

Policy Analysis: Petty Cash and Change Funds #5.11 – 7/2010

Policy Objective:

To define the process for establishing petty cash funds and change funds.

Applies To:

All University personnel and departments who handle and manage petty cash or change funds.

Explicit Policy Requirements (Items for which non-compliance will result in a policy Exception):

The following items are explicitly defined in the policy and should be considered as policy requirements; items which if not followed, will result in policy “exceptions.”

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">The maximum expenditure amount for petty cash is \$50 per expenditure.	1	I. C
2	<ul style="list-style-type: none">Change funds are used exclusively to provide money for making change for University approved department sales and are reconciled on a daily basis.	1	I. D
3	<ul style="list-style-type: none">Petty cash funds are used for: miscellaneous office supplies, postage outside the meter mail program, and business expenses authorized by University expenditure policies.Petty cash funds are not to be used for: personal or 3rd party check cashing, travel advances to employees, moving expenses, payment of payroll stipends, or business expenses not authorized by University expenditure policies.	1	II. A & B
4	<ul style="list-style-type: none">A tax exempt form should be used for all purchases.	2	II. D
5	<ul style="list-style-type: none">Establishing a Fund – The unit needs to complete the “Fund Information Sheet”, obtain the required approvals, and submit the completed form to Treasury Administration for approval. The unit should use GL account 11150 for petty cash funds and GL account 11160 for change funds. It is not permissible to use general funds (010XXX) or general budget funds (011xxx) for either petty cash or change fund accounts.After approval, the unit will process a check request through Accounts Payable. AP will issue a check to establish the fund.	2	I.
6	<ul style="list-style-type: none">Fund Custodians – The fund custodian should be the head of the department or their designee. A backup custodian should also be established.Access to the funds should be limited to the custodian and backup custodian.	3	II. A & B
7	<ul style="list-style-type: none">Custodian Duties – The fund custodian duties are to: maintain and balance the fund; report any unusual activity, change in custodian, or change in fund status to Treasury Administration; physically secure the fund and the receipts (funds should be kept in a secure location away	3	II. C

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	from high traffic areas – preferably a locked safe); maintain appropriate documentation; and assure that funds are not comingled (e.g. change funds).		
8	<ul style="list-style-type: none"> Backup Custodian Duties – Complete the responsibilities listed above in the event of an emergency or when the primary custodian is on leave. 	3	II. D
9	<ul style="list-style-type: none"> If a change of custodian is required, the department head must notify Treasury Administration in writing referencing the former and new custodian of the account. 	3	II. E
10	<ul style="list-style-type: none"> Reimbursements With a Receipt – Purchaser must obtain the approval of the fund custodian prior to incurring the expense. The fund custodian must review the validity of the vendor receipt, reimburse the purchaser for the exact amount of the vendor receipt, have the purchaser sign and date the vendor receipt, and then initial the receipt after reimbursement is disbursed. All receipts must be maintained with the fund and be submitted for fund replenishment. The custodian cannot reimburse themselves. 	3	III. A
11	<ul style="list-style-type: none"> Reimbursements Without a Receipt – Purchaser must obtain the approval of the fund custodian prior to incurring the expense. The fund custodian must prepare a facsimile receipt, reimburse the purchaser for the exact amount of the facsimile receipt, have the purchaser sign the facsimile receipt and indicate the original receipt was not available. All receipts must be maintained with the fund and be submitted for fund replenishment. The custodian cannot reimburse themselves. 	4	III.B
12	<ul style="list-style-type: none"> (Completed by OSU Purchasing) Reimbursements Greater than \$50 – Purchaser must complete a Request for Payment (using the PeopleSoft Financials System), attach all original receipts to the payment request, calculate the receipts twice to verify the amount to be reimbursed, and send the packet to Accounts Payable. 	4	III.C
13	<ul style="list-style-type: none"> Balancing a Petty Cash or Change Fund – Count the cash on hand, calculate the total of receipts to be reimbursed, and identify any reimbursements in transit. The total of the cash, receipts on hand, and replenishments in transit should equal the total fund. 	4	IV.
14	<ul style="list-style-type: none"> Petty Cash Fund Balancing Schedule – Petty cash funds should be balanced at least once each week (more often depending on the frequency of replenishment) and quarterly in the presence of the custodian but by someone other than the custodian or backup custodian. 	5	V. A & B
15	<ul style="list-style-type: none"> Change Fund Balancing Schedule – Change funds must be balanced daily by the custodian and any time it is transferred from one cashier to another, it must be balanced before being transferred. 	5	V.C & D
16	<ul style="list-style-type: none"> Petty Cash Fund Shortages / Overages – A log should be maintained to track all shortages/overages of the fund. Management (other than the 	5	VI. A, B, & C

