UNIVERSITY OF LOUISVILLE

Vice President for Finance
Policy/Procedure

Subject: Petty Cash Funds/PNC Gift Card	Author: David Downey
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Approved By: Controller's Office	Page 1 of 7

Purpose and Scope

The Petty Cash Fund/Gift Card (PNC and other vendors)/Cash Advances Policy has been created to provide guidelines for the appropriate establishment, use, and accountability of such funds. Throughout the policy, reference to any type of fund (petty cash, cash advance, or gift cards) includes all three types of cash options, unless otherwise noted. The Controller's Office established these procedures to encourage an effective administration and internal control of cash handling operations throughout the university.

The majority of Petty Cash Funds, Cash Advances, and Gift Cards are used to pay subjects on a research grant when the department is unable to determine who the subject will be in advance. For more information see the Policy on Paying Human Subjects.

Petty Cash Funds may also be established to enable departments to make small, emergency purchases where a purchase order is not cost effective or a procurement card cannot be utilized. Other uses include the establishment of change funds for departments that collect cash receipts on behalf of the university and require change to appropriately complete the cash transactions.

Advances are characterized by a temporary need for cash over a limited or finite period or pertain to a specific event. For example, cash requested for "estimated participant payments of $20 to 30 survey subjects in May" should be issued as an advance. Advances are also approved and processed as necessary in the Controller's Office for international and group travel – see the Travel Policy - Travel Advance.

Petty Cash reimbursements, Gift Cards, and Advances may not be used to circumvent current University procedures. It is the responsibility of the custodian and supervisor to confirm the expenditure is an appropriate charge and is in compliance with all applicable procurement policies and procedures.

In lieu of establishing a departmental Petty Cash Fund, an employee may be reimbursed through the Petty Cash Voucher Form. This form may be used by individuals seeking reimbursement for small out-of-pocket expenses made on the behalf of the university. This form cannot be used for amounts in excess of $50 and must be in compliance with all applicable procurement policies.

Any individual handling university cash is responsible for proper security and accountability. Only authorized employees handle monies for university business. Employees are required to appropriately safeguard, account for and document all cash maintained on behalf of the university. The cash should be maintained in a secured and locked device.

Applicability

This policy is applicable to every university department, administrative office, and affiliated/related organizations involved in handling university cash. Employees with any type of cash handling function are expected to be familiar with the requirements of this policy.

Authority and Responsibility

The University of Louisville has delegated the authority and responsibility for establishing policies and procedures for all cash handling activities to the Controller's Office. In carrying out this duty, the Controller's Office is responsible for:

1. Establishing and enforcing policies and procedures governing the receipt, handling, custody, and disbursement of funds.
2. Requiring the establishment and maintenance of records accounting for funds received and paid by the university.
3. Performing periodic audits of departments with cash handling operations.
4. Establishing and authorizing banking accounts to be used for university funds.
5. Establishing and authorizing procedures for granting, maintaining, and determining departmental petty cash needs.

Sole Custody

Cash handling operations must be subject to periodic supervisory review and management. To minimize the potential for mistakes or misappropriation of cash, the segregation of cash handling duties is recommended. The duties of collecting cash, maintaining documentation, preparing deposits, and reconciling records should be separated among different individuals. In departments where the separation of duties is not feasible, strict individual accountability and thorough management supervision and review is required. In particular, the responsibility for reconciliation of the fund should be segregated from the other custodial duties.

Written Departmental Procedures

In addition to the cash handling procedures established in this document, it is highly recommended that each department that manages a significant amount of cash, have its own internal procedures. Written procedures should minimally include authorization of person(s) to act as custodian, guidelines for the safekeeping of funds, procedures for usage of funds, steps for reimbursement of funds, and procedures handling overages and/or shortages including instructions on notifying the appropriate campus authority in the event of a loss. Individual departmental policies will not contradict or be less restrictive than this policy.

Safekeeping

Departments are responsible for the safekeeping of cash. Physical security is mandatory for every employee involved in cash handling. The following general guidelines should be followed to help maintain the integrity of those areas handling cash:

- Unauthorized persons are not allowed in areas where cash is handled.
- Doors should be locked at all times in areas where cash is handled. Safe doors should be kept closed during working hours and locked at times when it is not necessary to be in and out of the safe.
- Large sums of cash should be counted and handled out of sight of the general public.
- Individuals should keep working funds to a minimum at all times. Excess funds should be in a locked device or deposited using the department's regular deposit procedure.
- Cash should NEVER be unattended. This applies to cash registers, desktops, and cash drawers.
- If an employee leaves his or her workstation for any reason, regardless of how briefly, cash must be appropriately secured in a locked location.
- For overnight storage and during other periods when cash is not being used, it should be kept in a safekeeping device, either a safe or locked container.
- Under no circumstances should an individual keep university cash with their own personal funds, deposit university funds in a personal bank account or take university funds to one's home for safekeeping.

