



**California Institute of Technology
Treasury Services
Procedure Documentation**

**Policy and Procedures for Institute Petty Cash Funds
April 10, 2009**

Purpose

The purpose of this procedure is to outline the methods for the establishment, operation, reconciliation, proper use, and close out of the Institute's petty cash funds.

Users Affected

Treasury Services (TS), Campus wide departmental and administrative staff.

Policy

The policy of Treasury Services (TS) is to ensure that:

- Petty cash funds are distributed per the prescribed procedure.
- Petty cash funds are maintained in a locked box that is stored in a secure environment.
- Custodians account for their funds.
- Custodians follow the appropriate procedure for establishing, operating, and reconciliation of petty cash funds.
- Custodians disbursing and reporting funds are doing so within the allowable expenditure type accounting guidelines.
- Proper forms and their approvals are secured when disbursing and reporting funds.

Definitions

CEFCU – Caltech Employee Federal Credit Union

TS – Treasury Services

Custodian – Individual assigned to manage petty cash fund

Overview

Petty cash funds are provided to expedite reimbursement of minor business expenses. The number of petty cash funds should be kept to a minimum. Where practical, a single fund should be used for a division or department. Petty cash funds are not limited to any particular project, task, or award (PTA) in use by the division or department. The amount of the fund should be reasonable and appropriate to the level of transactional volume within the fund (refer to Section I.B. Account Levels).

Procedures

I. Establishing a Petty Cash Fund

- A. Opening Fund: A Division Chairman, Division Administrator, or Administrative Department Head establishes the petty cash fund for his/her organization by preparing a payment request and submitting it to Payment Services, with a copy to Treasury Services. The payment request should include the following:
1. The reason a petty cash fund is needed (i.e., why other payment methods are not adequate)
 2. The intended use for the funds
 3. The amount required (reference Section I.B. Account Levels)
 4. The name of the petty cash custodian and their contact information
- B. Account Levels: Petty cash fund balances shall be maintained at a level that is reflective of the fund activity. Balances shall not exceed \$5,000 unless higher amounts are deemed necessary for an offsite location or other extraordinary circumstance. Balances exceeding \$5,000 require approval from the Assistant Treasurer, Treasury Services.
- C. Checking Account: Funds may be kept in a checking account upon approval of the Assistant Treasurer, Treasury Services. An explanation of the business need to substantiate such request must be submitted when the fund set up request is submitted. If the funds are to be kept in a checking account the following is required:
1. The checking account must be a non-interest bearing account.
 2. The checking account should have no monthly fees associated with it (contact Treasury Services if needed).
 3. The checking account should have two, and only two, employees with signature authority (the custodian and a back up custodian).
 4. Any bank statements or other correspondence from the bank should be sent directly to the custodian.
 5. The custodian must reconcile the bank account monthly and send a copy of the reconciliation to Payment Services each month.

II. Operating a Petty Cash Fund

- A. Reimbursement of funds: An employee requesting reimbursement obtains and completes a petty cash fund voucher slip.
1. The employee then obtains appropriate approval signature required on the bottom of the petty cash fund voucher slip voucher.
 2. The Petty Cash Voucher, along with the original expense receipt or paid invoice, is submitted to the petty cash custodian. Original documents are required unless there are extenuating circumstances, which must be explained on the Petty Cash Voucher.

3. If a receipt is lost, a memo may be written indicating the usage of the petty cash and the dollar amount. Approval for a lost receipt must come from the Division Chairman, Division Administrator, or Department Head.
 4. All receipts should be turned in for reimbursement no more than 30 days after the date of the receipt. Any exceptions must have the approval of the Division Chairman, Division Administrator, or Department Head.
- B. Approval Signatures: Upon complete review of the petty cash voucher for appropriate approval and accompanying receipts, the petty cash custodian obtains the requestor's signature on the petty cash voucher and disburses the reimbursement. Appropriate approval is defined as approval from an individual responsible for department or project expenditures.

