

Procedure Title:	Petty Cash		
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Approved By: *Jim Scherzinger, Deputy Director of Finance*

Date Approved

Policy

Forms, etc.

Contact

History

Procedure:

This procedure establishes uniform petty cash accountability standards, strengthens internal control over petty cash funds and provides for equitable and consistent interpretation and application in conformance to state laws, rules, regulations and policies.

Applicability:

All DHS employees shall adhere to this procedure. Failure to comply with any provision in the policy or procedure may result in suspension of the petty cash fund, a reduction in the authorized balance, revocation of the fund or other appropriate action, up to and including disciplinary action in accordance with DHS policies and applicable state laws, rules and regulations.

Step	Responsible Party	Action
1. Requesting petty cash fund	Program manager, Business manager, Site manager, Designee, Financial Services Agency-wide Disbursements manager, DHS Controller	<p>The appropriate manager or designee must sign and date the completed <i>Request to Establish a Petty Cash Fund</i>, DHS 0187 form. The form must state the:</p> <ul style="list-style-type: none"> Name of the Division/Section/Unit/Office requesting the fund Purpose of the fund Requested amount <ul style="list-style-type: none"> The amount requested should be limited to six weeks of anticipated expenditures from the fund. Name and employee identification number (ORXXXXX) of the employee assigned as the principal or alternate custodian of the fund. Physical location where the fund will be maintained. Internal controls to ensure that the fund is safeguarded, purchases are for authorized

		<p>purposes, and an adequate audit trail of all transactions is maintained and available for any announced or unannounced audits.</p> <ul style="list-style-type: none"> • Length of time the fund is needed; e.g., on-going or temporary. If temporary, an estimated termination date is required. • Index and program cost account (PCA). <p>The form is not valid if incomplete or unsigned. The manager must transmit the request form with the original signatures to the DHS Controller.</p> <p>The appropriate manager will allow 30 business days for the DHS Controller to review the justification and reasonableness of the amount. The Financial Services Agency-wide Disbursements manager will transmit e-mail confirmation of the request's approval or denial to the manager.</p> <p>If approved, the DHS Controller will authorize the Financial Services Agency-wide Disbursements manager to process a warrant payable to the primary custodian. The warrant will be mailed to the address shown on the form DHS 0187, <i>Request to Establish a Petty Cash Fund</i>.</p> <p>When cashing the warrant, the custodian should endorse it at a bank where he/she routinely conducts business. The cash should be transported to the business location in a tamper-resistant locking money bag.</p>
<p>2. Receipt of new petty cash funds</p>	<p>Program manager, Business manager, Site Manager, Designee, Custodian, Financial Services</p>	<p>Within two business days of receipt of the warrant for the new petty cash fund, the manager shall ensure that the form <i>Receipt of Petty Cash Funds by Custodian</i>, DHS 0186 is completed by both the principal and alternate petty cash custodians. The form is invalid if incomplete, unsigned or undated.</p> <p>The form must be received by the Financial Services Agency-wide Disbursements manager within 10 business days from the warrant's issuance date.</p> <p>The manager's failure to ensure that the form is completed in a timely manner and transmitted to the Financial Services Agency-wide Disbursements manager is considered an inappropriate action. (Refer to DHS procedure, <i>Inappropriate Actions</i>, DHS-040-010-02)</p>
<p>3. Safeguarding</p>	<p>Program</p>	<p>Managers shall ensure that petty cash is stored in a</p>

petty cash	manager, Business manager, Site manager, Designee, Custodians	locked box within a safe or locked filing cabinet at all times to prevent access by unauthorized individuals. Access to and administration of the fund shall be restricted to the principal and alternate petty cash custodians. Petty cash shall not be co-mingled with other cash.
4. Prior authorization of purchases	Manager, Employee	<p>Petty cash funds shall be used for emergency purchases when normal purchasing processes are not feasible. Prior approval to expend petty cash funds is required to ensure that the proposed purchase:</p> <ul style="list-style-type: none"> • Adheres to DHS Petty Cash policy, DHS-040-017 • The purchaser has read and understands the: <ul style="list-style-type: none"> • DHS Petty Cash policy and procedure; • Requirements for submitting original sales records; • Procedures for reimbursement. <p>Proposed expenditures must be itemized with a description of the business purpose and estimated cost for each item.</p> <p>All prior approvals shall be dated and signed by a manager or designee with appropriate delegated expenditure decision authority. The manager and designee must have a current form DHS 286 on file with the Financial Services Agency-wide Disbursements unit.</p> <p>To ensure proper segregation of duties:</p> <ul style="list-style-type: none"> • Employees may not approve their own purchases. • Custodians are strictly prohibited from making petty cash purchases unless the DHS Controller has approved an exception for documented justifiable reasons submitted by the program or business manager. <p>Managers or designated employees signing approval of the purchase are responsible for ensuring that the proposed expenditure is an appropriate and legal use of public funds.</p>
5. Making authorized purchases	Manager, Custodian, Employee	<p>Under no circumstances shall petty cash funds be used to circumvent state purchasing regulations or bypass the DHS Financial Services Agency-wide Disbursements unit payment processes.</p> <p>Petty cash funds shall not be used for any unauthorized disbursement or transaction as</p>