Operating Guidelines

1. Adequate (original) receipts and documentation (vendor name, date, each item identified, W-9 & Non-cash Compensation form (if applicable), etc.) must be maintained to support all transactions made from the petty cash fund.
2. Expenditures must meet the legal requirements attached to the source of university funds used to establish the cash fund.
3. The cash fund may not be used to circumvent university policies and procedures.
4. No single payment may exceed $50 dollars except with special written authorization from the Controller.
5. The following expenditures from cash funds are prohibited:

    - Printing expenses
    - Payment to an individual for services rendered (excludes payments for human subjects, see Policy on Paying Human Subjects)
    - Insurance premium expense

- Office supplies and paper products
- Items stocked in the Stockroom
- Travel and Entertainment expenses (excludes parking fees and fuel reimbursements when a rental car is used for non-overnight travel)
- Cash advances

6. Specific cash funds for designated grants are governed by the grant and the original established guidelines of the fund.

7. Cash funds may be audited (unannounced) at random times throughout the year.

8. Cash funds are not to be commingled with personal funds.

9. The amount of cash on hand plus unreimbursed receipts must equal the amount of the authorized fund at all times.

10. If the purpose of the fund ceases to exist or the custodian decides to close the fund, follow the instructions for closure using the Petty Cash Requisition Form. Return unused cash and receipts to the Bursar's Office.

11. The Controller's Office reserves the right to close a petty cash fund or reassign the custodian at any time.

Petty Cash and Cash Advance payments for Services (Human Subjects)

Cash, given to an employee for any reason except reimbursement of business expense, is taxable and must be reported on their W-2 (or 1099-misc. form in the case of human subject payments). Cash given to non-employees may be reported on a 1099-MISC form at the end of the year, if the recipient meets the IRS reporting threshold. A W-9 form is required from all payees (except for employee business expense reimbursements) regardless of the amount of the payment. The University's Tax Department will be tracking cash disbursed as payment for services to determine reporting requirements.

1. If recipients are *known* at the time a request is submitted for a petty cash account, a completed and signed W-9 form must be included with the request. Employees who participate in research studies are treated the same as non-employees in relation to cash earned for the participation.

2. If recipients are unknown at the time request is submitted for a petty cash account, a completed and signed W-9 must be submitted for each recipient to the University Tax Department at TAXDEPT@louisville.edu as the cash is disbursed. A Petty Cash Requisition Form (petty cash accounts) or a copy of the original Request For Disbursement (gift cards) must accompany W-9s sent to the Tax Department.

3. It is the department's responsibility to require a recipient to complete and sign a W-9 before they receive their payment, and to forward the completed signed W-9 to the University Tax Department at TAXDEPT@louisville.edu.

4. To ensure we are complying with all IRS reporting requirements, departments will be contacted quarterly by the University Tax Department to confirm the amount of undistributed petty cash still held.

Cash Fund Procedures - Using the Petty Cash Requisition Form

Link to the Petty Cash Requisition Form

- Establish a new cash fund,
- Supplement an existing fund,
- Replenish the fund, or
- Close the fund.

The Petty Cash Requisition Form may only be used for petty cash and cash advance funds. No other purchasing or accounts payable transactions will be honored through this form.

1. Complete a Petty Cash Requisition Form. This form identifies the type of petty cash account requested and other necessary information such as required amount, funding source and estimated petty cash disbursements for the fiscal year. Departments requesting a cash advance should add that in the Line Description Information section.

2. Forward the completed form, including required signatures, to the Controller's Office. Add additional sheets if applicable to document the request. *Any request using a Sponsored Program as the source of funds should be sent to the Sponsored Programs Financial Administration department for approval prior to submitting to the Controller's Office.* If approved, SPFA will send the request to the Controller's Office.

3. The Controller's Office will review the requisition and, if approved, issue a check payable to the designated custodian.

