

POLICY

To define the process for establishing petty cash funds.

Policy Details

Applies to: All college personnel and departments who handle and manage petty cash funds.

Issued: 07/2015

I. Overview

- A. The Office of Business & Finance is responsible for approving all petty cash fund requests. In general, use of petty cash funds is discouraged and should be used only when necessary.
- B. A petty cash fund is a limited dollar fund used to purchase goods when the college's present procurement system is not cost effective and when the dollar amount is low.
- C. The maximum expenditure amount for petty cash is \$50.00 per expenditure unless otherwise approved by the associated unit budget manager.

II. Uses of a Petty Cash Fund

- A. A petty cash fund may be used for:
 - 1. Miscellaneous office supplies needed for departmental operation
 - 2. Postage for departments outside the meter mail program
 - 3. Business expenses as authorized by college expenditure policies, Office of Business & Finance
- B. Prohibited uses of a petty cash fund are:
 - 1. Personal or third-party check cashing
 - 2. Travel advances to employees
 - 3. Moving expenses
 - 4. Payment of payroll stipends
 - 5. Business expenses not authorized by college expenditure policies. The policies may be accessed on the Office of Business & Finance web site.
- C. An alternative to a petty cash fund is the procurement MasterCard.
- D. A Tax Exemption Form should be used for all external purchases, as the college is exempt from paying sales tax. Forms may be accessed through the Office of Business & Finance web site.

PROCEDURE

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I. Fund Custodians for Petty Cash

- A. The fund custodian should be the head of the department or his/her designee. A back up custodian should also be appointed as applicable.
- B. Access to the fund(s) should be limited to the fund and back up custodians.
- C. The duties of the fund custodian are to:
 - 1. Maintain and balance the fund(s).
 - 2. Report any unusual activity, change in custodian, or change in fund status to the Office of Business & Finance.
 - 3. Physically secure the fund and the receipts reimbursed. Funds should be kept in a secure location away from high traffic areas. The preferred location is a locked safe. If this is not possible, then funds should be kept in locked drawer that is accessed only by the fund custodian or back up custodian.
 - 4. Assure that funds are not commingled with other funds (e.g., change funds).

II. Reimbursement

- A. Reimbursement Procedures
 - 1. Obtain the approval of the associated unit budget manager prior to incurring expense.
 - 2. Reimburse the purchaser for the exact amount of the requisition or vendor receipt less any sales tax charged.
 - 3. Maintain the receipt with the fund until submitted for fund replenishment.
 - 4. The custodian cannot reimburse him/herself.

III. Balancing a Petty Cash Fund

- A. To balance the fund:
 - 1. Count the cash on hand.
 - 2. Calculate total of receipts to be reimbursed.
 - 3. Identify any reimbursements in transit.
- B. The total of the cash, receipts on hand, and replenishments in transit should equal the total fund.

IV. Fund Balancing Schedule

- A. A petty cash fund should be balanced at least once a month, and more often depending on the frequency of replenishment.
- B. For the protection of the department, the fund and custodians, the fund should be balanced quarterly in the presence of the custodian but by someone other than the fund custodian or backup custodian.

V. Fund Shortages and Overages in Petty Cash Funds

- A. A log should be maintained to track all shortages and/or overages of the fund.
- B. Management, other than the fund custodian, should periodically review the fund records and log to identify any inconsistencies or trends.
- C. Discovered inconsistencies or spending trends should be reported to the Office of Business & Finance.
- D. If the fund has a shortage, the following documentation is required:
 - 1. A memo is written detailing the shortage and indicating the account to be charged.
 - 2. The department head will review, initial, and date the memo.
 - 3. The memo, along with the other receipts, is submitted for reimbursement when the fund needs to be replenished.
- E. When a fund is in need of replenishing, the following steps are taken:
 - 1. The department should set a dollar level at which the fund is to be replenished (usually when one-fourth of the fund remains).
 - 2. Balance the fund prior to it being replenished.
 - 3. Calculate the total twice to ensure receipts to be replenished equal the amount requested.
 - 4. Print a copy of the payment request and attach the appropriate receipts then submit to Accounts Payable.
 - 5. Accounts Payable will generate a check to replenish the funds.
 - 6. Allow a minimum of ten days from submission for the replenishment check to be issued.

VI. Closing or reducing a Petty Cash Fund

- A. The following steps are to be taken to close or reduce a fund.
 - 1. Balance the fund.
 - 2. Inform Business & Finance that the cash fund is closing or being reduced.
 - 3. Take petty cash fund or excess funds to Fees & Deposits Office. Fees & Deposits will prepare the daily deposit journal entry in the General Ledger and complete the deposit slip.
 - 4. Fees & Deposits will follow normal deposit procedures to get the money to the bank.

Resources

Contacts

Individual or Office	Office	Telephone	E-mail/URL
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History

All changes must be listed sequentially, including edits and reviews.

Issued: 07/2015

Revised:

Edited:

Reviewed: