

PETTY CASH AND CHANGE FUNDS POLICY
BEREA COLLEGE
EFFECTIVE JANUARY 1, 2009

Summary of Policy

A petty cash fund may be established in a department when it can be demonstrated that such operating funds are required for the purchase of items of small cost, or for other nominal expenditures which cannot be administered economically and efficiently through customary procurement practices. Each fund must be used strictly in accordance with the purpose for which it was authorized. The Associate Controller is responsible for authorizing the establishment of petty cash funds. Responsibility for the petty cash fund rests solely with the custodian of the fund.

No department is permitted to maintain a petty cash fund, except for those departments that formally establish a petty cash or change fund through the Office of Financial Affairs.

Purposes

Petty cash funds are intended to reimburse employees for minor, out-of-pocket expenses incurred on behalf of Berea College. Petty cash reimbursements are limited to amounts not to exceed \$50. Expense reimbursements above that amount should be processed via the appropriate reimbursement request form.

Change funds are intended to give departments that sell goods or services a vehicle to make change for customers.

Guidelines

It is the responsibility of the custodian of the fund and the department head to administer these funds in accordance with all relevant College policies and procedures. Petty cash requests require evidence of what was purchased (an original invoice or receipt), evidence that payment was made, and the signature of the departmental manager of the account to be charged.

Establishing a Petty Cash Fund

Requests to establish a Petty Cash Fund are handled as follows:

The appropriate Chairperson or Director prepares a REQUEST FOR ESTABLISHMENT OF PETTY CASH FUND and submits to the Associate Controller. This form must be routed through and approved by the applicable Dean or Vice President. The following information must be included:

1. Dollar amount requested.
2. Proposed building and room location of the fund.
3. Name and job title of the fund custodian.
4. Reason for establishing the fund.

5. Secured location where the fund will be stored during non-working hours.
6. A signed PETTY CASH FUND CUSTODIAN'S STATEMENT OF RESPONSIBILITY.

Once the request is approved, the Associate Controller will arrange for a petty cash fund to be established by the Student Service Center. The fund custodian will be issued the amount of the fund. The fund custodian must sign a receipt provided by the Student Service Center, verifying that the amount of the fund is accurate. The fund custodian will be provided with a copy of the receipt, which should be retained for the custodian's records. The custodian is responsible and accountable for the fund and, therefore, should never allow others to access it. The petty cash custodian is personally responsible for shortages.

The Chairperson or Director who requested the fund is responsible for notifying the Associate Controller by memorandum of any changes in the location or management of the fund. This memorandum will be filed in the Associate Controller's file.

Changes to a Petty Cash Fund

Change in Custodian

If there is a need to change the custodian of the Petty Cash Fund it must be communicated in writing to the Associate Controller. It is imperative that the change in custody is communicated prior to the departure of the "outgoing" fund custodian, even if the "new" fund custodian is only going to be temporary custodian of the fund. Any discrepancies between the custody agreement amount and the cash and/or petty cash vouchers in the fund at the time of the custody change should be reported to the Associate Controller, who will take whatever further action he/she deems appropriate regarding the overage/shortage.

Custodian responsibility may be re-delegated internally to cover absences. When a temporary custodian must be put in charge of a fund, a RECONCILIATION OF PETTY CASH FUND must be completed and a TEMPORARY TRANSFER OF CUSTODY OF PETTY CASH FUND must be signed by the official custodian, the temporary custodian and the department head. To reinstate the custodian, the official custodian must acknowledge return of responsibility of the fund by dating and signing as noted on the TEMPORARY TRANSFER OF CUSTODY OF PETTY CASH FUND. This document must be submitted to Associate Controller and a copy maintained in the department's files.

In the event of unexpected absences for an extended period, departments should work with the Office of Financial Affairs to reconcile the petty cash fund and transfer the fund to a new custodian.

Change in Amount

Increases to the fund must be approved by the Associate Controller. A separate memorandum explaining the need for additional funds is required. If the increase is approved, the Associate Controller will arrange with the Student Service Center for a cash distribution to the fund custodian. The fund

custodian will pick up the funds at the Student Service Center and sign a receipt verifying the amount of the increase is accurate. The fund custodian will be provided with a copy of the receipt, which should be retained for the custodian's records.