Transactions should then be recorded in chronological order using the Petty Cash Fund Voucher Envelope.

- C. Replenishment of Petty Cash Funds: At least quarterly, the petty cash custodian must complete a Petty Cash Fund Voucher Envelope.
1. In doing so, all PTA's are summarized at the bottom of the form and original receipts and vouchers should be included in the envelope. If the funds are kept in a checking account, a copy of each month's statement since the last reconciliation or reimbursement should also be included.
 2. The petty cash custodian must verify that the transaction listed on the envelope agrees with the supporting detail. The signature confirms that goods and/or services evidenced within the envelope are compliant with petty cash policy and any applicable funding source restriction.
 3. Forward the petty cash envelope to Payment Services M/C 103-6.
 4. Payment services will confirm that the total of the funds requested for reimbursement do not exceed the amount of the total petty cash fund as listed on the Master List of Institute Petty Cash Funds, and verify that the funds do not exceed established limits.
 5. Each reimbursement will be subject to audit by Payment Services. Also, Treasury Services will perform periodic random audits of the funds to ensure that proper control is maintained.
 6. Payment Services will process the petty cash envelope and prepare an ACH transfer for the cash replenishment to the CEFCU. The replenishment process will take approximately 5 to 7 business days from the date that Payment Services receives the envelope.

Please note that the CEFCU is not a petty cash Custodian and will not process Petty Cash Vouchers for payment.

- D. Disbursement and Pick up of Funds: After the ACH has been processed and the funds have been received at the CEFCU, the petty cash custodian listed for the account will receive an e-mail notification. In order to pick up the funds the custodian should:
1. Print the notification

2. Complete the required denominations area on the notification.
3. Sign the notification
4. Take the notification and Caltech ID to the CEFCU, located at 515 S. Wilson
5. Any teller at the CEFCU will exchange the notification for the listed amount

PETTY CASH FUNDS MUST BE PICKED UP WITHIN 15 BUSINESS DAYS OF THE NOTIFICATION.

FAILURE TO DO SO WILL RESULT IN THE REVERSAL OF FUNDS.

Please note: To better safeguard the institute, the CEFCU will not issue cash without a UID and matching notification. No exceptions are allowed.

III. Petty Cash Reconciliation

If the replenishment has not been requested during the quarter, a reconciliation must be submitted by the 15th day of the month following the close of the quarter (December, March, June and September). If the 15th of the month falls on a weekend, the reconciliation is due the subsequent business day.

If replenishment of the fund is required, the reconciliation should be forwarded to Payment Services, with a copy to Treasury Services. Use the Petty Cash Envelope and include all original receipts.

If the replenishment of funds is not required, the quarterly reconciliation should be forwarded to the Treasury Services Office.

If the fund is kept in a checking account, a copy of each month's statement, since the last reconciliation or reimbursement, should also be included in the envelope. This reconciliation is in addition to the Monthly Bank Account Reconciliation required in Section I, C5.

IV. Reduction of Petty Cash Funds:

- A. To reduce the petty cash account balance, the Custodian must complete the Petty Cash Fund Voucher Envelope.
- B. To indicate this will be a reduction to the petty cash fund, on the document under the title "To Whom Paid" print the word "REDUCE".
- C. Enter the appropriate POETA. Next, in the column heading "Amount" place the amount using brackets or minus sign to indicate this is the amount of funds that will be reduced.
- D. You may also include any amount to be reimbursed on the same envelope. When you are calculating the figures on the envelope, be certain to *add* for reimbursement expenditures, and *subtract* the reduction amount.
- E. Submit both the remaining fund balance to CEFCU, along with the envelope and expense receipts. The teller will issue a handwritten receipt to the Custodian to keep for your records

