed
- Late fees are not reimbursable



Links to unabridged policies

- **Employee Gifts and Celebratory Events:** <https://policies.fad.harvard.edu/pages/employee-gifts-and-celebratory-events>
- **Human Subject Payments:** <https://policies.fad.harvard.edu/pages/human-subject-payments>
- **Human Subject Decision Tree:**
[https://policies.fad.harvard.edu/files/fad_policies/files/appendix a - human subjects decision tree final.pdf?m=1502972494](https://policies.fad.harvard.edu/files/fad_policies/files/appendix_a_-_human_subjects_decision_tree_final.pdf?m=1502972494)
- **Travel Reimbursements:** <https://hls.harvard.edu/dept/finance/reimbursement-travel-receipt-requirements/>
- **Staff Mobile Phone Policy:** <https://policies.fad.harvard.edu/staff-mobile-phone-policy>
- **Independent Contractors:** <https://policies.fad.harvard.edu/pages/independent-contractors>
- **Procurement:** <https://policies.fad.harvard.edu/procurement>
- **Responsibilities of Purchasers, Preparers and Approvers:** <https://policies.fad.harvard.edu/responsibilities-purchasers-preparers-and-approvers>
- **Contracts and Commitments Policy:** [https://hls.harvard.edu/content/uploads/2020/12/UpdatedHLS-Contract-Policy_w-matrix Covid.pdf](https://hls.harvard.edu/content/uploads/2020/12/UpdatedHLS-Contract-Policy_w-matrix_Covid.pdf)
- **Business Expense Reimbursements:** [https://policies.fad.harvard.edu/pages/business_expense reimbursements](https://policies.fad.harvard.edu/pages/business_expense_reimbursements)
- **Travel Policy:**
[https://hwpi.harvard.edu/os_fast/files/fad_policies/travel_policy w appendices 2015dec0101m.pdf?_authen_application=CADM_HUIT_ATS_AWS_HWPI&_authen_huid=60564663&_authen_ip=128.103.24.29&_authen_pgp_signature=iQA/AwUAYHXpIMDVI4Mo/BzXEQLFQQCfTd92VEYX8iybMcd3D3muHzO2vJ8An](https://hwpi.harvard.edu/os_fast/files/fad_policies/travel_policy_w_appendices_2015dec0101m.pdf?_authen_application=CADM_HUIT_ATS_AWS_HWPI&_authen_huid=60564663&_authen_ip=128.103.24.29&_authen_pgp_signature=iQA/AwUAYHXpIMDVI4Mo/BzXEQLFQQCfTd92VEYX8iybMcd3D3muHzO2vJ8An)

