

Petty Cash Funds

Authority This Guide Memo is approved by the Vice President for Business Affairs and Chief Financial Officer.

Summary This Guide Memo outlines policy on establishing and managing a petty cash fund.

Section headings are:

1. USES OF PETTY CASH
2. ESTABLISHING A PETTY CASH FUND
3. CUSTODIAN RESPONSIBILITIES
4. MAINTAINING A PETTY CASH FUND

1. USES OF PETTY CASH

- a. **Purpose of Petty Cash Funds** – Petty cash funds enable departments to pay cash for minor business expenditures. Departmental or individual purchasing cards are encouraged as an alternative to petty cash reimbursements.
- b. **When Petty Cash May be Used** – Reimbursements from petty cash are authorized for purchases and expenditures up to \$150 per transaction. Special rules apply to the following uses of petty cash:
 - **Alcoholic Beverages** – Purchases of alcoholic beverages may not be reimbursed by the federal government, either directly on a contract or grant account, or indirectly through the indirect cost rate calculation. When alcohol is served as part of a business meal, the restaurant receipt must identify the amount charged for the alcoholic beverages. List the alcohol amount, plus the associated portion of sales tax and tip, separately on the reimbursement documentation, charging the expenses to the appropriate unallowable expenditure type.
 - **Capital Equipment Fabrications** – When the item purchased is to be used in the fabrication of a piece of capital equipment, the Fabrication Number must be shown on the reimbursement documentation. (For more information on capital equipment fabrication, see Chapter 3, Fabrications for Equipment, in the Stanford Property Administration Manual, at: http://ora.stanford.edu/ora/pmo/manual/chapter_03/Default.asp.)
- c. **Accounting Accuracy** – Reimbursement for petty cash must be the exact amount of the expense. Splitting one transaction in excess of \$150 into several parts, or requesting reimbursement of less than the full amount of the expense is specifically not allowed.
- d. **When Petty Cash May Not be Used** – Petty cash may NOT be used for:
 - Payment for services performed by employees or non employees
 - Advances
 - Gifts
 - Personal loans and cashing personal checks
 - Buying hazardous materials
 - Stanford Faculty Club dues
 - Social or travel club dues
 - University parking permits (personal expense)
 - Traffic citations
 - Personal expenses

- Transactions involving students
- Interest charges
- Amounts over \$150 unless a department requests, and the Associate Controller for School & Department Operations approves, a higher limit for the department's petty cash fund.

For other unallowable expenses, refer to Guide Memos 36.4, Reimbursement of Expenses, http://adminguide.stanford.edu/36_4.pdf, and 54.4, Rapid Purchase Orders, http://adminguide.stanford.edu/54_4.pdf.

2. ESTABLISHING A PETTY CASH FUND

- One Petty Cash Fund Per Department** – Unless the department is very large or geographically dispersed, a single petty cash fund per department is usually adequate for all its petty cash transactions. Reimbursements from one petty cash fund may be charged to any type of account (PTA) including sponsored projects. If more than one petty cash fund is needed, contact the Cash Management group in the Controller's Office (632 Serra Street, Suite 160, mail code 6036), and provide the information noted in section 2.d below.
- Size of a Petty Cash Fund** – A petty cash fund should be small enough to require replenishment at least twice monthly, and large enough to require no more than three replenishments per month.
- Petty Cash Custodian** – The department head must appoint an individual to be custodian of the department's petty cash fund. Petty cash custodians are required to complete Petty Cash Training and pass the associated certification test. For step-by-step instructions, see Quick Steps: Get Certified as a Petty Cash Custodian at: http://fingate.stanford.edu/staff/pettycash/quick_steps/get_certified.html
- Establishing or Changing a Petty Cash Fund** – Department heads may request a new petty cash fund or an increase or decrease in an existing fund by sending a memorandum to Cash Management. The memorandum should include the reason for the request, the amount requested, the name of the petty cash custodian, location, petty cash fund number (when an increase or decrease is requested), and the identity of the individual(s) who have signature authority on the Received of Petty Cash form. When a petty cash fund is to be decreased, the unneeded cash should be taken to the Cashier's Office for deposit. Contact Cash Management for appropriate account information.