V. Custodian Items:

A. Absence of the Custodian:

1. Brief Absence – During absence or vacation, the custodian may place the petty cash fund with a temporary Custodian.
2. The temporary custodian must complete the Petty Cash Training (see below) before assuming responsibility for the fund. The temporary custodian and the original custodian must inventory the petty cash box and prepare a list of cash, receipts and reimbursement requests in process. Use a Petty Cash Fund Voucher Envelope for the inventory. The inventory must reconcile to (or be equal) to the value of the petty cash fund. The temporary Custodian signs a copy of the inventory as a receipt. The original custodian retains this receipt since that individual is transferring personal responsibility for the value of the fund. When the original custodian returns, the same procedures must be followed with the receipt retained by the temporary custodian. If the fund is kept in a checking account, the same procedures must be followed.
3. Absence During A Period Where Fund Needs Replenishing – If it is necessary to replenish the fund when the temporary custodian is in charge, an official change of custodian will need to occur. (Reference section I.)

B. Change of the Custodian/Name

When a change of custodian is needed, the fund should first be closed (reference VII, Closing Petty Cash Fund). Then the Division Chairman, Division Administrator, or Administrative Department Head should then request a new fund established as outlined above, (see section I).

VI. Proper and Improper Use of Fund

Petty cash funds enable departments to pay cash for minor business expenditures that cannot be charged to a P-Card or purchased through the Institute's purchasing system. Reimbursements from petty cash funds are authorized for purchases and expenditures up to \$100 per transaction. The following are examples of some, but not all, proper and improper uses of petty cash funds.

A. Proper Petty Cash Usage:

- Food & Drink brought into weekly lab meetings

Petty cash is sometimes used to reimburse the cost of food and drinks brought into weekly lab meetings or at exam time (donuts, bagels, etc.). It is recommended that the 'supplies unallocable' expenditure type be used for such reimbursement requests. Using that expenditure type ensures that the cost is excluded from Caltech's overhead rate and will not be subject to federal audit.

- Gifts

Gifts for special occasions (birthdays, new baby, hospitalization, retirements, rewards) that have been approved by the Division Chair,

Division Administrator or Administrative Department Head. It is also recommended that the 'supplies unallocable' expenditure type for such expenses be used.

Note: Using that expenditure type ensures that the cost is excluded from Caltech's overhead rate and will not be subject to federal audit.

- Kitchen supplies

Kitchen supplies that have been approved by the Division Chair, Division Administrator or Administrative Department Head. It is also recommended that the 'supplies unallocable' expenditure type for such expenses be used.

- Miscellaneous office supplies

Costs such as office supplies, etc., should use the 'supplies allocable' expenditure type.

- Off-campus Parking fees and Local Mileage

The Petty Cash Fund may be used to reimburse for local mileage and parking expenses. Travel expenses, however, must be processed through Travel Services according to the Travel Policy.

One example of local mileage reimbursed by petty cash is routine mileage, such as work related errands for a supervisor. Another example is mileage pertaining to a local meeting (which takes place in the Southern California area), in which only mileage and parking fees are incurred, and no other expenses, and therefore does not substantiate a business trip. These types of mileage and parking fees may be reimbursed from petty cash.

- Postage or shipping charges
- Reproduction or printing costs

B. Improper Petty Cash Usage:

- Departmental utility bills
- Interest charges
- Meetings and Conferences

'Mtgs & conferences allocable' and 'Mtgs & conferences unallocable' expenditure types should be used for half day (or longer) conferences and meetings - they are not intended for the cost of brief lunch time meetings, lab meetings, etc., and therefore would not usually be used for petty cash claims.

- Personal loans (e.g., IOU's or cashing checks)
- Purchase of hazardous materials
- Service performed

Services performed by either employees or non-employees is prohibited.

All payments for services must be made using a P-card or through Payment Services.

- Traffic citations
- Travel advances
- Travel reimbursements

Regarding travel reimbursements (Refer to the California Institute of Technology Travel Policy). In extraordinary circumstances petty cash can be used for travel reimbursement up to \$100 per transaction if approved by

the Division Chairman, Division, Division Administrator or Administrative Department Head.