4. For Human Subject payments, a Petty Cash Requisition Form is required when sending W-9s. The department should indicate if the request is for a Replenishment (another check will be cut to replace the spent funds) or a Close out of the petty cash account. If it is a partial close – please indicate PARTIAL CLOSE in the description section.

5. For a new petty cash account, or if supplemented, the custodian must pick up the check in person from the Controller's Office. The Controller's Office will mail only replenishment checks to the identified departmental address.

6. When establishing or supplementing a petty cash fund, the request must clearly describe the need for petty cash, the amount required, the funding source and the types and amount of disbursements expected annually.

7. When replenishing or closing a petty cash fund, the custodian must account for the total petty cash fund currently authorized. The Petty Cash Requisition Form must include original receipts that equal the amount of all disbursements made by the custodian for replenishment or closure. When closing the account, the custodian must personally return any remaining cash to the Bursar's Office and bring the copy of the transmittal to the Controller's Office.

Duties of Petty Cash Custodian

Each cash fund established is specifically assigned to one individual who is designated as the fund custodian. Only full-time or 80% employees are eligible to be custodians. This individual should have exclusive access to and control of the fund. In carrying out the duties assigned, it is the custodian's responsibility to understand and follow the procedures below:

1. Cash funds must be properly safeguarded. The custodian is responsible at all times for the appropriate and adequate safekeeping of these funds. The money should be kept in a secured and locked location and should not be commingled with an individual's personal funds or any other university funds. Only the custodian should have access to the keys or safe combination.

2. The custodian is responsible for keeping accurate records of the fund. Periodically, as monies are withdrawn from the fund, a Petty Cash Requisition Form must be completed. This form identifies the amount withdrawn, the name and signatory of the individual who received the money, the purpose, the date, and custodial approval.

3. Once a purchase has been completed, the individual must submit the original sales receipt to the custodian for reimbursement. The receipts should be maintained in a safekeeping area for proper accountability of the funds. Please note the sales receipt should always include the vendor's name. Adding machine tapes and scrap pieces of paper will NOT be accepted as proper documentation.

4. Custodians are required to reconcile daily, weekly, or monthly, depending upon the amount of activity involved and the dollar amount of the fund. The Petty Cash Reconciliation Log offers the recommended format for performing the reconcilement.

5. The custodian should maintain appropriate records on a daily basis, as a petty cash fund is subject to audits, at all times, by the Controller's Office, Audit Services, External Auditors and State Auditors.

6. The custodian is responsible for the cash fund until all of the funds and/or receipts have been submitted to the Controller's Office and the fund is closed or turned over to a new custodian.

7. To transfer custodial responsibility on a departmental cash fund, the department should contact the Controller's Office before the change in custodian.

8. Departments are required to annually reconcile the fund as of December 31 and forward the reconciliation to the Controller's Office no later than January 31.

Overages and Shortages

Both overages and shortages should be noted and tracked by the custodian and be reviewed and certified by a departmental supervisor. Significant amounts should be immediately reported to the Department Head, the Controller's Office and Public Safety. Custodians are prohibited from making petty cash funds balance by covering shortages from personal funds or withdrawing excess petty cash funds to balance the reconciliation process.

When a shortage is found, the Custodian should add that amount to the next Request for Replenishment with the description of “Cash Shortage”. This will allow the petty cash fund to be brought to the correct level of funds and will cause the Controller’s Office to record an expense to the program in the amount of the loss. The Controller’s Office will monitor these requests and may take action to dissolve the petty cash fund if necessary.

Confirmation and Reconciliation of Cash Funds

Cash funds are to be made available at any time the Controller's Office, Audit Services, External Auditors or State Auditors desires to audit funds and reports. These audits may be unannounced.

PNC Gift Cards

Policies and procedures related to requesting PNC Gift Cards

All PNC Gift Cards purchased using Sponsored Program funds will be charged against account 155125 – PNC Gift Cards. As the PNC Gift Cards are distributed or at least monthly, the department will need to submit a Petty Cash Request Form or copy of the original Request for Disbursement and W-9s of recipients to the Controller’s Office. The Controller’s Office will then make an entry to expense the PNC Gift Card to the requested expense account and credit 155125 – PNC Gift Cards.

PNC Gift Cards purchased using non-Sponsored Program speedtypes will normally be charged to an expense account when requested. A department can choose to utilize the 155125 – PNC Gift Card account; however, they will be required to submit a Petty Cash Request Form as the PNC Gift Cards are distributed.