Closure of a Petty Cash Fund

To close a petty cash fund, the custodian must complete a RECONCILIATION OF PETTY CASH FUND CLOSURE. The custodian will request reimbursement for any expenditures and deposit the funds back into the petty cash account (Associate Controller will provide account number). A copy of the RECONCILIATION OF PETTY CASH, along with a copy of the receipt indicating the petty cash funds were deposited, must be submitted to the Associate Controller

Custodian Guidelines/Requirements/Controls

1. Petty cash funds shall be used for Berea College business purposes only.
2. Responsibility for each petty cash fund will reside with one person-the fund custodian. The custodian should realize that he/she is personally responsible for the petty cash fund.
3. Funds must be safeguarded at all times. They should never be left unlocked and/or unprotected during working hours, and must be locked in a safe or otherwise safely and properly secured during non-working hours.
4. A fund should be counted and reconciled by the fund custodian regularly. This must be done, at a minimum, monthly, although it is recommended that this occur weekly.
5. Cash overages/shortages must be cleared, at a minimum, monthly. Any overage/shortage must be reported when discovered to the Associate Controller.
6. The Office of Financial Affairs or the College Internal Auditor may request to count petty cash at any time. Such counts are done without prior announcement. If the custodian has any questions regarding the identification of an individual desiring to count the petty cash fund, please contact the Office of Financial Affairs.
7. When a petty cash fund is counted by the Office of Financial Affairs, or the Internal Auditor, the fund custodian must be present.
8. Petty cash funds are not to be used for loans, IOUs, etc. A petty cash fund should be intact at all times; that is, it should contain cash or legitimate petty cash vouchers which equal the issued fund amount.
9. Petty cash funds should not be commingled with any other funds such as other petty cash/change funds or private/personal funds.
10. A petty cash fund should never be used to cash checks, personal or business.
11. A petty cash fund should be periodically counted and reconciled without prior announcement of management level personnel in the area. It is recommended that this be done a minimum of two times during any fiscal year.
12. Petty cash transactions cannot exceed \$50 per transaction.
13. If a petty cash fund is not active, it must be closed.

Documentation and Uses of Petty Cash

Petty cash may be used to reimburse employees for small dollar transactions, or non-recurring, unexpected expenditures up to \$50 within the following defined terms (exceptions to the \$50 limit can be made by the Associate Controller upon written notification from the custodian). These transactions must have adequate support which substantiates (1) what was purchased, and (2) that payment was made. A detailed listing of each item purchased must be provided, and the original paid invoice/receipt attached to the Cash Reimbursement Request Form. Photocopies or faxes of invoices/receipts are not acceptable. Acceptable as paid receipts are cash register receipts, formal cash receipts issued by the vendor, original imprinted charge card slips, or original invoices which indicate the method of payment.

Disbursements

Expenses paid from a petty cash fund can be made only for the purpose(s) for which the fund was authorized and must be supported by receipts containing the following information:

1. Date of purchase or payment.
2. Name of vendor or other payee.
3. Positive evidence that a payment was made, i.e., a cash register receipt or other proof of payment.
4. Amount paid.
5. Description of goods purchased.
6. Signature of person receiving reimbursement (if applicable).

Disbursements from the petty cash fund are to be made only for those items permitted under the terms outlined in the request for the fund. Disbursements specifically EXCLUDED and ineligible for reimbursement via a petty cash fund are:

1. Awards or gifts
2. Loans or advances to employees for personal use
3. Personal checks or IOUs
4. Parking fees
5. Fines
6. Money orders
7. Payment of salaries and wages
8. Payment for services
9. Travel
10. Equipment
11. Stamps or postage
12. Subscriptions
13. Membership dues
14. Registration fees
15. Items purchased from a Berea College entity
16. State sales tax

The fund may be used for advances. The fund custodian may provide funds to individuals who have a need to make a small purchase on behalf of Berea College. If an advance is disbursed, the custodian must require completion of a CASH DISBURSEMENT FROM PETTY CASH FUND form.

