SECTION 17 - PETTY CASH

Policy Sequence # 17-000
This page intentionally left blank.
INTRODUCTION

Petty Cash is a convenient mechanism for projects to purchase certain inexpensive goods and materials. The Petty Cash funds are administered by a Petty Cash Custodian. If there are any questions pertaining to a petty cash fund, please contact the Foundation Associate Director of Finance and Accounting at (562) 985-8603.

ESTABLISHING A PETTY CASH FUND

To establish a petty cash fund, the intended Petty Cash Custodian (Custodian) shall complete a Request for Petty Cash Fund form (Appendix A). The Request for Petty Cash form can be obtained from the Foundation Office or may be downloaded at: www.foundation.csulb.edu. The Project Director shall approve the Request for Petty Cash Fund form. If the Project Director is to be the custodian, the request shall be approved by the Project Director’s authorized supervisor.

A Substitute W-9 Form is required for all first time payees, including Petty Cash Custodians. It needs to be completed and submitted to Foundation Accounts Payable before payment will be made. The Substitute W-9 Form will be kept on file for year end tax purposes. Once the Foundation has a W-9 Form on file, only the last 4 digits of the payee’s Social Security Number will be needed on any future forms for verification purposes. The Substitute W-9 Form can be downloaded from the Foundation’s website at: www.foundation.csulb.edu.

The completed and approved Request for Petty Cash Fund form is sent to the Foundation Associate Director Finance & Accounting for processing. The Associate Director Finance & Accounting forwards the request to the Grants and Contracts Administrator for allowability approval and to the Purchasing Department to encumber the total amount requested. If approved, a check is made payable to the named custodian for the amount requested and paid against petty cash advance account 100200. At the time the check is picked up at the Foundation Cashier’s Booth. The Custodian meets with the Foundation’s Associate Director Finance & Accounting or his/her designee to review the petty cash policy, answer any questions, and provide a copy of the policy to the Custodian. The original check will be released upon presentation of proper identification by the custodian (e.g., Staff I.D. or California Driver’s License). A Petty Cash fund may be established to be used for one or more projects, with a single Custodian responsible for the fund.

Executive Order No. 890, states the Project Director is responsible for ensuring that all expenditures made are allowable, allocable and reasonable and are in compliance with the applicable contract or grant regulations and the University's/Foundation’s policies and procedures.

AMOUNT OF PETTY CASH FUND

The Project Director shall determine how much cash on hand will be needed for the project(s). Projects shall replenish the petty cash fund at least once per month or when the Petty Cash Fund depletes to 50% of the established value, and within three (3) working days after the year-end closing (June 30). Petty cash fund is intended for purchasing inexpensive goods and materials. Large disbursements or purchasing bulk items shall be handled through the Check Disbursement Request form (see Section 15 - Accounts Payable - Appendix A).

PETTY CASH CUSTODIAN

Policy #17-020.1

Rev: September 2008
Consistent with Executive Order No. 890, payments involving personal expenditures by the Project Director (including Petty Cash) must be authorized in writing by the Project Director’s Department Chairperson, Administrative Services Manager (ASM), Dean, Director or Division Vice President. See Section 12 for further information on approval of transactions and authorized signatories.

The Project Director is responsible for appointing a Custodian. The Custodian may be any project(s) employee. Only the Custodian may manage, disburse and receive cash for the petty cash fund.

If the Custodian is unavailable, petty cash may not be disbursed. If the Custodian will be on vacation or away from work for a long period (more than a month) or terminates employment, the petty cash fund shall be terminated and a Request for Petty Cash form under the new custodian shall be filled out. Refer to section #17-000.1 for the procedure to establish a petty cash fund and section #17-070.1 for the procedure to terminate a petty cash fund.

