



California State University Channel Islands Petty Cash Procedure

SUMMARY

The purpose of this document is to outline the procedure on establishing and managing a petty cash fund. Section headings are:

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

1. ESTABLISHING A PETTY CASH FUND

a. One Petty Cash Fund Per Division — A single petty cash fund per division is usually adequate for all its petty cash transactions. Reimbursements from one petty cash fund may be charged to any type of activity/account including sponsored projects.

b. 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. Each petty cash fund in excess of \$500 will be established only after approval of the Associate Vice President for Financial Services. Reimbursements are authorized for amounts up to and including \$50 per transaction (including sales tax) unless a division requests, and the Vice President for Financial Services approves, a higher limit for the division's petty cash fund.

c. Petty Cash Custodian — The division head must appoint an individual to be custodian of the division's petty cash fund. The custodian must be trained by the Associate Vice President for Financial Services (or designee) before taking on petty cash custodian responsibilities.

d. Establishing or Changing a Petty Cash Fund — Division heads may request a new petty cash fund or an increase or decrease in an existing fund by completing the *Petty Cash/Change Fund New Custodian Form* and submitting to the Associate Vice President for Financial Services along with a completed *Check Request Form* (increase in limit only). When a petty cash fund is to be decreased, a *Petty Cash Reconciliation Form* should be prepared and the form and unneeded cash should be taken to the Associate Vice President for Financial Services' Office by the custodian. A cash receipt will be given to the custodian and a copy of the receipt will be attached to the deposit.

2. USES OF PETTY CASH

a. Purpose of Petty Cash Funds — Petty cash funds enable departments to pay cash for minor business expenditures that could not be charged to a departmental or individual purchasing card.

b. When Petty Cash May be Used — Reimbursements from petty cash are authorized for purchases and expenditures up to and including \$50 per transaction (including sales tax), with a maximum reimbursement of \$50 per day, per person. A petty cash recipient cannot submit a receipt for more than \$50 and elect to waive reimbursement for the amount in excess of \$50. The amount of the expense is to be listed in column 8 (Business Expense), with a description of the purchase under number 11 (Purpose and Details). The form needs to include the account number to be charged, and be signed by an authorized signer for that account. In general, petty cash can be used to reimburse employees for valid business expenses; however, please see Appendix A for special rules regarding reimbursement for hospitality expenses.

c. Accounting Accuracy — Reimbursement for petty cash must be the exact amount of the expense. Splitting one transaction over \$50 into several parts is specifically not allowed.

d. When Petty Cash May Not be Used — Petty cash may NOT be used for:

- Alcoholic beverages
- Amounts over \$50
- Business travel related expenses (must submit TEC to Accounts Payable)
- Gifts
- Gift cards
- Hazardous materials
- Interest charges
- Membership dues
- Payment for services performed by employees or non-employees
- Personal expenses
- Personal loans and cashing personal checks
- Social or travel club dues • Traffic citations
- University parking permits

3. CUSTODIAN RESPONSIBILITIES

a. Assignment of Petty Cash Funds to Custodian — The Accounts Payable Office will issue a check to the custodian for the amount of the petty cash fund. The custodian remains accountable for the petty cash until another person is officially designated as the new custodian or until the fund is closed.

b. Protection of Petty Cash — To prevent access by anyone except the custodian, petty cash funds exceeding \$100 must be kept in a locked box in a safe, vault, locked drawer, or money chest that is adequate to safeguard cash and 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 CSUCI Police Department 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 an absence or vacation, a custodian may place the petty cash fund with a temporary custodian. 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. A *Petty Cash Reconciliation Form* may be used for this inventory and is available on the Financial Services website.