VII. Close out of Petty Cash Funds

A. Closing Petty Cash Funds:

The procedure for closure of a petty cash fund must be followed when either a fund is to be eliminated or a permanent change in Custodian is made.

- B. If a Custodian is terminated, his/her petty cash fund must be closed before termination clearance can be granted. Also, if the fund is a checking account, it must be reconciled as per above instructions and signed by all custodians on the account. This reconciliation with a copy of the bank signature cards showing the change in authorized signers on the account (Custodians) must be submitted to Payment Services. This will satisfy the requirement for termination clearance rather than closing the account.
- C. To close a fund, the Custodian must complete the Petty Cash Fund Voucher Envelope (Form C-507, see Attachment A), indicate that the fund is to be closed, and submit the completed envelope with receipts and/or bank statements and any remaining fund balance to the CEFCU. The amount of receipts in the envelope and monies submitted to the Cashier must equal the Petty Cash Fund total. The CEFCU teller will issue a handwritten receipt to the petty cash custodian. Please note that if all funds have been used, then the completed envelope should be forwarded directly to Payment Services with a large notation at the top: "Close Out".
- D. Once the CEFCU has processed the cash deposit associated with the petty cash fund, they will forward the envelope to Treasury Services for processing.
- E. Treasury Services (TS) will post the entry for the cash funds received and issue a system-generated Oracle receipt. Then TS will forward the Petty Cash Fund Voucher Envelope and receipts to Payment Services for final processing. Payment Services will audit the vouchers and will verify that the fund is in balance.
- F. When the fund is verified by Payment Services, the Treasury Services Office must be notified. Both departments then remove the custodian from the petty cash listing and a copy of the voucher and receipts are filed in the records retention file.

VIII. Miscellaneous:

A. Fund Security

Protection of Petty Cash - To prevent access by anyone except the Custodian, petty cash should be kept in a locked box, placed in a desk or cabinet that is locked. Only the Custodian should have access to the keys. In case of theft or disappearance, Campus Security must be notified as soon as the loss is discovered. A copy of any Security report should be sent to Risk Management along with a personal statement and the case number for the

report filed with the Pasadena Police Department. In addition, a copy of the personal statement should be included with any petty cash receipts since the last reconciliation when reimbursement is requested.

The Custodian is ultimately responsible for implementing measures that ensure the safeguarding of all petty cash funds against theft or loss. The petty cash fund should not be commingled with any other personal or Caltech funds.

If the fund is kept in a checking account, *only* the custodian and back up custodian should have access to the checks, ATM cards, and/or PIN numbers. These should be kept secured in the same manner as a cash fund.

B. Petty Cash Verification:

1. Annually, Payment Services will verify information for each fund by sending the Custodian a verification letter. This letter is sent to all Custodians with funds as of September 30. Letters are sent after the year-end. A copy of each letter sent is kept by Payment Services until the original is returned. Treasury Services will follow up on any unreturned letter to determine if the fund should remain open.
2. Each Custodian should verify the information included in the letter, sign and date the letter, and return the original to Payment Services. Forms should be returned within five to seven business days from the date of the verification letter.
3. The signed original is kept with the custodian's information file.

C. Exceptions:

The Division Chair, Division Administrator or Department Head and the Assistant Treasurer, Treasury Services must approve exceptions to this policy.

D. Petty Cash Training:

Annually, there will be a mandatory Petty Cash training session for all Custodians. Additional training sessions may be conducted on an "as needed" basis.

Training will consist of the following categories:

- 1) Establishment of Petty Cash Funds
- 2) Security of Petty Cash Funds
- 3) Operating a Petty Cash Fund
- 4) Use of a Petty Cash Fund
- 5) Replenishment of a Petty Cash Fund
- 6) Reconciliation of a Petty Cash Fund
- 7) Closing a Petty Cash Fund
- 8) Changing of Custodians

The Treasury Services Office can be contacted for training needs.