

CITY OF EL CENTRO

POLICY STATEMENT

Policy Statement No: 306
Category: Financial Management
Subject: Petty Cash Procedures

Adopted: July 14, 2011
Revised:
Distribution: All Departments

Purpose

This section prescribes the policies and procedures relating to the establishment, administration, and discontinuance of petty cash funds.

General Definitions

“Petty Cash Custodian” Is the employee in a department who has been authorized to make payments from a petty cash fund and who is directly responsible for the administration of the fund.

Security of Petty Cash

The Finance Director is responsible for the proper safeguarding of petty cash monies entrusted to the departments. Cash and receipts for unreimbursed expenditures must be kept in a locked container such as a fire-proof file cabinet, safe, or other suitable device to which unauthorized access is difficult.

The petty cash custodian is personally responsible for the cash which was specifically issued to him/her. **Therefore, access to the fund must be limited to the custodian.**

Establishing a Petty Cash Fund

A petty cash fund may be established to improve the efficiency of departmental operations. These funds are available to purchase minor items when it would be otherwise impractical to purchase items through the usual purchase order methods.

These funds are subject to periodic audits. Recurring audit findings may result in the petty cash fund being revoked.

The custodian is responsible for ensuring the cash on hand and receipts equal the authorized amount of the fund at all times. Petty cash funds must be kept separate from change funds, cash drawers, personal funds, and any other collected revenue.

1. The City of El Centro established a Petty Cash fund as follows:
 - Finance - \$1,100
 - Police – \$500
 - City Attorney – \$50
 - Recreation – \$100
 - Pool - \$50

- Library - \$45
2. The Petty Cash Custodian must be designated by Finance Director and is the only authorized employee to have access to the locked petty cash box.
 3. The Petty Cash Custodian is responsible for the petty cash reimbursement request and requisition. The requested check should be written to the order of the “City of El Centro - Petty Cash” and must be cashed at the Customer Service Registers.

Petty Cash Fund Purchases

Disbursements from petty cash funds must be properly documented and should be for a valid City of El Centro business purpose.

1. Petty cash funds may not be used for the following:
 - Items/receipts in excess of \$50.00.
 - Cashing of personal checks or providing personal loans.
 - Purchases which are required to be reported in a specific manner such as, but not limited to, personnel services, travel expenses and business meals.
2. Purchase of items prohibited under petty cash procedures:
 - Travel expenses
 - Conference registration
 - Hotel registration
 - Per diem
 - Lunch meeting reimbursement
 - Personnel services
 - Personal items
 - Professional services
 - Advertising
 - Alcoholic beverages and tobacco
 - Automotive repairs
 - Cashing of expense advances checks
 - Chemicals
 - Clothing
 - Controlled substances
 - Donations
 - Hazardous materials
 - Leases and rentals
 - Maintenance agreements
 - Stationary such letterhead, business cards, and envelopes
 - Renovations or remodeling (on City’s Buildings)
 - Seminars and memberships
 - Telephones and cell phones
 - Weapons and ammunition

Finance Director has the authority to make exceptions to the above list when special or unusual circumstances apply. Approval for exceptions must be received prior to purchasing items listed above.

3. An employee purchasing items using petty cash funds should do the following:
 - a) Obtain prior approval from the Department Director or immediate supervisor.
 - b) Obtain, when necessary, a petty cash advance from the Petty Cash Custodian. The advance is provided to the employee only to purchase legitimate petty cash items. Each time an advance is given, the Petty Cash Custodian must maintain the following information:
 - the amount of the advance
 - the date
 - the purpose
 - the recipient
 - the recipient's signature

The Petty Cash Custodian is responsible for ensuring the employee returns any unused cash.

- c) Makes the purchase, paying for the item with personal monies or with the petty cash advance and obtains an itemized receipt or cash register sales slip.
- d) Presents to the Petty Cash Custodian, the original sales receipt or cash register sales slip attached to the petty cash request form signed by authorized approver.

The receipt(s) must include:

- Date of purchase
- Description of the item(s)
- Place of purchase
- Itemized amounts

The request form must include:

- Date of purchase
- Description of the item(s)
- Purpose
- Charge Account
- Amount
- Name, Signature and date of employee doing the request
- Name, Signature and date of immediate or authorized supervisor

- e) Receives reimbursement for the purchase from the Petty Cash Custodian when personal monies are used or returns any unused portion of the petty cash advance to the Petty Cash Custodian immediately after the purchase is made.
- f) Petty Cash requests deadline is Wednesday at noon for reimbursements paid out on Thursday after noon of the same week.

Replenishment of Petty Cash Fund

Petty cash funds must be reimbursed at least once every 90 days during the fiscal year, regardless of the dollar amount to be reimbursed. In addition, funds should be replenished at the fiscal year end so there are no outstanding receipts as of June 30.

1. The petty cash reimbursement request for the amount to be requested must be completed through the City of El Centro purchasing process.
2. The reimbursement request should be entered as a requisition into the accounting software for approval.
3. The Petty Cash Custodian must prepare a list of all expenses paid along with original receipts and submitted to finance for review as a support of the requisition.

Each receipt should be listed individually with the following information:

- o Expense date (receipt date)
 - o Expense description
 - o Account code to be charged
 - o Amount
 - o The fund custodian's signature.
4. A reconciliation of the petty cash fund must be done on a regular basis. Complete the Petty Cash Fund Reconciliation Form to insure the receipts plus cash on hand is equal to the amount of the authorized petty cash fund.
 5. If receipts plus cash on hand are less than the authorized amount, this is an overage and must be deposited thru customer service registers crediting the other revenue account with description "petty cash over/short".
 6. If the receipts plus cash on hand are less than the authorized amount, this is a shortage. If the amount is significant, it should be reported to the Finance Director immediately for investigation. If the amount is less than \$5, report this on your petty cash reimbursement request, charging the other revenue account with description "petty cash over/short".

Transferring Petty Cash Fund Custodianship

The Finance Director is responsible for changes in petty cash custodians

1. When a new custodian is to take charge of a petty cash fund, the former custodian replenishes the fund so that the fund has the established amount of cash on hand.
2. The new custodian may send a notice to all city staff which indicates:
 - Removal of the former custodian from the fund
 - The new fund custodian's name
 - Effective date
3. Accounts Payable will not reimburse a petty cash custodian unless the name is on file as the current custodian.

Increasing/Decreasing/Closing Petty Cash Funds

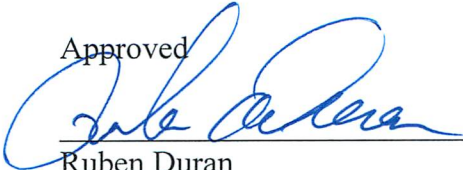
1. Increasing a petty cash fund: In case that an increase to a petty cash fund is needed, a written request supporting the increase will have to be submitted to the Finance Director for review and approval.
2. Decreasing a petty cash fund: A petty cash fund should be reduced if the amount of the fund exceeds the actual needs of the City. The amount which is no longer needed should be returned to finance for review and deposited through the customer service registers, crediting the original account, along with a memo indicating the fund is being decreased.
3. Closing a petty cash fund: When a petty cash fund is no longer needed, the fund custodian should replenish the fund to the authorized amount. This amount must then be returned to the finance department and deposited through the customer service registers, crediting the original account, indicating the fund is being closed.

Petty cash funds must NEVER be deposited into a revenue account code.

Revocation of petty cash privileges

The use of petty cash fund in a manner not in compliance with this policy will result in the immediate revocation of the petty cash fund.

Approved



Ruben Duran
City Manager



Date