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	fund custodian) should periodically review the fund records and log to identify any inconsistencies or trends. Inconsistencies or trends must be reported to Treasury Administration by management.		
17	<ul style="list-style-type: none"> • Petty Cash Fund Shortages – If a fund has a shortage, a memo must be written detailing the shortage and indicating the account control to be charged. The memo must be reviewed, signed, and dated by the department head. The memo, along with the other receipts, must be submitted for reimbursement when the fund needs to be replenished. 	5	VI. D
18	<ul style="list-style-type: none"> • Fund Replenishment – The department must set a dollar level at which the fund is to be replenished (usually when one-fourth of the fund remains). If the fund does not require replenishment as least every 60 days, the fund should be reduced or eliminated. • Balance the fund prior to it being replenished, complete an OSU Request for Payment, calculate the total twice to ensure receipts to be replenished equal the amount requested, attach the appropriate receipts, and submit the packet to Accounts Payable. • Maintain a photocopy of the packet with the fund records. 	5	VI. E
19	<ul style="list-style-type: none"> • Change Fund Shortages / Overages – If a shortage or overage is discovered in the daily balancing or transferring of the change fund, the custodian should immediately recount the fund. If the difference continues, another employee should immediately recount the fund in the custodian’s presence. • When a true difference has been determined, shortages and overages should be identified by each cashier. A daily log should be maintained identifying the reason for the shortage or overage (management should periodically review this log). Any recurring exceptions should be reviewed and discussed with the cashier and be reported to Treasury Administration. • The net difference (shortage or overage) per day should be recorded on an OSU Deposit Record in the appropriate revenue account. The account to be used to identify the net difference (shortage or overage) is 41067. The shortage or overage will be identified with either the credit or debit entry that is made on the deposit record. 	6	VII.
20	<ul style="list-style-type: none"> • Closing or Reducing a Petty Cash or Change Fund – Balance the fund, inform Treasury Administration that the fund is closing or being reduced, prepare the daily deposit journal entry in the GL and print the deposit slip. • Follow deposit procedures to make a deposit at the nearest deposit center. Send a photocopy of the deposit ticket to Treasury Administration. • The deposit should be entered under account 11150. • Treasury Administration will reconcile the photocopied deposit ticket to the GL account and change the status of the department’s petty cash fund. 	7	VIII.

Summary of Potential Policy Exceptions:

- The unit did not go through the appropriate process and/or did not obtain the appropriate approvals to establish the fund.
- The unit set up a petty cash and/or change fund using general funds (010xxx) and/or general budget funds (011xxx).
- Access to the funds is not limited to the custodian and backup custodian.
- The custodian does not maintain and balance the fund; report any unusual activity, change in custodian, or change in fund status to Treasury Administration; physically secure the fund and receipts, maintain appropriate documentation and/or assure that the funds are not comingled.
- The backup custodian does not complete the above duties in the absence of the primary custodian.
- The fund custodians are reimbursing their own purchases.
- Reimbursements greater than \$50 are processed through the petty cash fund instead of through Accounts Payable.
- The petty cash and/or change fund does not balance.
- Shortage / Overage trends are not reported to Treasury Administration.
- Receipts are not maintained and submitted for fund replenishment.
- Change funds are used for reasons other than making change for University approved department sales.
- Change funds are not reconciled on a daily basis.
- Petty cash funds are not used for appropriate purchases.
- Tax exempt forms are not used for purchases.
- The unit did not use GL account 11150 for petty cash funds and/or did not use GL account 11160 for change funds.
- The fund custodian is not the head of the department or an appropriate designee.
- A backup custodian has not been established.
- The department head did not notify Treasury Administration in writing of a change in the custodian.
- The purchaser did not obtain the fund custodian approval prior to incurring the expense.
- The fund custodian did not reimburse the purchaser the exact amount of the receipt.
- The fund custodian and/or the purchaser did not sign and date the vendor receipt.
- The fund custodian did not create a facsimile receipt and/or have the purchaser sign off on the facsimile receipt indicating the original receipt was not available.
- Petty cash funds are not balanced at least weekly and/or quarterly in the presence of the custodian but by someone other than the custodian or backup custodian.
- Change funds are not balanced daily by the custodian and/or any time the change fund is transferred to another cashier.

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- Shortage / Overage logs are not maintained and/or management (other than the fund custodian) does not periodically review the fund records and logs to identify any inconsistencies or trends.
- Petty cash fund shortage memos are not written and/or do not include all required information.
- Change fund overages / shortages are not debited/credited to account 41067.
- The department did not set a dollar level at which the funds are to be replenished.
- The fund does not require replenishment at least once every 60 days and has not been reduced or eliminated.
- The funds are not balanced prior to replenishment.
- The department does not go through the appropriate procedures to replenish their funds.
- The department did not go through the necessary procedures to close or reduce their petty cash/change fund.

Policy Areas of Potential Student Life Interpretations and/or Follow-up with Business & Finance:

The following items are potential areas of policy interpretation, left to the discretion of Student Life:

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">• Fund Custodians for Petty Cash or Change Funds – The fund custodian should be the head of the department or his/her designee. A back up custodian should also be appointed as applicable. What type of employee (position level), should be the backup custodian?	3	II. A
2	<ul style="list-style-type: none">• Reimbursement Procedures (Without a Receipt) – What documentation should be included on the facsimile receipt?	4	III. B. 2
3	<ul style="list-style-type: none">• Fund Balancing Schedule – A petty cash fund should be balanced at least once each week, and more often depending on the frequency of replenishment. What frequency of replenishment would require balancing more than once a week?	5	V. A
4	<ul style="list-style-type: none">• Fund Shortages / Overages in Petty Cash Funds – A log should be maintained to track all shortages and/or overages of the fund. What information needs to be included on the shortage / overage log?	5	VI. A
5	<ul style="list-style-type: none">• Fund Replenishment – The department should set a dollar level at which the fund is to be replenished. What dollar level is appropriate?	5	VI. E. 1
6	<ul style="list-style-type: none">• Fund Shortages / Overages – A log should be maintained to track all shortages and/or overages of petty cash/change funds. Management should periodically review the log. How frequently should management review the logs?	6	VII. C. 2

Areas of Consideration for Defining as “Reasonable” in the ICS:

N/A

Potential Training Topics:

Cash Handling

Deposits

Business Responsibilities

Business Expenditures

Understand and Prevent Fraud

Internal Controls