

Prepared by the Disbursing Office
This replaces Administrative Procedure No. A8.811
dated May 1988

A8.811
July 1996

A8.800 Disbursing/Accounts Payable and Payroll

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A8.811 Petty Cash Funds-Overview

1. Purpose

To provide procedures for the establishment and administration of petty cash funds as authorized by Section 40-84, Hawai'i Revised Statutes. State rules, regulations, and policies are provided under sections 823 and 824 of the State of Hawai'i Accounting Manual, Volume II. These petty cash procedures establish a means of making prompt cash payments of \$25.00 or less.

2. Definitions

a. Petty Cash Fund

A petty cash fund is a fixed sum of money established under the imprest system for the purpose of making prompt cash payments for small purchases of \$25.00 or less, in which more formal procurement and payment actions of the University and State would be uneconomical or unduly time consuming.

b. Campus/Department Head

The top level administrator of a college, institute, school, or other major unit of the University. Included in this listing would be Deans, Directors, Provosts, Chancellors, and Vice-Presidents.

c. Petty Cash Custodian

An individual designated in writing by the Campus/Department Head and approved by the Director of Financial Operations to safeguard, disburse and account for a petty cash fund; to have control over and responsibility for a petty cash fund.

d. Alternate Petty Cash Custodian

An individual authorized in writing by the Campus/Department Head and approved by the Director of Financial Operations to act for a petty cash custodian during his/her absence.

e. Approving Authority

Individuals designated by the Campus/Department Head to authorize purchases in support of University programs. The custodian/alternate cannot be an approving authority.

f. Authorized Fund Amount

An established level of Petty Cash funding that must always be maintained under the imprest system. The initial level of funding is based on projected operational needs for 21 working days.

3. General Information

- a. The petty cash fund is a fixed sum of money established under the imprest system whereby the amount of money in the fund and the unreimbursed payments made from the fund should always equal to the authorized fund amount. A cash advance is required to provide the initial operating cash for the petty cash fund. Expenditures are recorded into the fiscal system at the time when disbursements are reported through the processing of replenishment claims. Timely processing of the replenishment claim is critical in maintaining an adequate supply of available cash and in properly recording expenditures in the period when incurred.
- b. The recording of expenditures into the fiscal system through the replenishment process allows expenditure amounts to be charged to the proper account code and object code regardless of the source of the cash advance (i.e. Federal, Special, Revolving, Trust, Agency expenditures charged to any account code/object code may be processed on a petty cash fund with a General Fund advance).
- c. A vendor code is assigned to each custodian and alternate custodian(s) by the Disbursing Office (Vendor code format = X _ _ _ _ _ _ _ _ _) and is used to identify all replenishment transactions in the fiscal system. Therefore, the vendor identified in the fiscal reports

for all petty cash disbursements is the custodian rather than the actual vendor/payee. This results in some restrictions placed on the use of the fund when identification of the vendor/payee is critical (e.g. 1099-Misc reportable payments, W-2 mileage reimbursements, etc.)

The vendor code also identifies the custodian or alternate custodian(s) as the payee for all replenishment checks. It is therefore critical that changes in custodians be promptly processed to avoid check cashing difficulties (Refer to A8.813 - Procedures for a Change in Petty Cash Custodian or Alternate).

4. Responsibilities

a. General Office Responsibilities

- 1) Each Campus/Department Office that administers a petty cash fund is responsible to ensure compliance with all detailed procedures as specified in applicable Administrative Procedures Manual instructions, mainly A8.811 to A8.819.
- 2) The Disbursing Office is responsible for the general supervision of petty cash operations including providing guidance and support in the administration of petty cash funds and the auditing of petty cash replenishment claims and support documents. The Disbursing Office is responsible for coordinating action requests (establishment, decrease/close, permanent increase, temporary increase, change in custodian, change in alternate) internally within the University organization as well as externally with the Department of Accounting and General Services. All incidents of petty cash overages and shortages are to be reported to the Disbursing Office for appropriate action.

The Director of Financial Operations reviews and authorizes all action requests and reviews all incidents of petty cash overages and shortages.

- 3) The Internal Auditor's Office is responsible for the auditing of petty cash fund operations. The Internal Auditor's Office conducts field audits of petty cash operations to monitor compliance with detailed procedures. This office also monitors corrective

action through the requirement and review of action response memoranda from campus/department units. This office acts as the liaison with the DAGS(Audit) division which is charged with general audit responsibilities for all State petty cash operations.

b. Individual Responsibilities

- 1) The custodian/alternate is responsible for safeguarding the fund, ensuring that proper accounting and recording procedures are maintained, and ensuring that all disbursements are properly authorized.
- 2) The approving authorities are responsible for ensuring that the requests for petty cash funds support only proper and necessary expenditures of University programs within their purview.
- 3) The Fiscal Officer is responsible for administrative duties related to the petty cash fund and therefore must ensure that:
 - i) the duties of the custodian/alternate are being properly executed
 - ii) disbursements are in accordance with applicable laws, State policies and procedures, University policies and procedures
 - iii) the individual responsible for verification of satisfactory receipt of goods and services has certified acceptance
 - iv) adequate funds are available for the disbursements
 - v) proper documentation is maintained at the campus/department office and is available for review upon request
- 4) The Campus/Department Head is ultimately responsible for the proper administration of the Petty Cash fund and will be held accountable.