The following information must be provided when funds are disbursed to the individual:

1. Amount requested
2. Business purpose of request
3. Date of disbursement
4. Date receipts and remaining cash will be returned to custodian
5. Printed name and signature of individual receiving advance

When receipts and remaining monies are returned to custodian, the following should be completed:

1. Date
2. Total amount of receipts
3. Cash returned
4. Signature of individual who received advance and signature of custodian

Receipts and cash must equal the fund total at all times. Accumulate receipts and retain for replenishment of the petty cash fund. Complete a RECONCILIATION OF PETTY CASH FUND on a monthly basis and keep receipts with the reconciliation.

Petty cash or change funds greater than \$500 must be stored in a locked safe. The petty cash custodian may not place funds in a checking or savings account.

Each petty cash fund must be kept separate and not merged with any other fund.

Replenishment of petty cash fund

Replenishment of petty cash should be requested as needed, but the fund should always be replenished by the end of the fiscal year to ensure expenditures are recorded in the correct reporting period. If there is no activity within twelve months, the petty cash fund should be closed.

To obtain replenishment of petty cash, a REQUEST FOR REPLENISHMENT OF PETTY CASH FUND should be completed and approved by the department head. The REQUEST FOR REPLENISHMENT OF PETTY CASH FUND along with receipts must be authorized by the Associate Controller before the funds are replenished. The custodian will then present the replenishment request to the Student Service Center for processing.

Reconciliation

Total cash plus receipts and reimbursement vouchers on hand should equal the authorized amount of the fund. Shortages or overages must be reported and promptly investigated by departmental management.

Relief from Responsibility

Permanent transfer of the fund by the official custodian to a successor is NOT permitted. When it is no longer appropriate for the custodian to maintain the fund, the fund must be closed and a new REQUEST FOR ESTABLISHMENT OF A PETTY CASH FUND processed. Departments should plan ahead to obtain the new petty cash fund to avoid a lapse in availability of petty cash.

Upon the expiration date, the petty cash fund should be closed. To request an extension of the fund, forward an email to the Associate Controller indicating the new end date.

If the need for the petty cash fund ceases, the fund must be closed and the following must take place:

1. Custodian will prepare a RECONCILIATION OF PETTY CASH CLOSURE and obtain the signature of the department head.
2. Custodian will complete a REPLENISHMENT OF PETTY CASH FUND, obtain authorization from the Associate Controller, and

In the event of theft: The custodian should notify Public Safety immediately. A letter with the following information signed by the department head requesting replenishment of the fund must be sent to the Office of Financial Affairs.:

- a. Name of custodian
- b. Amount of theft
- c. Date and hour of theft
- d. Circumstances involved
- e. The incident report drafted by Public Safety
- f. Actions taken to prevent further occurrences

Change Funds

A change fund is money held in an area only for the purpose of making change. It is never to be used as a petty cash fund for making small expenditures, refunds, etc.

A College department may request a change fund up to a maximum of \$500 by contacting the Office of Financial Affairs. Any request for a change fund in excess of \$500 requires approval of the Controller.

The change fund shall be repaid to the Student Service Center by the due date unless it has been established as a permanent fund in which case an annual accounting of the fund shall be made. Any change in the custodian of the change fund shall be immediately communicated to the Office of Financial Affairs.

Under no circumstances shall a College department withhold money from a deposit for any reason, including the establishment of a petty cash or change fund. Any petty cash or change fund now in existence that is in violation of the above policy shall be immediately deposited.

Attachments

Attachment I (Request for Establishment of Petty Cash Fund)

Attachment II (Petty Cash Fund Custodian's Statement of Responsibility)

Attachment III (Reconciliation of Petty Cash Fund)

Attachment IV (Request for Replenishment of Petty Cash Fund)

Attachment V (Temporary Transfer of Custody of Petty Cash Fund)

Attachment VI (Reconciliation of Petty Cash Fund Closure)

Attachment VII (Cash Disbursement from Petty Cash Fund)