(2) Extended Absence - Fund Replenishing — If it is necessary to replenish the fund when the temporary custodian is in charge, a memo from the division head identifying the temporary custodian must be sent to the Associate Vice President for Financial Services' Office. 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.

d. Change of Custodian — The division head may transfer the petty cash fund to a new custodian by sending a memorandum to the Associate Vice President for Financial Services. The memorandum should include the date of the transfer, amount in the petty cash fund, name of current custodian, and name of new custodian. A personal audit of the fund must be made by the employees concerned using a *Petty Cash Reconciliation Form* and a receipt in the form of the *Petty Cash/Change Fund Custody Transfer Request Form* must be given to the custodian being relieved by the newly assigned custodian. A copy of the request form signed by both parties should then be sent to the Associate Vice President for Financial Services' Office.

e. Closing a Petty Cash Fund — If a petty cash fund is no longer needed, the custodian must close the fund by completing a final *Petty Cash Reconciliation Form* and taking the cash remaining to the Associate Vice President for Financial Services' Office. Do not send cash through inter-campus mail. The Associate Vice President for Financial Services' Office will prepare a cash receipt. The remaining expenses are recorded as a journal entry. In cases when a custodian leaves without closing the fund and there are no receipts or records, the remaining cash will be charged to the operating budget of the custodian's division, reported to the IRS as income to the custodian, and may be reported to Internal Audit or the police for investigation.

f. Confirmation of Petty Cash Funds — An actual count of cash and receipts will be conducted by the Associate Vice President for Financial Services' Office on a surprise basis as follows:

- (1) Annually for funds less than \$200
- (2) Quarterly for funds between \$200 and \$500
- (3) Monthly for funds greater than \$500

A *Petty Cash Reconciliation Form* to document the inventory is available on the Financial Services website.

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. There MUST be a sales slip, cash register tape, or other receipt attached to the claim form for each expenditure. When a receipt is not available, a *Lost Receipt Memo* should be completed and signed. 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. Cash Disbursements — When presented with the appropriate documentation, the custodian will require that the recipient of the cash complete a form in a *Petty Cash Receipt Book* to acknowledge receipt of the funds. The original receipt stays in the book until it is submitted with the supporting *Petty Cash Reconciliation Form* when a replenishment request is submitted. The duplicate copy of the receipt remains in the book to be retained by the custodian for back-up documentation.

c. Balancing Petty Cash Funds — When reimbursements by the custodian deplete the amount of cash, receipts are totaled to account for the expenditures and to 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 Associate Vice President for Financial Services' Office should be contacted for assistance. A petty cash fund should always be balanced before a request is made for replenishment. A *Petty Cash Reconciliation Form* is available on the Financial Services website.

d. Replenishing Petty Cash Funds – Approval — To replenish a petty cash fund, a *Petty Cash Reconciliation Form* is completed by the custodian and sent to the Accounts Payable Office. The Accounts Payable Office will review the *Petty Cash Reconciliation Form* to verify approval by a person who has signature authorization for the departmental activities/accounts to be charged. 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. Once all forms and receipts have been reviewed and approved, the replenishment check is then sent as requested to the custodian.

e. Reports of Petty Cash Expenditures — Petty cash expenditures are reported to departments on their monthly expenditure statements by activity/account number and expense classifications.

f. Depositing Petty Cash Funds – Should petty cash funds need to be deposited, a *Request to Deposit Funds Form* should be filled out and delivered to Student Business Services. Since funds can only be deposited into revenue accounts, it will be necessary to post to a revenue account and then submit a *Journal Entry Transfer (JET) Request Form* to move to the petty cash account (101009 – Cash on Hand). This procedure will be necessary when closing a petty cash fund or repaying an additional petty cash fund taken out for a special event.

APPENDIX A

Special Rules Applicable to Petty Cash Reimbursement for Hospitality Expenses

Hospitality Expenses

Hospitality is defined as the provision of meals (catered or restaurant) or light refreshments (beverages, hors d'oeuvres, pastries, cookies, etc.), promotional materials, and gifts of official guests of the university. Hospitality includes expenses for activities that promote the university to the public, usually with the expectation of benefits accruing directly or indirectly to the university and may include the provision of gifts, awards, and promotional materials.

