

CONTROLLER'S OFFICE  
**PETTY CASH PROCEDURE**

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**OVERVIEW:**

A **petty cash fund** may be established so that cash payments can be made for small, incidental expenses or refunds. An **imprest fund** is a petty cash fund that has been converted into a checking account. Both petty cash and imprest funds may be used to pay for minor expenses up to one hundred twenty-five dollars (\$125). Petty cash funds may also be used to reimburse employees.

It is the responsibility of the custodian of the fund and the department head to administer these funds in accordance with **Fiscal Accountability Rule 3.2 – Petty Cash and Imprest Funds**. All agencies must ensure that adequate internal controls regarding separation and rotation of duties are in place in accordance with **Fiscal Accountability Rule 2.4 – Separation and Rotation of Duties** for guidance.

**TIP**

**Sales Tax**

- ✓ State and local sales tax will be reimbursed if the purchase is made with cash or an employee's personal check or credit card.
- ✓ Purchases paid with an imprest fund check are tax exempt and the payment of sales tax will not be reimbursed. A tax exemption certificate should be presented to the vendor at the time of the purchase.

***Establish Petty Cash or Imprest Funds***

1. Complete the **Establish/Increase Petty Cash or Imprest Funds and Signature Authorization Form**.
2. Send original form to the **Controller's Office**.

***Turnover Rate and Increasing or Decreasing Funds***

A turnover rate for petty cash and imprest funds refers to how many times the funds are replenished. The rate also takes into consideration such factors as the time and cost involved in preparing a voucher request.

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Keep in mind that a funds optimal turnover rate is between eight (8) and twelve (12) times a year. A turnover rate of thirteen (13) and over may show high usage and the need to increase funds. A turnover rate of seven (7) and under reflects a low usage and funds may need to be decreased. Before requesting an increase/decrease to your fund you should run the query in the PeopleSoft **Report** environment (**D8\_PETTY\_CASH\_HISTORY**) and calculate your turnover rate.

1. Run the **D8\_PETTY\_CASH\_HISTORY** query in the **Report** environment.
2. Complete the **Petty Cash Fund Usage Worksheet**. This worksheet will calculate your turnover rate.
3. Complete the **Establish/Increase Petty Cash or Imprest Funds** form.
4. Submit both forms to the **Controller's Office**.

***Approval/Denial of Request to Establish, Increase or Decrease Funds***

1. The **Controller's Office** will review your request, taking into account recent operating expenses, to determine the reasonableness of the amount being requested. Operating expenses only include funds spent in the 6 and 7 account codes.
  - a. **Request Approved:**
    - i. **Petty Cash Custodian** will be notified.
    - ii. Assign a Vendor ID.

*If the request is for an **imprest fund** a copy of the approved form will be forwarded to **Treasury** for approval and processing.*
    - iii. Instruct the Custodian to complete a **Payment Request** and forward it to the Controller's Office for processing.
    - iv. Notify **Petty Cash Custodian** when Payment Request has been processed and arrange for custodian to pick up warrant at the **Controller's Office**.
  - b. **Request Denied:**
    - i. **Petty Cash Custodian** will be notified in writing, explaining the reason for denial.
    - ii. If the agency can overcome the issues, a new request may be submitted.

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***Custodian and Alternate Responsibilities***

1. Each **Petty Cash Custodian** responsible for handling petty cash, when relieved for any reason, should record on a petty cash receipt the date, time, and amount of cash and receipts on hand at the time of the custodial change.
2. Periodically, the petty cash handling duties should be reassigned for no less than two consecutive weeks during the year and follow the procedures for recording a custodial change.
  - a. When relieved by another employee, the current **Petty Cash Custodian** will balance the amount of cash on hand against the written record of receipt and will enter the date, time, and amount of cash on hand in an appropriate register.
  - b. Both the employee leaving and the employee coming on duty will then sign the register certifying it to be correct.
3. If a permanent custodian or alternate custodian change is made, a new **Establish/Increase Petty Cash or Imprest Funds Signature Authorization Form** must be submitted to the **Controller's Office**.
4. Random unscheduled and intermittent reconciliations of the petty cash funds shall be made by the Supervisor throughout the year. Results of these surprise counts should be documented.

***Security of Funds***

1. During the working day, cash funds shall be kept in a file, desk drawer, safe, or cash drawer, and such container shall be locked at all times when the responsible person is not in attendance.
2. All cash on hand at the close of a work day shall be locked in a safe, metal file cabinet, or desk. Amounts over \$100.00 shall be stored in an adequate safe.
3. In the event of petty cash theft the **Petty Cash Custodian's** supervisor, the police and the **Controller's Office** shall be notified by telephone immediately. A **Payment Request** to reimburse the fund shall be submitted to the **Controller's Office** along with a copy of the police theft report.

