



## ADMINISTRATIVE DIRECTIVE

<p>Title: Petty Cash Funds Issuing Department: Finance Effective Date: June 5, 2018 Approved: Jamsheed Mehta, Town Manager Type of Action: Revision</p>
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### 1.0 PURPOSE

The purpose of this directive is to provide guidelines for the establishment, closure, and appropriate usage of petty cash funds. Petty cash funds are used for making small, inexpensive or emergency purchases, and shall not be used to avoid or circumvent the purchasing guidelines set forth in the Town Code, Business Meals and Food-Related Functions Administrative Directive, or Travel and Training Administrative Directive.

### 2.0 DEPARTMENTS AFFECTED

All Town of Marana departments and employees

### 3.0 REFERENCES

- 3.1 Marana Town Code, Chapter 3-4: Procurement
- 3.2 Town of Marana Administrative Directive: Travel and Training
- 3.3 Town of Marana Administrative Directive: Business Meals and Food-Related Function Expenses

### 4.0 DEFINITIONS

- 4.1 Business purpose: Activities that contribute to any one of the Town's major objectives and will benefit employees' ability to be more productive. The purpose must be for the public's benefit and related to the department's or Town's business activities.
- 4.2 Custodian: The individual responsible for possession and oversight of a petty cash fund.
- 4.3 Petty cash fund or petty cash: A cash fund established specifically for minor disbursements of \$50 or less as defined in this administrative directive. The petty cash fund should not be used as a change fund.
- 4.4 Reimbursement payment vouchers: Receipts issued to employees when cash is advanced for a purchase from petty cash.

## 5.0 POLICIES AND PROCEDURES

### 5.1 Establishment of a petty cash fund

- 5.1.1 A department that wishes to establish a petty cash fund must submit a completed Request for Establishment of a Petty Cash Fund form (Attachment A) and a Check Request form to the Finance Department for processing.
- 5.1.2 The Finance Department will evaluate the request based on the business need for the particular department to have petty cash on hand.
- 5.1.3 If the petty cash fund is approved, a check will be issued to the custodian for the establishment of the petty cash. A copy of the approved application will be retained by the Finance Department.
- 5.1.4 Departments that established a petty cash fund prior to the effective date of this directive must submit a completed Request for Establishment of a Petty Cash Fund form promptly upon issuance of this directive. The Finance Department will determine if the department may maintain the petty cash fund based on the policies and procedures set forth in this directive.

### 5.2 Petty cash custodian

- 5.2.1 Each department with an approved petty cash fund must assign a department employee to serve as the custodian of the petty cash fund.
- 5.2.2 The custodian is responsible for the department's petty cash fund. At any time, a petty cash custodian must be able to account for the dollar amount of the fund with cash, receipts, and outstanding reimbursement payment vouchers.
- 5.2.3 If there is a fund overage or shortage, the custodian must notify his/her supervisor immediately. Personal funds cannot be used to eliminate shortages and excess funds cannot be removed to eliminate overages.
- 5.2.4 At the end of the custodian's assignment, all funds must be accounted for, reconciled, and relinquished to the new custodian.

- 5.3 Security. Petty cash fund monies and related documents must be kept in a secure location, in a separate lockable container. If available, the cash should be locked inside a safe or vault at the close of business. Keys and lock combinations should be restricted to the custodian as well as an alternate person(s) as deemed appropriate by the department management.

- 5.4 Purchases. The following criteria apply when using petty cash funds for purchases.

- 5.4.1 Individual purchases must be for \$50 or less and for business purposes only.
- 5.4.2 Petty cash shall not be used for any of the following expenditures or activities:
  - 5.4.2.1 Purchases which have been split to stay under the \$50 limit
  - 5.4.2.2 Payment of fines incurred by employees
  - 5.4.2.3 Meals, mileage, lodging or other such expenses incurred while on authorized travel status

