

## PETTY CASH/CHANGE FUNDS POLICY

### Purpose/Background:

To document the policy and procedures related to the establishment, replenishment, management, and closure of Petty Cash/Change funds. This policy and related procedures and forms were created to provide a uniform and systematic method for the maintenance of Petty Cash/Change Funds as well as to address the inherent risks of safeguarding and accounting for cash.

### Key Terms & Definitions

**Petty Cash Fund:** A supply of cash necessary to make immediate payments for the purchase of authorized items. This fund requires periodic replenishment to return the fund back to its original approved balance after use of the funds.

**Change Fund:** A specific amount of money placed in the custody of an individual for the purpose of making change while conducting University business. The amount on hand should always remain the same; therefore, these funds do not require replenishment.

**Custodian:** A full-time, permanent employee of the University who is responsible for maintaining the security and accountability of the petty cash or change fund. This person is also responsible for ensuring compliance with the requirements outlined in this policy.

**Fund Sponsor:** A full-time, permanent employee of the University who has financial approver authority within the department. This person is responsible for coordinating the surprise cash counts of the fund, being present and signing on the required quarterly cash reconciliation and assisting the custodian with the overall security and accountability of the petty cash or change fund.

**Petty Cash/Change Fund Officer(s):** Staff member(s) in Financial Services who review Petty Cash/Change Funds and ensure compliance with the policies and procedures established by the University.

### General Use & Allowability

A *petty cash* fund provides a means for making immediate cash payments for items that are too small to be made economically by check and/or for items that cannot be procured by any other University means (i.e. voucher, PO, travel or pcard). Its use should be restricted to infrequent small dollar purchases. A petty cash fund will be established only if there is a proven need. Requests to increase or decrease the fund should be made when there is a change in the needs of the department. When there is no longer a need for the fund, a request should be completed to close the fund.

A *change* fund should be used to accommodate departmental sales for the sole purpose of making change during the course of business.

Please allow up to at least 5 business days for processing and approval of all Petty Cash/Change fund requests.

### Restrictions/Limitations

1. Replenishment of expenditures against Petty Cash Funds should not exceed the established authorized fund balance.
2. Petty Cash/Change Funds should not be co-mingled with other cash funds.
3. Petty Cash/Change Funds cannot be used to absorb cash overages and shortages of other cash receipting activities.
4. Duties of Petty Cash Funds custodians should not include responsibilities of other cash receipting activities.
5. Petty Cash/Change Funds may not be used for:
  - Check cashing
  - Making loans
  - Making advances
  - Reimbursement of travel-related expenditures
  - Paying wages or overtime for any employee
  - Paying for gifts, prizes, awards, or any other token of appreciation
  - Utility bills, including telephone bills
  - Vehicle maintenance
  - Purchase of stamps
  - Catering services
  - Paying for any purchase that would not be approved under normal policies and procedures
6. Petty Cash/Change Funds are subject to audit by Internal Auditing.
7. Petty Cash/Change Funds are subject to surprise cash counts by Financial Services.
8. Departments are expected to have their own surprise cash counts performed by the fund sponsor or another person within management on at least a quarterly basis.

Failure to comply with the requirements in this policy will result in the closure of the fund.

### Quarterly Reconciliation of Fund

Petty Cash/Change Funds should be reconciled and submitted to Financial Services on **at least a quarterly basis**; however, departments should be completing the reconciliation monthly and retaining those reconciliations to further ensure accuracy and safety of the fund. Both the monthly and quarterly reconciliations are subject to audit by Internal Auditing.

The reconciliation should be completed using the “Petty Cash/Change Fund Reconciliation Template” located on the Financial services website. This template can be completed electronically, with formulas added for ease of completion, or it can be printed, completed, and scanned back in electronically.

The reconciliation should be completed on the last working day of the month/quarter and consists of 3 sections:

**Section 1:** To be completed for both Petty Cash and Change Funds.

- Custodian and fund sponsor must both be present to count and record the number and denomination of all coins and bills in the fund.

**Section 2:** To be completed for Petty Cash Funds only

- Custodian and sponsor must both be present to record all expenditures incurred during the month. For each expenditure, record the vendor used, date incurred, short description of purchase(s), applicable GL code, and amount incurred. Ensure at this time all receipts are present.

**Section 3:** To be completed for both Petty Cash and Change Funds.

- If using the electronic form, most fields in this section are pre-populated for you with formulas.
- If using a printed copy of the form, take the total cash on hand from section 1 and add it to the total disbursed/spent in section 2.
- Compare the total cash per the reconciliation (total from sections 1 & 2) to the authorized fund balance to arrive at an over (short).
- If cash per the reconciliation is larger than the authorized amount, the excess cash should be deposited by entering a cash receipt in PeopleSoft using the chartfield set up with the fund and GL code 481410 – OVERAGE/SHORTAGE DEPOSITS. The reconciliation should be attached as support to the cash receipt in PeopleSoft.
- If cash per the reconciliation is short of the authorized amount, a voucher in Peoplesoft must be entered to replenish the fund back to its authorized amount. A copy of the reconciliation template showing the shortage should be attached to the voucher and the GL code 920600 – INDEM/RESTITUTION/SETTLEMENTS should be used.

