

# Petty Cash Manual

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Manager of Accounting and Financial Compliance

### **Purposes of a Petty Cash Fund**

- Petty cash funds are used primarily for making change for sales, or for paying small amounts (less than \$100.00) to research participants. Amounts of \$100.00 or more paid to research participants should be on a Supplier Invoice. For other purposes, it is preferable to utilize a Purchasing Card or as an Expense reimbursement, rather than a petty cash fund.

### **Establishing (or Increasing) a Petty Cash Fund**

- **To receive funds in cash at the Treasurer's Office:**
  - Prepare an **Ad Hoc Bank Transaction** and attach a completed [Petty Cash Requisition form](#).
  - If you are adding to an existing petty cash fund you can use your department's existing Worktag on the Ad Hoc Bank Transaction. Otherwise, contact Financial Accounting & Reporting (294-6388) to request that a new Worktag be set up for a petty cash account.
  - NOTE: Only petty cash worktags with the IRT1139 optional worktag can be used for petty cash requests. Contact Financial Accounting & Reporting to set up a petty cash worktag if your unit does not already have one.
  - Please provide a name and number for the Treasurer's Office to contact when the cash is ready to be picked up. Ad Hoc Bank Transactions should be routed at least five business days before the cash is needed. If special denominations are needed (i.e., \$2 bills) or large amounts of specific bills, please allow up to two weeks for routing and delivery.
  - You can specify on the Ad Hoc Bank Transaction the denominations of currency or change that you would like to pick up.
- **To receive funds in the form of a check:**
  - Prepare an **Ad Hoc Payment**.
  - The information requirements are nearly identical to the Ad Hoc Bank Transaction example above.
  - Most petty cash fund custodians use the Ad Hoc Bank Transaction method, as it is more convenient to pick up cash at the Treasurer's Office than to cash a check at a bank.

### **Replenishing a Petty Cash Fund**

- The custodian must submit receipts to replenish the petty cash fund at least every 30 days. Petty cash funds that are replenished on a less frequent basis may be deemed to be excessive and subject to being reduced or eliminated. However, petty cash advances used solely for making change would not have receipts to submit.
- A [Petty Cash Voucher](#) (or a similar spreadsheet including Supplier, Description, Amount, and Worktag) should be completed for every transaction disbursed from the petty cash fund. Adequate documentation supporting each disbursement must be obtained by the custodian and submitted along with the Petty Cash Voucher.

- The Petty Cash Voucher must be totaled and signed by the custodian and the department chair (or designate). The total of the Petty Cash Voucher plus the cash on hand or in a university checking account must equal the amount of the funds advanced. Any discrepancy must be explained, and a request for a reimbursement of the shortage should be included on the Petty Cash Voucher.
- Replenishment of a petty cash fund can be either in cash or by check.
  - For replenishment in cash, the custodian must complete an Ad Hoc Bank Transaction.
  - For replenishment by check, the custodian must complete an Ad Hoc Payment.
  - For either replenishment method, the document should be charged to the department's Worktag, and attaching all supporting documentation. The Petty Cash Voucher is not required when attaching Research Participant Receipts forms as documentation.

### **Closing (or Reducing) a Petty Cash Fund**

- If the petty cash advance is being closed or reduced, any excess cash should be deposited into the petty cash account via an Ad Hoc Bank Transaction.
- If receipts for expenses from the petty cash fund have not yet been submitted, contact your Finance Specialist for guidance on how to reduce the outstanding amount of the advance. Unless the documentation is RPRF forms for research participants, a Petty Cash Voucher also must be attached.
- To record a loss of petty cash funds by theft or mysterious disappearance:
  - All losses of cash by disappearance must be reported to the ISU Public Safety Office (294-4428) immediately by phone, and then by memo, with a copy to the Senior Vice President for Operations and Finance.
  - This memo must outline the description of the events surrounding the loss, including the date, time, location, and estimate of the loss (if known).
  - On the first business day following the discovery of the loss, the department must notify Internal Audit and the Office of Risk Management.
  - Contact your Finance Specialist for assistance in writing off the lost or stolen petty cash.
  - The Finance Specialist should complete a manual journal.
    - The department must specify a non-restricted funding source and the total of the lost or stolen petty cash funds should be moved to the petty cash account to offset the balance.
    - A verification of the loss from either the ISU Department of Public Safety or the Internal Audit Office should be attached.
- If your intention is to close the account, after following the steps above, petty cash account balance is now zero.
- If your intention is to reduce the account, confirm that the petty cash account balance equals the amount of cash on hand.

