

County of Cumberland Petty Cash Policy

Policy Statement

County of Cumberland permits departments to maintain a petty cash fund, as described by this policy.

Departments are responsible for adequate security and control of their petty cash funds. The fund shall be secured at all times in a locked place. Because no insurance is available to cover losses from the fund, theft and any other losses of petty cash are the responsibility of the department/finance.

Purpose and Use

Petty cash can be used to reimburse individuals for non-travel, out-of-pocket expenditures.

Petty cash can sometimes be used in place of the County purchasing process where appropriate, for example, as reimbursement for small, incidental department expenses when it is infeasible or impractical to use normal purchasing means. Petty cash should be used in this manner only when absolutely necessary. A petty cash fund can also be used as a “change fund” in the department, where expenses are not incurred.

Prohibitions

Petty cash should not be used for the following:

- Travel expense reimbursements. Continue to use the travel expense report.
- Travel advances. All travel activities need to be reported through the travel reimbursement process.
- Payment for items that are to be purchased through the purchasing system according to the County purchasing policy.
- Payments to vendors for invoices submitted directly to the department where a mini-order or purchase order was issued. Continue to send these invoices to Accounts Payable for processing and payment.
- Payments to independent contractors, consultants, awards, etc., to non-County employees. These should be processed through the Accounts Payable payment process.
- Payments to employees for services, awards, bonuses, etc. These should be processed through the Payroll process.
- Payments of a taxable or non-taxable benefit to an individual.

These should be processed through the appropriate Benefit or Accounting process.

- Personal borrowing (IOUs).

Initiating a Petty Cash Fund

A department head, in coordination with the County Administrator, should send a memo or e-mail to the Chief Financial Officer. The memo must detail the purpose and use of the fund, identify the custodian and their supervisor, and request an amount for which the fund will be established. The dollar limit for each use of the fund is set at the department's discretion. As a general rule, the total fund balance is likewise set at the discretion of the department, usually somewhere between \$25-\$300, though individual circumstances may dictate a need for a higher limit. In all cases, prior approval by Administrator is needed, and Finance will review each request for appropriateness based on documentation provided at the time of the request.

Petty Cash Custodian

Appointment

The petty cash fund shall be secured at all times. The department is responsible to appoint a custodian, usually the Department Head, to monitor its use and replenishment. Appointment and approval should be made by the county administrator; a custodian cannot appoint or approve himself/herself. In addition, there should be limited access to the fund.

Finance must be notified if there is a change in the petty cash custodian. In order to ensure accountability to the new custodian, Finance will audit and document the fund at the time of the change.

Responsibilities

It will be the responsibility of the custodian to ensure that this fund is used to cover only those expense reimbursements for which it is not possible, or is infeasible, to use normal purchasing methods. In addition, the custodian will ensure that fund use is consistent with the manner described in the documentation that initially established the fund. The petty cash custodian is also responsible to enforce County policy regarding sales tax, which is not reimbursable.

The custodian is responsible to perform a full reconciliation of the fund at least quarterly, which he/she will provide to finance when fund replenishment is needed.

The custodian is responsible for reporting all instances of loss of Funds as soon as the loss is discovered.

Documentation

Properly document each transaction in the following manner:

- Submit a detailed journal of all transactions, identifying all pertinent information (who, purpose, transaction detail and date of expense). Identify each cost and the center/account to be charged.
- Tape original receipts onto an 8-1/2x11 sheet, referencing each receipt's corresponding transaction on the detailed journal.
- Submit a summary page that shows only the total amount charged to each center/account code. This data will be the basis for entry of transaction detail in the County accounting system.

It is important to remember that it will be the custodian's responsibility to determine whether an expenditure is allowable as a direct cost (where applicable) or indirect cost (based on purpose, receipts, general research restrictions) and to use the proper account codes for unallowable costs as appropriate.

Reimbursement Process

When the fund is reduced to a balance that can support approximately 5-7 business days of activity, the custodian shall perform a reconciliation and send it, along with a request to replenish the fund, to the petty cash coordinator in finance. Before being submitted, this reimbursement request must be approved by the immediate supervisor of the fund custodian. Accounting Services will audit the request to ensure that proper documentation (as described in the Documentation section has been provided).

Once the audit is completed and the reimbursement request approved, a check will be prepared for fund replenishment. The check is made payable to the custodian.

Changing the Fund Amount

Should a situation arise where it is determined that the size of the petty cash fund should be increased or decreased, a memo should be forwarded to the Chief Financial Officer requesting this

change. This should be done prior to requesting a replenishment of funds, at which time the arithmetic on the form will reflect the change. An increase to a petty cash fund is subject to approval similar to when the fund is initially established.

Closing a Petty Cash Account

The petty cash fund should be closed with Finance when the purpose for which the fund was established has been completed, as determined by either the County Administrator or the petty cash custodian. In addition, Finance reserves the right to conduct periodic usage reviews and, based on the results, can request closure or reduction of the fund. When closing the fund, the custodian should deposit all remaining funds to the petty cash administrator. Along with the final reconciliation of expenses, this will relieve the balance in the petty cash fund as established for this use. The final reconciliation of funds and expenses must be provided to the petty cash coordinator in Finance.

Contact

Any questions concerning the petty cash fund or this policy shall be directed to the finance office.