

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM-25.20

**Policy Name:** Petty Cash and Change Funds

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### General Policy and Procedure Overview:

Cash funds are established for specific purposes and are not to be commingled with other cash funds nor used for any purposes other than for which established. Only the Office of the Treasurer has the authority to establish, increase or authorize use of cash funds for the purposes of: Providing generalized banking services.

- Making emergency loans to students and other needs in accordance with specified standards.
- Making emergency payroll payments that cannot be handled through an emergency hand-drawn check in accordance with specified standards.

The [Cash Receipts Manual](#) sets detailed guidance and policies for the creation, termination, and operation of cash funds.

### Detail Policy and Procedure:

Use of Petty Cash Funds is encouraged for purposes of low-priced items from local vendors where the costs of establishing a purchase order, processing an invoice, and writing a check would substantially increase the cost of the transaction. Petty Cash purchases may be made by departments upon the approval of the Campus Procurement Manager. The campus Procurement Manager, in exceptional cases, may authorize expenditures that exceed \$50 where the need for such expenditures is clearly stated and the best interest of the University would be served.

Wherever possible and practical, items that cost \$50 or less and are not available from University sources and cannot be purchased with a Procurement card may be purchased from local vendors using petty cash funds.

Petty cash reimbursement cannot be made for the following items:

- Purchases from University sources, such as: Campus Bookstore, Print Shop, Quick Copy Center, and Food Service;
- Items for personal loan or use, including, for example: coffeepots or candy (excluding public reception areas), gifts, flowers, long distance phone;
- Hazardous or radioactive materials
- Logo/Licensed items
- Services rendered by a University employee
- Items or services on exclusive term contracts through the Campus Procurement Department
- Sales tax - The University is exempt from sales tax on its purchases, including those made with petty cash
- Travel expenses

Each Petty Cash purchase must be recorded on a Petty Cash Voucher and accompanied by appropriate documentation of the sale, including, for example, a cash register tape imprinted with the vendor's name or a written sales receipt signed by the sales clerk.

**Establishing a Petty Cash Fund:**

[Cash Receipts Manual section 601](#) discusses operational issues relative to the establishment of a cash fund. A determination will be made as to whether the petty cash is to be provided by the “campus” or from within a department’s operating funds. If the campus provides the cash resource an AP non-PO voucher is prepared that charges the petty cash chartstring. Centralizing responsibility for authorizing a cash fund achieves the authorization objective.

Transaction Description	Account	dr	Cr
Establish the fund	Cash Fund	X	
Move funds from general cash	cash		X

If the monies are pulled from a department’s operations the entry on the voucher charges the chartstring identified by the department.

**Balancing the Fund:**

Funds are balanced at the local departmental level. The [Cash Receipts Manual](#) requirement listed in CRM 604 a counting of the funds must be performed at least once per week. All of the petty cash fund assets are counted and verified by the person accountable for those funds or their designee. The fund is to be balanced using the transaction log taking the beginning balance, netting the effect of transactions with the result reconciled to the cash on hand. Balancing the cash to the transaction log is a control ensuring the completeness and accuracy of the cash fund and the transaction log. All overages and shortages must be documented and reported to the supervisor immediately. Entries to record a difference in a cash fund are run using a CRR and have the accounting effect as noted below. It is advisable that the fund be balanced, at least monthly by a person other than the person responsible for the fund. Balancing the fund by a person other than the custodian of the fund is a control to ensure the accuracy of the fund balance and thereby assuring the accuracy and completeness of the transactions processed through the fund.

Transaction Description	Account	dr	Cr
To replenish the fund	Cash fund	X	
To record the difference	Cash losses		X

**Replenishing the Fund:**

Petty cash funds are replenished using a [Non-PO Voucher](#). The voucher must be prepared to record each transfer of funds and processed by the fund custodian on a regular basis (weekly or bi-weekly as needed) to create checks that are then cashed by the cashier office. The resulting cash is transferred back to the department. The voucher is payable to the fund custodian and charged to the appropriate departmental accounts as determined from the documentation attached to the Non-PO Vouchers.

Change funds are replenished through the processing of the CRR to record any over or short condition.

<b>Transaction Description</b>	<b>Account</b>	<b>dr</b>	<b>Cr</b>
Record the expense that necessitated the use of Petty Cash Funds	The various expenses, as noted on the Form UMUW 12.	X	
Issue the check to replenish the fund	Cash		X

**Managerial Review / Control:**

The Accounting Services office keeps track of the outstanding cash funds. On a monthly basis the Accounting Services Office reconciles to changes in those funds to GL (e.g. request for new fund or turning in of one not needed any more). Annually the Accounting Services Office also compares the count of the funds to the GL and has the custodian certify that the funds are still there and the need continues to have it. Additionally, the Accounting office annually assesses the continued need for the fund. This is an annual re-authorization of the fund’s existence and operation.

**Segregation of Duties:** - To the extent possible and practical, different people must be assigned responsibility for:

- Receiving cash.
- Recording transactions.
- Depositing cash.

**Responsibility:**

**Treasurer’s Office:**

- Establish, increase or authorize use of cash funds
- Maintain policies and procedures regarding the operating of cash funds.

**Fund Custodian:**

- Maintain the fund in accordance with COM policies,
- Balance the fund weekly,
- Replenish fund as required,
- Report cash differences to the campus accounting office as they occur.

**Campus Business Services:**

- Establish and maintain a current list of all fund custodians and the amount for which each custodian is responsible.
- Monthly that list must be reconciled to the Petty Cash Sundry account.
- Ensure fund balancing occurs as required.

*Effective Date: July 1, 2006*

*Revised Date: August 1, 2007*

## **Questions and Comments?**

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.