- 5.4.2.4 To compensate an individual for services rendered
  - 5.4.2.5 Subscriptions, memberships, registrations or tuition
  - 5.4.2.6 Cashing personal checks
  - 5.4.2.7 Office supplies that can be purchased through the Town's office supply contract, unless considered to be critical by the department for immediate needs
  - 5.4.2.8 To make change
- 5.5 Usage. Petty cash can be issued as an advance or a reimbursement for authorized purchases to a Town employee. If the petty cash is used as a reimbursement for a purchase, the employee will provide a receipt for the purchase to the petty cash custodian. If an employee requests an advance, the petty cash custodian will determine if the purchase amount/reason is appropriate and issue a reimbursement payment voucher to the employee for the amount disbursed. The employee receiving the advance is responsible for providing a receipt for the purchase and returning any change.
- 5.6 Reimbursements. The Finance Department will reimburse petty cash expenditures when the custodian submits a completed and approved Petty Cash Reconciliation Form (Attachment D) along with the receipts. Departments should request reimbursements as needed and at fiscal year-end to ensure that expenditures are recorded in the year they were incurred. A check will be issued to the custodian to reimburse the petty cash fund.
- 5.7 Reconciliation
- 5.7.1 The custodian and supervisor shall reconcile petty cash funds at all of the following times:
    - 5.7.1.1 Monthly
    - 5.7.1.2 Upon a change in custodian
    - 5.7.1.3 Upon the closure of a fund
    - 5.7.1.4 At fiscal year-end
    - 5.7.1.5 Each time a petty cash fund is submitted for fund replenishment
    - 5.7.1.6 When determined necessary by department management or the fund custodian
  - 5.7.2 The following steps shall be used to perform the reconciliation:
    - 5.7.2.1 The custodian and supervisor will count the cash, reporting currency and coin by denomination.
    - 5.7.2.2 The custodian and supervise will total the cash, receipts and outstanding reimbursement payment vouchers.
    - 5.7.2.3 The custodian and supervisor should complete, sign and date the Petty Cash Reconciliation Form.
    - 5.7.2.4 All overages/shortages must be reported to the Department Head and documented appropriately.
  - 5.7.3 Petty cash fund overages or shortages must also be promptly reported to the Finance Department for making the necessary credit or charge adjustment. All funds should

be accounted for with cash receipts and outstanding reimbursement payment vouchers. If excessive and/or repetitive shortages or overages persist in the fund, the Department Head must take the applicable personnel actions to resolve the problem. This may include relieving the current custodian of his/her duties and establishing a new custodian.

#### 5.8 Change in custodian.

- 5.8.1 Departments must notify the Finance Department when there is a change in custodian by submitting a completed Change in Petty Cash Fund Custodian form (Attachment C).
  - 5.8.2 Before the fund is transferred to a new custodian, a reconciliation of all cash, receipts, and outstanding reimbursement payment vouchers must be completed to ensure that all funds are intact.
  - 5.8.3 The new custodian shall be furnished a copy of this directive and made aware of his or her responsibilities and legal liabilities.
  - 5.8.4 The prior custodian will be responsible for any differences before the new custodian assumes the responsibility. If the custodian is responsible for a fund shortage, the Finance Department will make every effort to establish a repayment schedule that meets the Finance Department's responsibility to recoup public funds in a timely manner and incorporates consideration for the employee's ability to repay. Repayment shall be made by cash or personal check. Should the employee fail to make any required repayments, Finance may deduct the amount of repayment by payroll deduction when all other means have been exhausted.
- 5.9 Increase or decrease a petty cash fund. A department that wishes to increase or decrease a petty cash fund shall submit a completed Request for an Increase or Decrease of a Petty Cash Fund form (Attachment B) to the Finance Department. If the request is to increase the funds, a Check Request should be attached. If the request is to decrease the funds, a cash receipt should be attached for the deposited funds.
- 5.10 Closure of a petty cash fund. A department that wishes to close a petty cash fund shall submit a written request from the Department Head and a final reconciliation of all cash, receipts, and outstanding reimbursement payment vouchers to the Finance Department. The full amount of the petty cash fund must be deposited with the Finance Department.

### 6.0 RESPONSIBILITIES

#### 6.1 Department Head responsibilities

- 6.1.1 Know the provisions of this directive and inform departmental staff of the Town policy and procedures.
- 6.1.2 Assist the Finance Department in determining if petty cash is necessary for the department.
- 6.1.3 Review and sign off on any over/short transactions.
- 6.1.4 Approve expenses and review reconciliations.

#### 6.2 Employee responsibilities

6.2.1 All employees are responsible for understanding and following this directive.

6.2.2 Custodians of petty cash are responsible for safeguarding the cash.

6.2.3 Custodians of petty cash are responsible for reconciling funds.

### 6.3 Finance Department responsibilities

6.3.1 The Finance Department is responsible for the overall financial management of the Town's budget and may request information required to support the purposes of this directive.

6.3.2 A record of authorized petty cash funds and custodians will be maintained in the Finance Department.

6.3.3 The Finance Department will perform at minimum an annual audit of petty cash funds. The Finance Department may perform unexpected reviews and/or audits, as deemed necessary, to ensure that petty cash funds are properly administered, established for necessary purposes, and funded at the appropriate level.

## 7.0 ATTACHMENTS

7.1 Attachment A – Request for Establishment of Petty Cash Fund form

7.2 Attachment B - Request for Increase or Decrease of Petty Cash Fund form

7.3 Attachment C – Change in Petty Cash Fund Custodian form

7.4 Attachment D – Petty Cash Fund Reconciliation Form

**REVISION HISTORY**

<i>REV</i>	<i>DESCRIPTION OF CHANGE</i>	<i>DATE</i>
<b>OR</b>	Original Release	12/1/2016
<b>REV</b>	Revision	6/5/18

**Caution:** A copy of this Administrative Directive is an uncontrolled document. It is your responsibility to ensure you are using the current version. The electronic version is the only acceptable and controlled Administrative Directive.