

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 that exceed \$100 must be maintained in a checking account in a local bank that is a qualified public depository unless the agency has a safe that is used to safeguard petty cash. Whenever possible, petty cash accounts shall 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 shall 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 shall follow the same procedures as the primary State checking account regarding 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 new petty cash accounts are made using the *Petty Cash Authorization (New)* form and requests to increase existing petty cash accounts are made using the *Petty Cash Authorization (Update)* form. These forms are available through the OSC Website. The completed forms are submitted to the Office of the State Controller for approval. Each form shall include the Vendor Code and all requests shall be processed through the OSC.
2. After approval, the OSC will return the signed original *Petty Cash Authorization* Form to the agency. When the petty cash request is approved, the OSC processes a GAX and ensures proper balance sheet codes are included. A check will then be created to be deposited in the Petty Cash Fund. The check is to be endorsed and cashed or deposited by the assigned custodian.

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 replenishment 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 if all of the following conditions are met:

- The purchase is within the limitations prescribed by the Department of Administrative and Financial Services' Division of Procurement 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 via PCard or 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 if 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 shall not be 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 shall be documented and supported by receipts or vouchers bearing the signature of the payee. The following information shall be recorded on the supporting document: date; name of payee; purpose of disbursement; amount paid; signature of the person authorizing the disbursement; and the proper chart of account coding.
2. A petty cash ledger reflecting the balance of the account shall be maintained.
3. The total cash on hand, plus the amount of disbursements represented by the documentation (i.e. outstanding replenishments), should equal the authorized general ledger amount of the petty cash account. The petty cash account balance shall be reconciled monthly to the authorized amount. If a checking account is used, the petty cash account shall be reconciled monthly to the bank statement. Each reconciliation shall be documented and reviewed by appropriate

finance personnel within the agency. Reconciliations shall be retained in accordance with the State Archives record retention schedule covering financial information and made available for OSC review upon request.

4. There shall 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 shall be maintained.

85.10.20.e

Replenishment of Petty Cash Accounts

1. Change accounts do not require replenishment, unless a theft or loss has occurred. Cash over and shorts that occur while 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. A payment voucher (GAX) is prepared to replenish a petty cash (imprest) account for disbursements made. The payment voucher is prepared using the name of the agency and custodian as trustee of the account in place of the vendor name. All documents substantiating the disbursements shall be attached. The agency accounting information shall 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 shall be reimbursed at least monthly.

85.10.20.f

Reduction or Abolishment of Petty Cash Accounts

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

3. When a petty cash account is abolished, a Vendor Deactivation form shall be completed to deactivate the vendor code associated with that account.

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

Agencies shall follow the authorized uses of petty cash accounts from subsection 85.10.20.b.1 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, agencies may request, in writing, special authorization from the administering agency of the account for purposes as listed under Subsection 85.10.20.b.2.

The disbursement and reconciliation procedures that are prescribed for petty cash accounts shall be followed for local petty cash accounts. (Refer to Subsection 85.10.20.d).

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. The use of an agency created voucher distribution form is required. (Refer to Subsection 85.10.20.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 0017 "Petty Cash" to GL Code 0001 "Cash" for the amount of the reduction in petty cash.