5. Guidelines

a. Basic Policies

- 1) The establishment of a Petty Cash Fund requires prior approval by the Director of Financial Operations.
- 2) The maximum petty cash disbursement is set at a ceiling of \$25.00.
- 3) All disbursements of \$25.00 or less shall be made through a petty cash fund, or if more appropriate, an imprest checking account.
- 4) The petty cash funds are to be maintained under an imprest system whereby the accountability of the original amount is preserved. No other funds or collections are to be commingled with petty cash funds.
- 5) The Authorized Fund Amount in the petty cash fund is provided to sustain petty cash operations for 21 working days. Timely replenishments of petty cash funds are required to maintain an adequate supply of available cash and to properly record expenditures in the period when incurred.
- 6) Campus/Department Documentation Requirements

Campus/department units are responsible for maintaining documentation for the Petty Cash Fund including:

- a) Approved Requests for Petty Cash Fund forms and approved Change in Petty Cash Custodian/Alternate forms (Establishment, decrease, close, increase, change in custodian/alternate).
- b) Cash Count Sheets.
- c) Petty Cash Overage/Shortage Reports.
- d) Disbursement and Replenishment documents.
 - i) Petty Cash Replenishment forms (FMIS-8).
 - ii) Petty Cash Disbursements forms (FMIS-8A).
 - iii) Authorization forms for petty cash disbursements.
 - iv) Itemized receipts.
 - v) Certification of satisfactory receipt of goods

and services.

- e) Other supporting documentation as deemed appropriate (UH Treasury deposit slips, logs, memoranda, worksheets, etc.).

These documents are to be maintained in office files and made available for review upon request. Copies are to be maintained when originals are required to be submitted to other offices (e.g. FMIS-8, itemized receipts, etc.).

- 7) Campus/department units must ensure the accuracy and propriety of petty cash fund disbursements because they are direct payments initiated at the campus/departmental level. Campus/department units must carefully guard against duplicate payments, erroneous payments, restricted disbursements, etc.

b. Security/Internal Controls

- 1) The petty cash fund and replenishment or advance checks not yet cashed must be kept in a locked metal box, in a location not readily susceptible to theft. (A safe is preferred but a locked file cabinet is minimally acceptable). Only the custodian or (in his/her absence) the alternate should have access to the fund since they are the only ones authorized to disburse petty cash.
- 2) For purposes of internal control and safeguarding of funds, the duties of the petty cash custodian/alternate and the approving authority shall be strictly segregated (i.e. The approving authority may not have custody or make disbursements of petty cash, and custodians/alternates may not authorize purchases and payments).
- 3) Neither the Fiscal Officer nor the Campus/Department Head may be the custodian or the alternate. Where staff limitations make this separation of duties impossible, arrangements should be made with another University organization to provide for it. Designating a Fiscal Officer as a custodian will be considered as a last resort measure, and allowed only if the Fiscal Officer does not authorize purchases and payments.
- 4) The Fiscal Officer must conduct unannounced cash counts

and conduct reviews of procedures and records to ensure proper administration of the fund. The cash counts and reviews should be conducted as frequently as necessary but at least once a year. (Refer to A8.819 - Cash Counts of the Petty Cash Fund.)

- 5) The petty cash custodian or (in his/her absence) the alternate is responsible for weekly cash counts; however, daily cash counts are preferred. (Refer to A8.819 - Cash Counts of the Petty Cash Fund.)

c. Restrictions

Petty cash disbursements must be administered in accordance with all applicable laws, State policies and procedures, University policies and procedures. Petty cash funds are subject to specific restrictions and are not to be used for any of the following purposes:

- 1) Piecemeal disbursements (the splitting of a purchase or a bill) to circumvent the \$25.00 limitation.
- 2) Travel advances.
- 3) Out-of-state travel expenditures. This includes car rentals, passport fees, per diem, conference fees, and other travel incidentals.
- 4) Intra-state travel expenditures, if a travel advance was processed.
- 5) Mileage reimbursements.
- 6) Loans of any type.
- 7) Purchase of items in violation of OPPRM A8.225, "Limitations in Purchasing", covering items not to be purchased and unauthorized purchases.
- 8) Services on a fee basis.
- 9) Personal Services (Must process through Payroll).
- 10) Stipends (Student and Post-doctorate) and Proctor Services.
- 11) Scholarships, Grants, Fellowships, Traineeships.

- 12) Honoraria.
- 13) Purchase of surplus equipment (fixed assets that are under inventory).
- 14) Out-service Training payments (includes training fees, per diem, car rental, parking fees, etc.).
- 15) Relocation allowance reimbursements.
- 16) Worker's Compensation Claim Benefit payments.
- 17) Payments on contracts and agreements.
- 18) Cashing of checks or warrants.
- 19) Issuing of refund payments (All refund payments are to be issued through an AFP form or an imprest check).
- 20) Interest on delinquent vendor payments (All interest on delinquent vendor payments are to be issued through an AFP form or an imprest check).