### **Responsibilities of Petty Cash Custodians**

- The custodian is responsible for ensuring that petty cash funds are physically secured or attended by an authorized person at all times.
  - Cash must be locked securely when not in use.
  - The key or combination must also be safeguarded to prevent theft of the cash.
  - Access to the petty cash fund should be limited to the custodian and perhaps one back-up person.
- The Department Chair is responsible for ensuring there is adequate separation of duties.
  - ***The same person cannot be both the reconciler and custodian.***
- The petty reconciliations must be prepared monthly by someone other than the custodian and must accompany the semiannual confirmation.
- The Petty Cash Reconciler must complete a monthly reconciliation of the petty cash account balance to the amount of cash on hand (or in a university checking account) plus the amount of documented but unreimbursed disbursements.
  - Use of the Petty Cash Reconciliation Form is highly recommended.
- Replenishment of the petty cash funds should occur on a timely basis (within 30 days) and should follow the procedures identified in Procedures for Replenishing Petty Cash Funds.
- Petty cash (or change) funds are not to be commingled with other funds.
- No one is permitted to write personal checks against petty cash funds.
- Petty cash funds are only to be used for purposes that would be permissible per university procurement and payment policies.
- Travel expenses may not be reimbursed from petty cash funds.
- Payments for personal services (e.g., payments to research subjects) are only permissible if the petty cash fund was established for that purpose.
- Custodians must respond to the Controller's Department's confirmation letter each June 30 and December 31 to verify the amount of cash advanced is still on the premises, as well as provide copies of the monthly reconciliations.

### **Petty Cash Funds Requiring Checking Accounts for Disbursements**

- The Treasurer of the university will determine the financial institution where the checking account is to be established.
  - The name of the account should be "Iowa State University--(Name of the Project)."
- The Treasurer of the university must be included as one of the authorized signatures on the account.
- The checks used to make disbursements from this account should have a maximum dollar amount printed on them which is reflective of the maximum payment to be made from the account.
  - The Treasurer of the university can be contacted for guidance in this matter.
- The funds deposited to this bank account are only available for the requested purpose, bank charges, and cost of checks. The use of these funds for any other purpose would have to be authorized in advance of the disbursement(s).

- Replenishment of the petty cash funds deposited to this bank account should occur on a timely basis.
  - The replenishment should follow the procedures identified in [Replenishing Petty Cash Funds](#).
  - It is expected that a reconciliation will be submitted to the Accounting Office on a monthly basis, consistent with the bank statement cycle.
- When the need for the checking account no longer exists, the University Treasurer is to be notified of the intent to close the bank account.
  - All unused checks should be turned over to the Treasurer, along with a current bank reconciliation.
  - It will be the responsibility of the custodian to formally close the account and appropriately transfer all funds remaining in the account.
- Occasionally, a check may remain outstanding for an extended period of time.
  - If it is expected that the check will not be cashed by the subject (outstanding at least 180 days), the amount of the check(s) should appear as a credit on the next petty cash voucher submitted by the custodian.
  - The effect of the credit will be to reduce both the expense charged against the sponsored research account and the amount of the replenishment.
  - When a check is written off in this manner, it must be added back to the checkbook balance and eliminated from the outstanding check total used in reconciling the bank account.
- When a check must be reissued to a subject; (e.g., the original check was lost or possibly stolen), a stop payment notification must be communicated to the financial institution with whom the bank account is maintained.
  - Such checks should not appear on any future replenishments of the account.
- Any interest earned on the account should be identified as a credit on the next petty cash voucher submitted to replenish the account.
  - If the advance was centrally funded, the credit should be recorded to the Treasurer's Temp Earnings (PG109553).
  - If the funding source was federal, contact the Sponsored Programs Accounting Office for the appropriate account number to credit.
- In order to provide adequate separation of duties, the bank reconciliations should be prepared monthly by someone other than the person writing the checks.
  - A copy of the bank statement and the reconciliation should be submitted to the Accounting Office.
  - The custodian of the bank account is responsible for reconciling both the checkbook balance to the bank balance and the bank balance to the amount of the petty cash advance.
  - These reconciliations should be done no later than ten working days after receipt of the statement.

### **Sponsored Programs Accounts (GR/SG Worktags)**

- The examples in the links above focus primarily on PG worktags with IRT1139 optional worktag (petty cash accounts). There also can be Non-Travel Project Advances to ISU Employees or Advances to Foreign Subcontractors or Foreign Individuals.
  - Please contact your Sponsored Programs Accounting Accountant for questions regarding advances for GR/SG worktags.

### **Questions**

- Please direct all questions, concerns and inquiries to Financial Accounting and Compliance at [acctwebiastate.edu](http://acctwebiastate.edu).