The Custodian is responsible for safeguarding the fund, accurately accounting for disbursements and reimbursements, and reconciling the funds. It is the Custodian’s responsibility to ensure the legitimacy and appropriateness of each disbursement within the purpose of the project. The expenditure shall comply with the policy requirements of ABS 83-13. For expenses incurred by Foundation Program accounts for meetings, conferences, or receptions, a Request for Payment/Reimbursement of Hospitality Expenses Form (see Section 15 - Accounts Payable - Appendix D) shall be filled out completely and signed by Custodian, Project Director and an Authorized Administrator as designated by the Dean or Vice President in the Project Director’s respective area or college.

The Custodian shall retain receipts, invoices, and any other method of verification provided for each petty cash disbursement request. Each time cash is taken from the petty cash fund to purchase an item(s) a note that contains who was given money on what date is signed by the Custodian and shall be placed in the cash box. When an actual store receipt is received, the note may be destroyed.

The Custodian may use a log to account for cash in the fund. Where the fund disbursements support more than one project, the project # and G/L Line item shall be indicated on the receipt. Records should be kept current and complete. The Petty Cash fund shall be reconciled on a regular basis (typically monthly).

All petty cash funds are subject to at least annual unannounced audits by the Foundation Office.

Larger funds of $1,000 and over will be subjected to bi-annual unannounced audits. The results of these audits shall be documented and retained for future reference. The Custodian is required to provide detailed written explanations as to any discrepancies identified during unannounced petty cash counts. The Project Director is required to review and approve explanations provided by the Custodian. Annual confirmations are sent to the Custodians to comply with the Foundation’s independent audit requirements.

**SECURITY OF PETTY CASH FUNDS**

The petty cash fund shall be kept in the Custodian’s office or place of business in a locked desk, safe, cabinet or other secure area at all times. Only the Custodian shall have access to the fund.
secured area and control of the key.

REPLENISHING OF PETTY CASH FUNDS

When the Petty Cash Fund depletes to 50% of the established value for that fund or at least once a month, whichever occurs first, the Custodian for the project(s) submits a Petty Cash Reimbursement Request form (Appendix C) to Foundation Accounts Payable staff who reviews receipts and invoices attached for accuracy. Original invoices, receipts, and other appropriate records verifying the petty cash disbursements shall accompany the Petty Cash Reimbursement Request. The reimbursement check for the fund shall be made payable to the Custodian. If a receipt is lost or misplaced, a certification by the Custodian and approved by the Project Director(s) shall be submitted along with the other receipts or records and the Petty Cash Reimbursement form.

CHANGING THE AMOUNT OF PETTY CASH FUNDS

To increase or decrease the petty cash fund, the Custodian shall complete a Request for Petty Cash Fund form (Appendix A). This form shall be used as the source justification to increase or decrease the petty cash fund and for authorizing a check in the additional amount requested. In the event a decrease in petty cash funds is requested, the excess funds are to be deposited with the Foundation Cashier via Deposit Transmittal (see Section 11-Cash Receipts - Appendix A).

CHANGING PETTY CASH CUSTODIANS AND/ OR TERMINATING PETTY CASH FUND

To change the Custodian or close a petty cash fund due to but not limited to, termination of the grant(s) or project(s), the petty cash fund shall be terminated. A Termination of Petty Cash Form (Appendix B) is completed by the Custodian and approved by the Project Director(s) with appropriate records and receipts attached. The form and all pertinent receipts are submitted to the Foundation’s Associate Director Finance & Accounting for processing. Any excess funds shall be deposited to the Foundation Cashier via Deposit Transmittal.

