

Chapter 85 – Accounting Procedures

85.10 Petty Cash

		<u>Updated</u>
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85.10

Petty Cash

85.10.10 Petty Cash - General Information

- 85.10.10.a Agencies may maintain two types of cash accounts within the petty cash regulations.
- **Change Accounts** – Used solely for making change in across-the-counter cash transactions.
 - **Petty Cash (Imprest) Accounts** - Used to make payments when issuing a check is not practical or timely.
- 85.10.10.b Petty cash account authorization is prescribed in Title 5, § 1505. Section 1505 requires that, “a Petty Cash Fund must be allowed by the Commissioner of Administrative and Financial Services to each state department or agency that in the commissioner's opinion requires such a fund. The fund so established may be reimbursed only upon statements and bills audited by the State Controller.”
- 85.10.10.c The agency head (or authorized designee) is to issue and maintain documentation on file designating the individual assigned as custodian, the amount of the petty cash account, and the purpose for which the monies will be spent.
- 85.10.10.d The agency head (or authorized designee) is responsible for the proper use of petty cash. Agencies are to establish petty cash internal control procedures in accordance with OSC's prescribed policies.
- 85.10.10.e Only minimal amounts of cash are to be kept on hand. Petty cash accounts in excess of \$100 must be maintained in a checking account in a local bank that is a qualified public depository unless the agency has a safe, vault, or money chest that is used to safeguard petty cash. Whenever possible, all petty cash accounts are to be maintained in a bank account. Bank accounts are to be opened in the name of the agency, not an individual. Any interest earned on a petty cash account must be deposited to the General Fund at least annually unless the account was established with funds that have interest retention language in their statutes. Checking accounts should follow the same procedures as the primary State checking account with regard to stale dated checks and Unclaimed Property requirements.

85.10.10.f If it is determined that the amount of an agency's petty cash account is excessive or its use is in violation of the authorization, the Commissioner of Administrative and Financial Services (or official designee) or OSC may require the elimination of, or reduction in the amount of, the petty cash account.

85.10.20 Accounting for petty cash

85.10.20.a Establishing Petty Cash Accounts

1. Requests for petty cash, or increases to petty cash, are made using the "Application and Authorization for Petty Cash". The form is available through the OSC Website. The completed form is submitted to the Commissioner of Administrative and Financial Services designee, the Office of the State Controller, for approval.
2. After approval, OSC will return the signed original "Application and Authorization for Petty Cash Advance Funds" to the agency. When the petty cash increase is approved, the agency is to produce a GAX to create a check to be deposited in the Petty Cash Fund. The check is to be endorsed, cashed or deposited by the assigned custodian. OSC will distribute a copy of the signed Authorization for Petty Cash Advance to the State Treasurer.

The resulting entry on the fund's balance sheet moves money from the GL code "0001" Cash to "0017" Petty Cash. There are no additional entries required as Petty Cash is a component of the Unappropriated Surplus Account and is subject to appropriation should the Legislature choose to use the resources.

3. A petty cash account is not to be established for less than:
 - \$50; or
 - An amount that requires reimbursement more frequently than biweekly.

85.10.20.b Authorized Uses of Petty Cash Accounts - The following are the authorized uses of petty cash:

1. Local market purchases of supplies and materials. These purchases may include: minor miscellaneous materials; supplies; and minor repairs and replacements parts for machinery and equipment not under state contract. Such payments may be made provided that:

- The purchase is within the limitations prescribed by the Division of Purchases, Department of Administrative and Financial Services, and
 - The purchase is made in accordance with applicable sections of the State Administrative and Accounting Manual, and
 - The items purchased cannot be expediently paid through regular payment procedures.
2. Agencies may request, in writing, special authorization for petty cash accounts to be used for the following:
- Change accounts in agencies dispensing goods, services, etc., over-the-counter direct to the public.
 - Grants or benefits to welfare, correction, or rehabilitation recipients provided that such payments are authorized by appropriations.
 - Refunds of erroneous or excessive payments, or other refunds authorized by law.

85.10.20.c Petty cash and change accounts are **not** used for cashing personal and/or payroll checks or warrants.

