

## **Policy 400.2 – Petty Cash Funds**

Date Adopted: 8/26/88

Issuing Office: Administration & Finance

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Approved By:

References: MOM 2-1900, MCA 5-13-309, MCA 5-13-310

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### **I. POLICY**

The University of Montana Western maintains a Petty Cash Fund on its premises.

### **II. PURPOSE**

Consisting of monies withdrawn from the State of Montana Treasury, the Petty Cash Fund is to be used for relatively small cash purchases. A Petty Cash Fund may also include stamps purchased for resale to students, faculty, and staff, with the proceeds used to replenish the stamps. Examples of Petty Cash Fund activity are freight, postage costs, supplies, parts, and certain other purchases that require the immediate use of cash as a means of payment. All purchases are limited to the amount of petty cash authorized for the appropriate department. All other purchase transactions are to follow UMW purchasing and payment by check procedures.

### **III. PROCEDURES**

#### **A. Administrative Oversight and Review of Petty Cash Funds**

1. The Director of Business Services at UMW receives all departmental requests for Petty Cash Funds. Approved requests are sent to the Department of Administration via state form DA-105 for final approval.
2. Petty Cash Funds must be made available to the University of Montana Internal Auditors, Legislative Auditors, and Business Services representative upon their request.

#### **B. Restrictions and Use of Petty Cash Funds**

1. Petty Cash Funds can only be used to make departmental expenditures or for the purchase of stamps for resale. Payments related to check cashing, loans, compensation to employees, consulting services, independent contractor services, travel, entertainment, and controlled items restricted by the State or UMW policy, may not be made from Petty Cash Funds.
2. Other monies that may come into custody of a department may not be used to increase or create a Petty Cash Fund.
3. When a Petty Cash Fund is not in use or is unattended for even a brief period of time, it must be appropriately secured. At a minimum, a lockable strongbox must be provided which must be secured in a locked drawer during non-working hours. Petty Cash Funds must be returned to the Business Services cashier if not used during the summer or a period of three (3) consecutive months. Petty Cash Funds must be maintained on campus unless otherwise approved by the Director of Business Services. Funds that are no longer used must be returned to the Business Services cashier.
4. The departmental chairperson or director will designate the custodian of the Petty Cash Fund, and the number of individuals who have access to the fund. The number of people permitted access to a Petty Cash Fund should be kept to a minimum. The Director of Business Services

must be notified of any changes involving the custodian or number of individuals given authorized access to the Petty Cash Fund.

5. A documented reconciliation performed on a timely basis is one of the primary internal controls used to safeguard cash. It is recommended that the custodian make a cursory count each time replenishment is needed. Formal monthly reconciliations are required for all Petty Cash Funds in excess of \$100. This monthly count must be made by a person separated from the operation of the fund (preferably the supervisor of the fund custodian). The Reconciliation Form for Imprest Cash Account (1102) is the required reconciliation form for funds larger than \$100 (<http://afsd.mt.gov/accountingformsinfo.asp>). This form must be submitted to the Business Services' cashier monthly, and the authorized signature must be someone other than the Petty Cash Fund custodian. For funds maintained at \$100 or less, documentation of a formal monthly reconciliation must be maintained by the fund custodian, and made available to University of Montana Internal Auditors, Legislative Auditors or Business Services representative upon their request. Someone other than the Petty Cash Fund custodian should perform this reconciliation on a quarterly basis. Permission to destroy these records must be granted by the Director of Business Services, generally after three (3) years.
6. It is the responsibility of each department's management to establish and maintain a system of internal controls over the operation of Petty Cash Funds. Someone who does not have custodial responsibilities should make frequent verification of accountability. At least yearly, management should review Petty Cash Funds to assure that:
  - a) all sections and signatures on Cash-Out Slips and Petty Cash Vouchers are complete, accurate, and appropriate.
  - b) all Petty Cash Vouchers have business invoices and/or cash register receipts that clearly describe item(s) and amount of purchase. When management discovers deficiencies in control, they must take appropriate action to correct the problems.
7. If a material shortage or theft occurs, all differences must be documented and reported to Business Services. See MCA 5-13-309 (3), MOM 2-1900-30, Lost or Stolen State Monies, for more information. Shortages must be replenished as soon as possible. Shortages require replenishment by check. Overages must be separated from the fund and deposited with the Business Services cashier. The departmental index code should be used with account number 62825 for either cash overages or cash shortages.
8. Any abuse of the intent of these policies for Petty Cash Funds may result in the loss of use of a Petty Cash Fund.

#### C. Establishing a Petty Cash Fund

1. A department supervisor can apply to the Director of Business Services for the establishment of a Petty Cash Fund by completing the attached Request for Petty Cash Form (<http://www.umwestern.edu/administration/business/page2.htm>).
2. If the application is approved, a check will be drawn with the University of Montana Western named as payee. The Business Services cashier will exchange the check for cash from the Business Services cash change fund. The custodian must obtain the cash from the Business Services cashier. The policies and procedures for operation of the Petty Cash Fund will be reviewed with the custodian at this time.

#### D. Changes in Custodians

1. Any changes in responsibilities or personnel involving the Petty Cash Fund custodian must be reported by submitting the attached Notification of Custodian Change Form (<http://www.umwestern.edu/administration/business/page2.htm>) to the Business Services cashier. The new custodian will be made aware of the Petty Cash Fund policies and

procedures. The Notification of Custodian Change form must be completed at the point in time when the previous custodian relinquishes control of the fund to the new custodian or the departmental supervisor.

**E. Operational Procedures**

1. Departmental Petty Cash Funds may be used for expenditures for more than one account. It is the responsibility of the custodian to obtain the signature of an individual authorized to make expenditures for each account. Custodians who are not familiar with individuals authorized to make expenditures should check with the appropriate fund accountant in Business Services.
2. Petty Cash Funds must be physically separated from other monies the department may have, so that accountability can be immediately ascertained.
3. Accountability means that the sum of the Cash-Out Slips Petty Cash Vouchers (<http://www.umwestern.edu/administration/business/page2.htm>), and cash remaining in the Petty Cash Fund should always equal the amount originally issued. The custodian and custodian's supervisor should make periodic verification of accountability.

**F. Reimbursement for Petty Cash Funds**

1. The Petty Cash Fund must be replenished as needed, but at a minimum on a monthly basis from July through May. For the month of June, replenishment must be requested by the last day in June.
2. The accounting information on the Petty Cash Vouchers must be summarized on a Petty Cash Change Summary form (<http://www.umwestern.edu/administration/business/page2.htm>) if there are more than two petty cash vouchers being reimbursed. The total reimbursement requested on the Petty Cash Charge Summary must be in agreement with the total of the Petty Cash Vouchers.
3. The Petty Cash Charge Summary and Petty Cash Vouchers should be presented to the Business Services cashier along with a request for check replenishment. When the check is received, the Business Services cashier will exchange the check for cash with the custodian.

**G. Reimbursement Without Departmental Petty Cash Fund**

1. When personal funds are used to make purchases, a requisition must be approved by the appropriate departmental person. The requisition, along with receipts or invoices, is then submitted to Business Services for reimbursement by check. These purchases are limited to \$300.00 maximum.

**IV. AUTHORITY**

MOM 2-1900, MCA 5-13-309, MCA 5-13-310

**V. RESPONSIBILITY**

Vice Chancellor for Administration & Finance/Student Affairs, Director of Business Services,  
University Cashier, Department Supervisors, Petty Cash Fund Custodians