Finally, both the custodian and fund sponsor should sign and date the completed reconciliation before submitting to Financial Services.

This reconciliation is due electronically to Financial Services ([fsgen@ou.edu](mailto:fsgen@ou.edu)) on the fifteenth day of the new quarter (i.e. Q3 ends on March 31<sup>st</sup>, reconciliation is due by April 15th).

**Establishment of Funds**

To establish a new petty cash/change fund, a “Petty Cash & Change Fund Request Form” must be completed and emailed to Financial Services ([fsgen@ou.edu](mailto:fsgen@ou.edu)) for review and approval.

An email notification will be sent to the custodian and fund sponsor stating whether the request has been approved or denied. If denied, Financial Services will detail the reason in this communication. If approved, the department is to enter an OnDemand voucher within PeopleSoft with the following information:

- Amount: approved fund amount,
- Supplier: custodian of fund,
- GL Code: 113000 Petty Cash or 114000 Cash Change Fund,
- Chartfield spread: CFS used on the request form,
- Support to Attach: Completed Form 3 and completed request form that has FS approval

### Maintenance of Funds

1. Initiation of fund maintenance begins with the receipt of the Petty Cash/Change Fund check from Financial Services.
2. Funds received should be kept in a secure location, i.e., safe, locked desk, etc. and only necessary personnel should have access to these locations.
3. Evidence of disbursements, including receipts and any other support collected, should be retained, and kept with the fund as expenditures are incurred.
4. The fund must be reconciled monthly to provide an accounting of the amount authorized versus the cash on hand and the amount outstanding not reimbursed to-date.
5. Because the University is exempt from paying sales tax, receipts for items purchased should not reflect sales tax. Vendors are to be advised at the time of purchase that the purchase is for an exempt State Agency. If needed, the University's tax-exempt letter can be found on Purchasing's website and on Financial Services website, in the Pcard section.

### Replenishment of Funds – ONLY Petty Cash Funds

As purchases are made with Petty Cash Funds, the balance should decrease by exactly the amount of the purchases made. Replenishment of the fund due to these purchases should be made on a routine basis but no less frequently than monthly to ensure sufficient funds are available to pay appropriate petty cash purchases.

To replenish funds, enter an OnDemand voucher within PeopleSoft, made payable to the custodian, and using the same chartfield as the initial request, but using 602200 – SUPP-OTHER as the GL code. For replenishment vouchers, attach all receipts for all purchases made during the period. The total of these receipts should agree to the amount of the check requested. Vouchers will not be approved if the support does not agree to the amount requested. Once the check is received by the custodian, again it is their responsibility to cash the check and deposit the cash back into the approved secured location. Once the replenishment occurs and the check is cashed, the amount of physical cash in the location should be the same as the authorized fund balance.

### Changing of Funds

Because Petty Cash/Change funds are granted based on a specific purpose and proven need if that purpose or need changes then so should the fund. For any change to the fund (increase amount, decrease amount, change of custodian, and/or change of fund sponsor), a "Petty Cash & Change Fund Request Form" should be completed and submitted electronically to Financial Services ([fsgen@ou.edu](mailto:fsgen@ou.edu)).

Request to **increase** fund – Complete and submit the request form to Financial Services. Like establishment, FS will email the custodian and fund sponsor notifying if the request has been approved or denied. If approved, department should enter an OnDemand voucher in PS and follow the same steps as listed above.

Request to **decrease** fund – Department should enter a cash receipt in PeopleSoft for the amount that is no longer needed. Complete and submit the request form to Financial Services, making sure to include the cash receipt number from PS in the form. FS will email the custodian and fund sponsor after they have verified that the cash was returned, and the signed form was received. Use the 490900 – OTHER NON-REV RECEIPTS GL Code when entering the cash receipt.

Request to **change custodian/fund sponsor**: Complete and submit the request to Financial Services. Like establishment, FS will email all parties confirming the change.

### Closing of Funds

If the department determines the Petty Cash/Change fund is no longer needed, the following steps should be completed:

1. Petty cash funds must first be replenished back to their authorized amount by submitting an OnDemand voucher within PeopleSoft with all supporting receipts for the items purchased and following the same steps as listed in the replenishment section above.
2. Department should complete one final reconciliation to be included with the cash receipt.
3. Department will then enter a cash receipt in PeopleSoft for the amount of cash that is to be returned. This amount should agree to the cash on hand total from the final reconciliation. Use the 490900 – OTHER NON-REV RECEIPTS GL Code when entering the cash receipt and attach the final signed reconciliation as support in PeopleSoft to the cash receipt.
4. Department will then complete a “Petty Cash/Change Fund Request Form” and submit the form electronically to Financial Services ([fsgen@ou.edu](mailto:fsgen@ou.edu)). Financial services will review the cash receipt and verify everything is balanced. FS will then sign the “Petty Cash/Change Fund Request Form” and return to the custodian and fund sponsor to notify them that the fund has been closed.