
Petty Cash Policy and Procedures

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POLICY

Petty cash funds may be established at the discretion of the Director of Procurement Payment Services in certain departments for small or emergency purchases on the basis of demonstrated need. It is to be used only for the acquisition of those unanticipated items that require an immediate cash payment and should not be used as a means to circumvent proper purchasing procedures.

DEFINITION

Petty cash funds are revolving imprest accounts that are used to make small or emergency purchases to avoid the inconvenience and expense of processing checks through the University's normal purchasing procedures.

STANDARD PROCEDURES

Before requesting establishment of a petty cash fund, the Dean, Director, or Chair should ascertain that the goods purchased **cannot** be obtained from one of the following:

- An on-campus vendor (i.e., University Bookstore, Stores, University Commons Storeroom, Science Storeroom, Printing Center, or Photo Center)
- An off-campus vendor using one of the following:
 - a. Standard purchasing procedures
 - b. Standing purchase order
 - c. Procurement card(see <http://www.usm.edu/procurement/procurement.html>)

PROHIBITED PURCHASES

No item should be handled as a petty cash item that can be readily secured through normal University procurement channels. An item that would not ordinarily be purchased by the Purchasing Department as an acceptable item for University expenditure is also prohibited from being purchased with petty cash funds. The fund custodian and the Dean, Director, or Chair must carefully monitor purchases with petty cash funds since these purchases bypass the Purchasing Department's control over procurement.

The following items will **not be reimbursed** from petty cash:
(Note: *List is not all-inclusive*)

- Single purchases in excess of \$50.00
- Items on State Contract (call Purchasing Department at ext. 6.4131 to determine if an item is included on state contract)
- Equipment of any kind
- Payment to an individual for services rendered
- Office parties, gifts, holiday decorations, flowers, greeting cards
- Meals of any kind, including prepared foods (i.e., fast food restaurants)
- Software
- **State sales tax**
- Gasoline
- Honorariums
- Alcoholic beverages
- No IOUs for cashing personal checks
- Items purchased more than 30 days prior to request for reimbursement
- **Custodians should not use *personal* funds in-lieu of petty cash.**

The University is **exempt** from state sales tax. It is the employee/purchaser's responsibility to inform the merchant at the point of sale that he/she is using University funds that are exempt from state sales tax and provide a sales tax exemption number. *Contact Purchasing or Financial Affairs to obtain the sales tax exemption number.*

The Office of Procurement Payment Services reserves the right to deny reimbursement for nonallowable expenditures. The above list is not meant to be all-inclusive. If an employee is not sure of the propriety of the expenditure, please call the Office of Procurement Payment Services (ext. 6.4084) in advance of making a request for reimbursement.

Violation of this policy may result in the cancellation of the petty cash fund.

ESTABLISHMENT

Establishment of a petty cash fund or increases to existing funds may be requested by a Dean, Director, or Chair by letter to the Director of Procurement Payment Services. The request should include the following:

- Name of custodian who will be responsible for safeguarding and dispensing fund cash
- Name and ChartField string of the department that will assume responsibility for the expenditures
- Amount of request

- Purpose of fund
- Security procedures to safeguard cash
- Specific location of fund–Building and room number
- Anticipated frequency of reimbursement

If approved, the Office of Procurement Payment Services will process the request, which will normally require 7-10 days and authorize a check to be prepared in the name of the designated petty cash custodian. The custodian will have to sign a receipt for the funds and receive a copy of the *Policies and Procedures Manual* relating to petty cash funds.

A petty cash fund must be used only for the purpose for which it is established.

USING THE PETTY CASH FUND

All expenditures that are to be reimbursed with petty cash funds are to be pre-approved by the fund custodian. A receipt to verify the purchase and payment must support expenditures from the fund. It is the responsibility of the fund custodian to determine if the transaction meets the requirements as set forth in the petty cash policy. At the time the expenditure is made, a sales slip (in the name of The University of Southern Mississippi) or other document, such as a cash register receipt containing the following, must be obtained:

- Date
- Name of vendor
- Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word “paid” appears)
- The amount paid
- A description of the goods purchased (entered by the vendor if a handwritten receipt is obtained or by the purchaser if a cash register tape is issued)
- A signature indicating receipt of goods
- The fund custodian’s signature documenting approval of expenditure
- An explanation of the purchase justifying the relevance of each purchased item

At any given time, cash on hand plus receipt documents **must** equal the authorized amount of the fund. It is the responsibility of the fund custodian to maintain a current record of the fund’s financial status. The following format is recommended:

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Date	Description	Purchases	Reimbursements	Balance
8/02/00	Beginning Balance			\$100.00
8/07/00	Name of Vendor	\$7.50		92.50
8/13/00	Name of Vendor	\$25.00		67.50
8/19/00	Name of Vendor	\$13.75		53.75
8/26/00	Name of Vendor	\$21.24		32.51
8/30/00	Reimbursement		\$67.49	100.00

Miscellaneous items purchased from the Salvation Army, rummage sales, flea markets, and pawnshops may be reimbursed with petty cash funds. The purchase must be supported with a cash register receipt. A handwritten receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase is required.