PAYMENTS TO HUMAN RESEARCH SUBJECTS FROM PETTY CASH

Payments to human research subjects may be issued from a petty cash fund. These payments occur when human subjects in research are paid in small amounts throughout the duration of an experiment or research project and confidentiality is imperative. Sufficient and appropriate record keeping of payments made to human subjects shall be the Project Director’s responsibility and will be kept under the Project’s safeguarding to protect the confidentiality of the records. Sufficient information would include: type of research, date, time, person’s name, if applicable, and any other information that could be examined by the auditors to validate human research subject payment. Certain grants and sponsored programs may be restrictive in the amount paid to a human research subject. Call your Foundation Grants and Contracts Administrator to determine the amount allowed. Some payments may have to be made through Accounts Payable by completion of a Disbursement Check Request.
I. Instructions to Petty Cash Custodians

The Petty Cash Custodian is solely responsible for the Petty Cash Fund. The Custodian is personally accountable for complying with the petty cash policy and procedures. The petty cash policy should be retained permanently with the Petty Cash Fund for easy reference.

Any payment from the petty cash fund shall be a legitimate expenditure under the funding source or the project agreement. The fund shall be used strictly in accordance with the purposes for which it was authorized.

- Every payment from the Petty Cash Fund shall be supported by a receipt or other related document. The supporting document should show date, payee/vendor, and description.

- A Petty Cash fund may not be used for the following:
  a. establishing a departmental bank account;
  b. payroll activity (such as overtime);
  c. cashing personal checks;
  d. reimbursement of travel and mileage; or
  e. personal services, such as independent contractors.

- Cash may not be borrowed from a Petty Cash fund for an employee’s personal use.

- A Petty Cash fund may not be deposited to a personal/business bank account for safekeeping.

- The Petty Cash Fund shall, at all times, be kept in the office or place of business in a locked desk, safe, cabinet, or other secure area.

II. Instructions to Project Director(s) supervising Petty Cash Fund Custodians

The Project Director(s) who requested the establishment of a Petty Cash Fund shall ensure that the Custodian:

- Understands and complies with the petty cash fund policy and procedures;

- Disburses petty cash in compliance with the educational mission of the University, the policies and procedures of the Foundation, and the restrictions imposed by the funding source or donor;

- Has security for the petty cash funds;

- Promptly reports losses;

- Maintains individual accountability for each petty cash fund; and

- Promptly deposits the correct amount of cash with the Foundation Cashier when the fund is terminated.

III. Reporting of Losses
In the event that cash is missing from the petty cash fund due to theft, the Petty Cash Custodian shall:

- notify and report the incident to the Campus police;
- inform the Project Director(s) or other authorized person and Foundation’s Associate Director Finance & Accounting and
- report the incident to the Foundation’s Risk Manager for insurance purposes.

IV. Overages and Shortages

Over/short amounts normally do not occur in petty cash funds, but when they do, the Petty Cash Custodian shall:

- verify all receipts have been turned in;
- ensure that the generic receipts/notes and store receipts are not counted twice;
- ensure that each disbursement has a supporting receipt;
- ensure that the calculator tape total reconciles to all the receipts; and
- discuss with the Project Director(s) or other authorized person immediately.

The Custodian is required to provide as an attachment a full written explanation for the overage or shortage when replenishing petty cash funds. If a discrepancy occurs in the unannounced surprise audit, the Custodian is required to provide a full written explanation signed by the Project Director. Variances and/or recurring over/short amounts indicate problems in the management of the Petty Cash Fund which may require special audit considerations and may lead to closure of the fund.

V. Petty Cash Rules

The Foundation reserves the right to terminate or not to renew or increase the amount of the petty cash fund under the following circumstances:

- the Custodian consistently does not replenish the petty cash fund regularly (i.e. monthly);
- petty cash fund is not properly maintained after audit findings and Foundation’s recommendation;
- petty cash fund is not reconciled and overages and shortages occur frequently;
- proper documentation is not provided timely; and
- in the event that some or all of the petty cash fund is missing due to theft, the amount missing will only be replenished if the Project Director provides certification of the precautionary measures in place to avoid the incident from happening (i.e., purchase of safe; re-key the drawer).
APPENDIX A

Request for Petty Cash Fund
APPENDIX B

Termination of Petty Cash Fund
APPENDIX C

Petty Cash Reimbursement Form