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***Disburse Funds***

All petty cash and imprest fund transactions must have adequate support which substantiates what was purchased and that payment was made. A detailed listing of each item purchased must be provided with the original paid invoice/receipt. Acceptable receipts include cash register receipts, cancelled checks, formal cash receipts issued by the vendor, original imprinted charge card slips, or original invoices which indicate the method of payment. Take into account, that to fulfill both requirements (i.e., what was purchased and that payment was made), more than one supporting document may be required.

When disbursing funds the **Petty Cash Custodian** will:

5. Prepare a petty cash receipt in duplicate and in ink that includes the following information:
  - a. Date of transaction
  - b. Signature of fund's custodian
  - c. Total dollar amount written in words
  - d. Total dollar amount written in numbers
  - e. Description of Item
  - f. Account Code (there may be more than one account code)
  - g. Signature of the Individual receiving cash
6. Calculate the current balance of the fund on the petty cash receipt by noting the prior balance, subtracting the disbursement amount, and recording the sum as the new balance of the fund.
7. Attach one copy of the petty cash receipt to the vendor's invoice or receipt and mark the invoice or receipt as "PAID". Initial and date the receipt and clearly write the petty cash receipt number and account code on the receipt.

*WHEN A PAYMENT REQUEST IS PREPARED AND SUBMITTED TO THE CONTROLLER'S OFFICE FOR REIMBURSEMENT THIS RECEIPT AND INVOICE WILL BE ATTACHED AS BACKUP.*
8. Keep the second copy of the petty cash receipt to serve as a permanent record for each transaction.
9. Reimburse funds to the purchaser.
10. Reconcile amounts by counting actual cash and balancing it to the new balance of fund as calculated on the petty cash receipt.

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***Reimburse Funds***

All departments and agencies should reimburse petty cash and imprest funds as often as necessary to keep a continuing balance sufficient to meet operating needs. Expenses of the fund are to be charged to the appropriate fiscal year.

1. Accumulate and sort all receipts and proof of purchase documents by account code and tape to one side of a standard 8½ x 11 sheet of paper.
2. Use one account code per page and label the page with the account code.
3. Reassemble the pages to match the order in which the account code is listed on the **Payment Request**.
4. Run a calculator tape to subtotal amounts by account code and then run a tape adding the subtotals for a grand total. Label and tape the calculator tapes to a standard 8½ x 11 sheet of paper.
5. Prepare and submit a **Payment Request** and back-up to the **Controller's Office** for processing and reimbursement.
6. Return cash to fund upon receipt of the reimbursement warrant and balance to the total amount of the fund.
7. Use a petty cash receipt to record the reimbursement amount.

***Use Limitations***

1. Petty cash funds shall only be used for payment of incidental expenses or refunds of a nominal amount.
2. Petty cash shall not be advanced in anticipation of an approved purchase.
3. Petty cash funds shall not be used for payment of salaries, wages, bonuses or employee appreciation gift, such as cash or gift cards, non-employee 1099 compensation payments, personal advances, or check cashing.
4. Petty cash should not be used for cashing personal checks or making personal advances.

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***Shortages and/or Overages***

1. If a shortage occurs, complete a petty cash receipt and attach a letter of explanation signed by the **Petty Cash Custodian** and the **Expending Authority**. This letter can be used in lieu of an invoice/receipt for documentation purposes.
2. If the shortage is due to alleged theft, a police report must be filed. The petty cash receipt and letter can be used as additional documentation.
3. Any amount over the authorized fund amount should be treated as an overage and be deposited into the Cash Short/Over Account code.
4. Employees experiencing a high frequency of shortages and/or overages should be relieved of cashier or cash receipts duties and responsibilities.

***Reconciliation***

1. Petty cash funds shall be counted and balanced at the end of each day in which a transaction from the fund has occurred.
2. Cash, and authorized receipts for cash, must make up the total authorized amount of the fund at all times.
3. Petty cash expenditures must be reconciled to the monthly financial reports to ensure all transactions are properly recorded.

***Abolish Funds***

1. Prior to abolishing a petty cash fund, the agency must reimburse its petty cash fund to the authorized amount.
2. Upon receipt of the reimbursement warrant, the agency shall prepare a **Receipts Transmittal Voucher**.
3. The Transmittal Voucher and the total amount of authorized petty cash are forwarded to the **Treasurer's Office** for processing.
4. Notification of the abolishment of the fund should be made to the **Controller's Office** by submitting a brief letter of clarification and a copy of the **Receipts Transmittal Voucher**.