REPLENISHING THE PETTY CASH FUND

A University petty cash fund may be reimbursed as frequently as required and **must** be replenished by month end. The Petty Cash Custodian must prepare a **Remittance Voucher** <http://www.usm.edu/procurement/apforms.html>

The supporting documentation (i.e., sales slips, cash register receipts) must be attached to the Remittance Voucher when submitted to the Office of Procurement Payment Services for reimbursement.

Following approval, a check will be issued and made payable to the Petty Cash Custodian.

ALL Petty cash funds must be reimbursed at fiscal year end (prior to June 30) in order to charge expenditures to the proper accounting period.

CASH OVERAGE/SHORTAGE ISSUES

Please follow the following example to make your adjustments to the petty cash. Please note, excessive overage and shortages may result in the cancellation of the petty cash fund.

Example: You discover that your Department's booked amount equals \$100, but has either a \$105 (5 dollars overage) or \$95 (5 dollars shortage), the following two options are available.

Option One:

If the Department wishes to keep the amount on hand, in this case \$95 or \$105 then an adjusting entry would need to be made to reflect the change on the books. A memo should be drafted to the **Director of Financial Affairs** and copied to the **Director of the Office of Procurement Payment Services and to the Office of Internal Audit**, requesting them to make an adjustment entry to reflect the amount physically on hand of \$95 or \$105 (adjusting entry of negative \$5 or positive \$5 respectively). Accounting will then make the adjusting entry, which will be reflected on the account 605892.

Option Two:

If the Department wishes to bring the physical amount in line with what is booked, then for an overage (\$5 in this example) a deposit should be made of \$5 to the account 605892 with the corresponding department ChartField String. For a shortage, a remittance voucher should be completed in the amount (\$5 in this case) stating the reasons why the fund is short. The voucher should be forwarded to the **Director of the Office of Procurement Payment Services and a copy to the Office of Internal Audit**. The shortage should be charged to 605892 with the corresponding department ChartField String.

SAFEGUARDING THE PETTY CASH FUND

Petty cash funds and supporting documentation (receipts) must be kept in a safe location (i.e., locked up in a safe, vault, or desk drawer) and must not be commingled with any other funds. The fund should be verified and reconciled on at least a weekly basis. Campus Security must be notified immediately if the fund is missing and theft is suspected. The loss must also be reported to the Director of Financial Affairs and the Director of the Office of Internal Audit. The fund custodian must prepare a document outlining the facts and circumstances of the loss. All suspected thefts are to be treated confidentially since an investigation may be ongoing.

Petty cash funds may be audited (**unannounced**) at random times throughout the year by the Office of Internal Audit and/or the Office of the State Auditor. Persons declaring themselves as authorized to conduct an audit must be identified before funds

or records are relinquished. The custodian should remain with the auditors at all times to observe the counting of funds and examination of records. The custodian must sign the examination of petty cash form prepared by the Office of Internal Audit. At June 30 of each year, each custodian will be requested by letter to confirm the amount of the fund in his/her possession.

CHANGE OF CUSTODIAN

The responsible Dean, Director, or Chair will notify the Director of Procurement Payment Services and the Office of Internal Audit by memorandum when a new individual becomes custodian of an existing petty cash fund on a temporary or permanent basis. The fund custodian must ensure that the fund is replenished before it is turned over to a new custodian. **Unauthorized** transfer of custody between employees is not permitted and may result in the cancellation of the petty cash fund.

CLOSEOUT

When the fund is no longer needed (determined by the Dean, Director, or Chair), the following procedures must be followed:

- Notify Director of Procurement Payment Services.
- Prepare Remittance Vouchers for all remaining receipts.
- Deposit the entire amount to the Business Office in Forrest County Hall using the following format,

111010 FUND# DEPT# PROGRAM#

The Director of Procurement Payment Services maintains the right to close a petty cash fund at any time.

CONTACT

For any questions regarding petty cash procedures or allowability of expenditures, please contact the Office of Procurement Payment Services at 266-4131.