Information

Petty Cash Funds

Effective

March 1, 2001

Applicability

This policy applies to the University Community (administrators, faculty, staff, and students).

Administrative Authority

Vice President for Finance and Chief Financial Officer

Responsible Unit

Controller's Office
University Accounting and Financial Reporting
Service Complex, Louisville, KY 40292
502-852-6164
controll@louisville.edu

History

Revision Date(s): March 31, 2015; November 1, 2016; February 11, 2025
Reviewed Date(s): March 31, 2015; November 1, 2016; March 30, 2020

Categories

Reason for Policy:

The Petty Cash Fund policy was created to provide guidelines for the appropriate establishment, use, and accountability of such funds. The Controller's Office established associated procedures to encourage an effective administration and internal control of cash handling operations throughout the university.

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.

Statement:

Petty cash funds are available 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.

Petty cash reimbursements 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.

Petty cash funds should not be used to pay subjects on a research grant. Instead, departments are required to use a prepaid card. For more information see the Prepaid Gift Cards procedure.

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 may 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.

Related Information:

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 required. 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 managerial supervision and review is required. In particular, the responsibility for reconciliation of the fund should be segregated from the other custodial duties.

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 must be kept in a safekeeping device, either a safe or locked container.
- Under no circumstances should an individual keep university cash with one's own personal funds, deposit university funds in a personal bank account or take university funds to one's home for safekeeping.

Operating Guidelines

Funds used for Purchases

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. 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.
- 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.

Funds used for Making Change

1. Cash fund may not be used to make purchases.

2. Cash fund for one-time events are to be deposited along with any proceeds from the event. Follow the instructions for closure using the Petty Cash Requisition Form and deposit the funds.
3. Cash fund ongoing operations, such as cash register fund, is to be replenished to the original balance at the end of operations and stored in a secure place in accordance with Safekeeping guidelines.

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

- Cash funds may be audited (unannounced) at random times throughout the year.
- Cash funds are not to be commingled with personal funds.
- The amount of cash on hand plus unreimbursed receipts must equal the amount of the authorized fund at all times.
- 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 and deposit the funds. Receipts are to be attached to the Petty Cash Requisition Form for funds disbursed. The Controller's Office reserves the right to close a petty cash fund or reassign the custodian at any time.

Petty Cash Fund Controls

The following petty cash fund controls should be exercised by the custodian:

1. Counting funds - Funds must be counted and the amount certified monthly (as part of the reconciliation process) and whenever they are transferred from person to another.
2. Documenting disbursements and reimbursements - Written or printed receipts or "paid" invoices must be maintained to support each transfer of funds (disbursement and reimbursement).
3. Accounting for overages and shortages - A supervisor must review and certify all overages and shortages. Overages are deposited with other cash receipts and shortages are documented as reconciling items in the fund. All overages and shortages should be reported to the attention of the Controller's Office, who can also help with instructions on reimbursing shortages.
4. Limiting access to funds - Access to petty cash funds must be limited to the person responsible for the fund. Two or more persons may not work from one

fund.

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 disbursed from the fund, a Petty Cash Requisition Form must be completed. This form identifies the amount disbursed, 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 maintain appropriate records and verify the cash fund on a daily, weekly, or monthly basis, 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 reconciliation.
5. The 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. Controller's Office will periodically verify balances identified as petty cash funds in the general ledger against records and actual assets.

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.

Procedures:

Using 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. 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 requested amount, funding source and estimated petty cash disbursements for the fiscal year.
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 whether 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 requested, 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 or send a copy of the transmittal to the Controller's Office.

Responsibilities:

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.

Establishing and authorizing procedures for granting, maintaining, and determining departmental petty cash needs.

Forms/Online Processes:

Link to the Petty Cash Requisition Form