Allowable Expenses and Occasions

Hospitality expenses must be directly related to, or associated with, the active conduct of official university business. When a university employee acts as an official host, the occasion must, in the best judgment of the approving authority, serve a clear university business purpose, with no personal benefit derived by the official host or other university employees. In addition, the expenditure of funds for hospitality should be cost effective and in accordance with the best use of public funds.

Hospitality expenses, including awards and gifts, must conform to IRS regulations. When determining whether a hospitality expense is appropriate, the approving authority must evaluate the importance of the event in terms of the costs that will be incurred, the benefits to be derived from such an expense, the availability of funds, and any alternatives that would be equally effective in accomplishing the desired objectives. Following are examples of occasions when the provision of hospitality is permitted:

- When the university hosts official guests, including university employees visiting from another work location, donors, and prospective donors
- When the university is the host or sponsor of a meeting of a learned society or organization
- When the university is the host or sponsor of meetings of an administrative nature that are directly concerned with the welfare of the university and the provision of hospitality is a necessary and integral part of the business meeting and not solely a matter of personal convenience
- When the university hosts receptions held in connection with conferences, meetings of a learned society or organization, fundraising events, meetings of student organizations and groups, student events such as commencement exercises, and meeting of other university related groups such as alumni organizations
- When the university hosts receptions for the benefit of employee morale, employee recognition or length of service awards or retirement presentations

Payment of or reimbursement for hospitality expenses are not permitted when these expenses are related to employee birthdays, weddings, anniversaries, and farewell gatherings that are not related to the active conduct of official university business.

Funding Sources

Hospitality expenses may be paid from various university fund sources, subject to the rules outlined below and the restrictions identified in Table 1.

General Fund Appropriations - The following restrictions, in addition to those identified in Table 1, apply to the use of General Fund Appropriations:

- General Fund Appropriations may not be used to pay for alcoholic beverage or tobacco products, gifts or awards
- General Fund Appropriations may not be used to pay for food and beverages for business meetings attended only by employees of the same work location
- Any expenditures prohibited by statute including the California Budget Act

Funding Sources - Hospitality expenses may be paid from various university fund sources, subject to the rules outlined below and the restrictions identified in Table 1.

Special Funds - The following restrictions, in addition to those identified in Table 1, apply to the use of Special Funds:

- Special Funds may be used to pay for alcoholic beverages, tobacco products, gifts and awards to the extent these purchases are not restricted by other applicable laws, regulations, or agreements
- Special Funds may be used to pay for food and beverages for business meetings attended only by employees of the same work location
- Trust Funds and Special Project Funds may be used to pay hospitality expenses only to the extent permitted by the statute under which the funds are established and maintained and any trust agreement or special project agreement
- Federal or local government contract and grant funds may be used to pay hospitality costs only if such expenses are specifically authorized in the contract or grant, or by agency policy, and only to the extent and for the purposes authorized. In the event of a conflict between agency and university policy, the stricter of the two policies shall apply
- No alcoholic beverage or tobacco products may be charged to Federal funds

Auxiliary Organization Funds - *Auxiliary Organization Funds may be used to fund hospitality but only within the restrictions established by the auxiliary organization.* Expenses for alcoholic beverages, tobacco products, gifts and awards may be charged to Auxiliary Organization Funds subject to the policies and restrictions established by this policy and the auxiliary organization.

TABLE 1
Funding Sources for Payment of Hospitality Expenses

| Hospitality Expenses | General Fund Appropriations | Special Funds | Auxiliary Organization Funds |
|---|------------------------------------|----------------------|-------------------------------------|
| Food and Beverages (other than Alcoholic Beverages) for Meetings Attended Only by Employees of the Same Work Location | No | Yes | Yes |
| Food and Beverages (other than Alcoholic Beverages) for Meetings Attended by Official Guests | Yes | Yes | Yes |
| Alcoholic Beverages and Tobacco Products | No | Yes | Yes |
| Flowers | No | Yes | Yes |
| Gifts | No | Yes | Yes |
| Awards | No | Yes | Yes |
| Promotional Items | Yes | Yes | Yes |
| Travel | Yes | Yes | Yes |