

# ACCOUNTING POLICY/PROCEDURE

Policy # 1100

Date: 8/21/98

Rev.: 8/31/04

UNM Physical Plant Department

## **Subject: Petty Cash Fund**

This Petty Cash Fund policy is specific to the Physical Plant Department and is intended to document department-specific procedures. Refer to UNM Business Policies (UBP) #7210 and #4320.6 for University-wide requirements related to petty cash funds.

### **Policy:**

The PPD department currently has a petty cash fund of \$1,500. All petty cash purchases must be authorized in advance by the employee's supervisor.

Small value items of \$100 or less per day, per vendor may be purchased using the following methods:

- Cash advances to employees for the purpose of making authorized purchases, and
- Reimbursements to employees who made authorized purchases out of personal funds.

A petty cash fund must never be used for

- personal advances
- loans
- IOU's
- cashing checks
- salary payments
- payments for outside services (except film development and photo copies)
- travel costs
- unallowable expenditures (see UNM Policy #4000).
- gross receipts tax (exceptions in UNM Policy #4320,2.1 and #6010,4.2).
- reimbursements to students and temporary employees
- incremental purchasing, splitting one large purchase into several small purchases.

### **Petty Cash Boxes:**

The department maintains two petty cash boxes, a primary and a secondary. The primary box includes cash, vendor receipts and petty cash advance slips (**Exhibit A**) that total \$1,000. The secondary box includes cash, vendor receipts, and petty cash advance slips that total \$500.

### **Petty Cash Custodians:**

The department has two petty cash custodians, a primary and a secondary. Each custodian acknowledges responsibility for a specific cash box (**Exhibit F**) and is issued a key for that box. Each custodian, accountant, and the accounting manager have keys to the file/safe. An additional set of the

two cash box keys will be kept in the Lock Shop safe and only the accounting manager, the associate director for finance and services, or the director can request them in an emergency. When a petty cash custodian is replaced, the key to the file/safe is changed by the Lock Shop. Any such replacements must also follow procedures outlined in UBP #7210.4.1.

The custodians replenish the petty cash fund as necessary to prevent delays in providing this service to the department.

### **Reconciliation:**

Each petty cash box must at all times have cash, petty cash advance slips, and receipts totaling the amount authorized. Each time a petty cash reimbursement form is prepared to replenish the fund, the fund custodian should insure that items in the box equal the amount authorized.

In addition to the reconciliation procedures in UBP #7210.4.1 when a petty cash custodian is replaced, each box is also reconciled by a department accountant (or accounting manager) periodically on an unscheduled basis using the UNM petty cash fund reconciliation form (**Exhibit B**). Each box is reconciled with the fund custodian present. The reconciliation form is signed and dated by the fund custodian and accountant (or accounting manager) and maintained for two years.

### **Procedures:**

#### 1. Petty Cash Request -

- Complete a petty cash slip (**Exhibit A**) and have it signed by a supervisor or manager. A petty cash slip cannot be issued for more than \$100.
- Take the slip to the fund custodian who will sign and date the slip, disburse the funds, and obtain the employee's signature acknowledging receipt of the funds.
- The employee must return a total of the vendor receipt(s) and excess funds equaling the amount disbursed no later than the next working day from the date of the disbursement.
- Upon receiving receipts/funds totaling the disbursement, the fund custodian will return the petty cash slip to the employee. The slip was signed and dated when the funds were disbursed and cannot be used for additional transactions.
- The fund custodian then follows the petty cash reimbursement procedures below.

#### 2. Petty Cash Reimbursement -

- Requests for reimbursement should be processed no more than ten days after the date of purchase (UPB #4320.6.1).
- The employee delivers the original vendor receipt to the fund custodian together with his supervisor's signature indicating approval of the purchase and receipt of the goods.
- Banner index and account numbers must be included on the receipt.
- Gross receipts tax is not reimbursed for goods purchased with petty cash.
- If the reimbursement is for meals or refreshments, a completed "Requirements for Meal or Refreshment Reimbursements" form must be submitted (**Exhibit E**).

- The fund custodian issues the funds (or returns the petty cash slip if procedures in item 1 above were followed) to the employee and stamps the receipt, i.e., cancels the receipt to avoid duplicate payment.
  - The employee signs and dates the stamped receipt acknowledging that the transaction is complete (**Exhibit C**).
2. Petty Cash Reconciliation -
- Each petty cash box is reconciled periodically on an unscheduled basis by a department accountant or the accounting manager.
  - Each petty cash box is reconciled with the fund custodian present.
  - Vendor receipts, petty cash slips, and cash are counted and recorded on a UNM petty cash fund reconciliation form (**Exhibit B**).
  - The petty fund reconciliation form is signed by the fund custodian and the accountant (or accounting manager) indicating agreement with the petty cash balance.
  - Discrepancies in the petty cash balances are investigated by the accountant and the accounting manager.
  - The accountant retains the petty cash records for two years.
3. Replenishing the Petty Cash Fund -
- The fund custodian prepares a multi-copy petty cash reimbursement form (**Exhibit D**) by using the department's automated system.
  - The fund custodian signs the petty cash reimbursement form.
  - The vendor receipt(s) must be attached to the petty cash reimbursement form.
  - The accounting manager reviews and signs the petty cash reimbursement form.
  - The fund custodian submits the petty cash reimbursement form and attachments to the UNM General Accounting Office for approval of the expenditures.
  - After approval, the fund custodian proceeds to the UNM Cashiers Office. The Cashiers Office issues the reimbursement along with a receipt. The process of replenishing the petty cash fund posts the transactions directly from the Cashiers system to Physical Plant Department accounts.
  - The yellow copy of the petty cash reimbursement form and cashier receipt are retained by the department for three years.
4. Changes to the Petty Cash Fund -
- Refer to UBP #7210.2 for procedures to be used when establishing, increasing, decreasing, or closing a petty cash fund. The Banner index and account code for the department's petty cash fund are 821164-A0PC.

Attachments:

- Flowchart - Petty cash request and reimbursement
- Exhibit A - Petty cash slip
- Exhibit B - UNM petty cash fund reconciliation form
- Exhibit C - Stamped receipt
- Exhibit D - Petty cash reimbursement form
- Exhibit E - Requirement for meal or refreshment reimbursements
- Exhibit F - Acknowledgement of Responsibility

Reviewed by: \_\_\_\_\_

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Associate Director, Finance and Services

Approved by:

Accounting Manager