85.10.20.d **Disbursement and Reconciliation Procedures for Petty Cash Accounts**

1. All disbursements from petty cash accounts are documented and supported by receipts or vouchers bearing the signature of the payee. The following is recorded on the supporting document: date; name of payee; purpose of disbursement; amount paid; signature of the person authorizing the disbursement; and the proper account distribution.
2. A petty cash register reflecting the balance of the account is to be maintained.
3. **The total cash on hand, plus the amount of disbursements represented by the documentation, is to equal the authorized amount of the petty cash account.** The petty cash account balance is to be reconciled to the authorized amount each month. If a checking account is used, the petty cash account is to be promptly reconciled each month to the bank statement. Each reconciliation must be documented and reviewed by appropriate finance personnel within the agency. Reconciliations must be retained according to retention requirements for other financial information.

4. There are to be frequent, periodic audits of the petty cash account. The audits are to be performed by the agency's Internal Auditor or another individual (not the petty cash custodian) designated by the agency head.
5. An adequate audit trail is to be maintained.

85.10.20.e

Reimbursement of Petty Cash Accounts

1. Change accounts do not require replenishment, unless a theft or loss has occurred. Cash over and shorts which occur during the course of making change are cleared daily as part of the reconciliation and deposit of receipts. The amount of the change account on hand should always equal the authorized amount.
2. To replenish a petty cash account for disbursements made, a Payment Voucher (GAX) is to be prepared. The payment voucher is to show the name of the agency and custodian as trustee of the account in place of the vendor name. All documents substantiating the disbursements are to be attached. The agency accounting information is to be summarized and documented on the payment voucher. The voucher is checked and approved for payment by someone other than the custodian. The amount of this voucher and the cash remaining in the petty cash account are to equal the authorized amount.
3. The accounting entries to record petty cash disbursements are the same as for other vendor payments.
4. Petty cash accounts are to be reimbursed at least monthly.

85.10.20.f

Reduction or Abolishment of Petty Cash Accounts

1. When a petty cash account is reduced or abolished, the agency is to prepare and submit to the State Treasurer, with the petty cash remittance, a CR. The petty cash is returned to the Treasury account from which it was advanced. This transaction reclassifies the existing debit in GL Code 0017 "Petty Cash" to 0001 "Cash" for the reduction in the amount of petty cash account.
2. The agency is to notify the Statewide Accounting Division of OSC of all abolishment or reduction in Treasury petty cash accounts. OSC will distribute a copy of the notification to the Office of the State Treasurer.

85.10.30**Accounting for petty cash in local accounts**

85.10.30.a

Establishing “Agency Fund” Petty Cash Accounts

1. The agency head or authorized designee, unless otherwise provided by law, has the authority to establish and control a petty cash account in an “Agency” account. An “Agency” account is an account that the department is maintaining on behalf of an individual in a custodial capacity. The petty cash account is not to be excessive.
2. Written accounting and control procedures for petty cash are to be developed and followed.
3. The agency head or authorized designee is to issue and maintain on file a letter designating the individual assigned as trustee, the amount of the petty cash account, and the purpose of the account.

85.10.30.b

Authorized Uses, Disbursement, and Reconciliation Procedures of Agency Petty Cash Accounts

The authorized uses of petty cash accounts that are prescribed for petty cash accounts at Subsection 85.10.20.b.1 through 2 are to be followed for Agency petty cash accounts. If the planned use of the petty cash account is not one of those listed under 85.10.20.b.1 through 2, agencies may request, in writing, special authorization from the administering agency of the account for purposes as listed under Subsection 85.10.60.b.6.

The disbursement and reconciliation procedures that are prescribed for petty cash accounts are to be followed for local petty cash accounts. (Refer to Subsection 85.10.60.b and c.)

85.10.30.c

Reimbursement of Agency Petty Cash Accounts

The reimbursement procedures prescribed for petty cash accounts are followed for Agency petty cash accounts. However, the use of Voucher Distribution form is optional. (Refer to Subsection 85.10.60.e.)

85.10.30.d

Reduction or Abolishment of Agency Petty Cash Accounts

The agency head (or authorized designee) has the authority to reduce or abolish a local petty cash account.

When a local petty cash account is reduced or abolished, the money is returned to the local account from which it was advanced. This transaction is recorded by reclassifying the existing debit in GL Code “Petty Cash” to GL Code “Cash in Bank” for the amount of the reduction in petty cash.