Note – For more information, see Establishing a Department Petty Cash Fund located at: http://fingate.stanford.edu/staff/pettycash/establish_dept_fund.html

3. CUSTODIAN RESPONSIBILITIES

- Assignment of Petty Cash Funds to Custodian** – Following certification that the petty cash tutorial has been successfully completed the Controller's Office issues a check for the amount of the petty cash fund. A letter of transmittal with the check assigns a Petty Cash Fund Identification Number which the custodian must use in all transactions affecting the fund. The custodian remains accountable for the petty cash until another person is officially designated as the new custodian or the fund is closed. For more information, see Administering a Petty Cash Fund located at: http://fingate.stanford.edu/staff/pettycash/administer_fund.html
- Protection of Petty Cash** – To prevent access by anyone except the custodian, petty cash should be kept in a locked box in a desk or cabinet that is locked whenever the custodian is absent. Only the custodian should have access to the keys. In case of theft or mysterious disappearance, the Stanford Police must be notified as soon as the loss is discovered. A copy of the police report should be included with the petty cash receipts when reimbursement is requested.

c. Absence of the Custodian –

- (1) **Brief Absence –** During absence or vacation, a custodian may place the petty cash fund with a temporary custodian. The new custodian must complete the Petty Cash tutorial before assuming responsibility for the fund. The temporary custodian and the regular custodian must inventory the petty cash box and prepare a list of cash, receipts and reimbursement requests in process. These must total the value of the petty cash fund. The temporary custodian signs a copy of the inventory as a receipt. The regular custodian retains this receipt since that individual is transferring personal responsibility for the value of the fund. When the regular custodian returns, the same procedures must be followed with the receipt retained by the temporary custodian.
- (2) **Absence During Which Fund Needs Replenishing –** If it is necessary to replenish the fund when the temporary custodian is in charge, a memo from the department head identifying the temporary custodian must be sent to Disbursements, Customer Outreach Group. Without this notification the check to replenish the fund will be automatically generated in the name of the regular custodian and cannot be cashed by the temporary custodian.

Note – For more information, see Quick Steps: Make Changes to a Petty Cash Fund (Assigning a Temporary Custodian During Planned Absence) located at:

http://fingate.stanford.edu/staff/pettycash/quick_steps/make_changes.html

- d. Change of Custodian –** The department head may transfer the petty cash fund to a new custodian by submitting a HelpSU request, calling Helpline at 1-650-725-9100, or sending a memorandum to the Petty Cash Administrator, Disbursements, 3145 Porter Drive, mail code 8440. On the HelpSU request form, located at: <http://helpsu.stanford.edu>, set the Request Category to “Central Office Issues” and set the Request Type to “Customer Outreach for Disbursements.” Use the Request Description to enter the Petty Cash Fund number and the desired change.

The new custodian must complete Petty Cash Training and pass the associated certification test before assuming responsibility for the fund. For step-by-step instructions, see Quick Steps: Get Certified as a Petty Cash Custodian at: http://fingate.stanford.edu/staff/pettycash/quick_steps/get_certified.html.

The fund must be counted and reconciled prior to transfer. Except on a temporary basis described in paragraph 3.c., one custodian may not transfer a fund to a new custodian. The petty cash fund must be in balance before the new custodian accepts it.

- e. Closing a Petty Cash Fund –** If a petty cash fund is no longer needed the custodian must close the fund. Take the cash remaining to the Cashier’s Office. Do not send cash through ID mail. Contact Cash Management to obtain the appropriate account to credit with the deposit. The Cashier’s Office will prepare a cash receipt, give the custodian a copy and send a copy to Cash Management. The remaining expenses are reported online via the iOU Petty Cash module. The Remarks field should state that the account is to be closed, that a check is not to be issued, and that the remaining cash was taken to the Cashier's Office. In cases when a custodian leaves without closing the fund and there are no receipts or records, the unaccounted-for cash will be charged to the unrestricted operating budget of the custodian’s department, reported to the IRS as income to the custodian, and may be reported to Internal Audit or the police for investigation. For step-by-step instructions, see Quick Steps: Close a Petty Cash Fund at: http://fingate.stanford.edu/staff/pettycash/quick_steps/close_fund.html
- f. Confirmation of Petty Cash Funds –** Every custodian receives an annual request from Cash Management for a confirmation of the balance of the petty cash fund. The department head or manager, not the custodian, needs to sign the confirmation. Some funds are selected each year for an actual count of cash and receipts to verify the balance. Approvers of petty cash transactions should also periodically verify the cash on hand. For step-by-step instructions, see Quick Steps: Reconcile a Petty Cash Fund at: http://fingate.stanford.edu/staff/pettycash/quick_steps/reconcile_fund.html

4. MAINTAINING A PETTY CASH FUND

- a. **Accounting for Petty Cash Transactions** – Proper accounting for petty cash requires that custodians make payments for authorized expenditures only, obtain receipts, and record expenditures. *Note* – there **MUST** be a sales slip, cash register tape, or other receipt attached to a Received of Petty Cash form for each expenditure. The only exception is reimbursement for mileage where a log with odometer readings, date, destination and business purpose serves in lieu of a receipt. When a receipt is not available, a Lost Receipt Form should be completed and signed. This form is available in the Petty Cash Administration section of the Gateway to Financial Activities web site at: <http://fingate.stanford.edu/staff/pettycash/forms.html>

The Received of Petty Cash form or the attached receipt must be signed by the person being reimbursed and approved by someone who has signature authority for the account (PTA) charged. The approver may be the custodian of the petty cash fund, except that the custodian may not approve his or her own expenses and may not approve expenses for an individual to whom he or she reports either directly or indirectly.

- b. **Balancing Petty Cash Funds** – When reimbursements by the custodian deplete the amount of cash, receipts are totaled to account for the expenditures and keep the petty cash fund in balance. At any time, the total cash on hand plus the total receipts and reimbursement requests in process should equal the original amount of the petty cash fund. If the fund does not balance, the Customer Outreach group in the Disbursements Department of the Controller's Office should be contacted for assistance. A petty cash fund should always be balanced before a request is made for replenishment. For step-by-step instructions, see Quick Steps: Reconcile a Petty Cash Fund at: http://fingate.stanford.edu/staff/pettycash/quick_steps/reconcile_fund.html

c. **Replenishing Petty Cash Funds** –

- (1) **Approval** – The iOU Petty Cash Reimbursement request must be reviewed and approved by a person who has online signature authority for the departmental accounts (PTAs) to be charged (see Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf>). This person could be the department head and must be someone other than the custodian and not someone who reports to the custodian. The approver may not approve his or her own expenses and may not approve expenses for an individual to whom he or she reports either directly or indirectly.
- (2) **Check Printing** – Checks to petty cash custodians are printed daily in Disbursements. Checks are then sent as requested to the custodian. If special handling or "Will Call" service is requested, a special handling fee will be charged.
- (3) **Cashing of Replenishment Checks** – Most banks will cash checks for the Petty Cash Custodian. Arrangements have also been made with the Stanford Federal Credit Union to cash replenishment checks as long as the payee has a Stanford Identification Card. It may expedite the cashing of the replenishment check if cash is ordered in advance by faxing a Petty Cash Bank Replenishment Form to the Credit Union or Bank. This allows the financial institution to provide the denominations of currency desired. The form is available on the Gateway to Financial Activities web site at: http://fingate.stanford.edu/docs/pettycash_bank_replenish.xls

- d. **Reports of Petty Cash Expenditures** – Petty cash expenditures are reported to departments on their monthly expenditure statements by account number (PTA) and expense classifications.