		<p>stipulated by the DHS Petty Cash policy, DHS-040-017. Petty cash funds may be used only for incidental, non-recurring or emergency purchases unless specifically authorized in writing by the DHS Controller.</p> <p>Individual purchases may not exceed \$50. Multiple purchases from the same vendor within five days shall be considered one purchase. Expenditures exceeding \$50 shall be processed by the Financial Services Agency-wide Disbursements unit.</p>
6. Disbursing petty cash funds	Manager, Custodian, Employee	<p>The <i>Petty Cash Reimbursement Voucher</i> form, DHS 0185, must be completed to support all disbursements of petty cash. The form must be completed in its entirety and approved and dated by:</p> <ul style="list-style-type: none"> • The manager or designated employee who originally authorized the proposed purchase; • The purchaser; • The custodian disbursing the petty cash. <p>All purchases must conform to DHS Petty Cash policy, DHS-040-017 and be supported by the signed pre-approval document and an original sales slip, invoice or other sales record. All sales records must show the name of the business where the purchase was transacted and sufficiently detail the purchased item(s).</p> <p>All reimbursement requests must be submitted by the purchaser to the custodian within seven business days from the date of purchase. Custodians are strictly prohibited from disbursing petty cash if the original sales record(s) is not submitted with the signed pre-approval and petty cash reimbursement voucher.</p> <p>Copies of sales records are not acceptable. Sales records that show evidence of alteration are not acceptable. Credit card receipts and/or copies of negotiated personal checks submitted without other supporting documentation shall not be considered adequate documentation and are not acceptable.</p>
7. Lost/misplaced sales records	Program manager, Business manager, Site Manager, Designee, custodian,	<p>If the purchaser is unable to furnish an appropriate sales record for the item(s) purchased, he/she must provide a signed note to the manager acknowledging that the sales record(s) was lost, a description of the item(s) purchased, the name of the store where the purchase occurred, date of the purchase and amount of each item purchased. The manager or designee</p>

	Financial Services, Employee	<p>may authorize reimbursement to the purchaser by providing a written certification attesting that the item(s) was purchased and received. The amount of reimbursement to the purchaser <i>shall not exceed the pre-approved amount for each item.</i></p> <p>The written certification and pre-approval document must be attached to the <i>Petty Cash Reimbursement Voucher</i> form, DHS 0185.</p> <p>Financial Services Agency-wide Disbursements manager will notify the program business manager and DHS Controller of frequent or on-going occurrences of lost/misplaced sales records.</p>
8. Petty cash advance	Manager, Custodian, Employee, Human Resources	<p>Only the manager or designated employee may authorize petty cash advances to DHS employees unless specifically authorized by the DHS Controller. The advances shall not exceed \$50 and may not be held for more than two business days. Employees shall be limited to one outstanding petty cash advance at a time.</p> <p>Petty Cash Advance, form DHS 0184, must be completed and given to the custodian to place in the petty cash box. The form must be:</p> <ul style="list-style-type: none"> • Signed and dated by the employee requesting the cash, the manager or designee with appropriate delegated expenditure decision authority, and the custodian. • Items authorized for purchase and the estimated cost of each one. <p>The custodian shall monitor petty cash advances to ensure that the employee submits the <i>original</i> sales record, all unused funds and the completed Petty Cash Reimbursement Voucher form DHS 0185 within two business days from the issuance date of the advance.</p> <p>The manager will consult with the Human Resources representative to ensure that appropriate action is taken in the event an employee fails to submit the appropriate documentation supporting the use of petty cash funds, as required.</p>
9. Petty cash ledger	Manager, Custodian	<p>The manager shall ensure that the:</p> <ul style="list-style-type: none"> • Issuing custodian records the transaction in its entirety on the <i>Petty Cash Ledger</i> form DHS 0188 immediately after disbursing the petty cash. • Issuing custodian receives and maintains all

		required documentation to fully support each transaction.
10. Reconciling petty cash funds	Manager, Custodian, Employee	<p>Petty cash funds are maintained on an imprest basis. An imprest basis means the sum of cash on hand and disbursements must always equal the approved amount of the petty cash fund.</p> <p>Whichever event occurs first, the petty cash funds shall be reconciled:</p> <ul style="list-style-type: none"> • Not less than monthly; or • When a new primary or alternate custodian is appointed; or • Before a pre-approved absence of the primary or alternate custodian; or • When requesting Financial Services to replenish the petty cash fund. <p>To ensure sound internal controls, the manager or designee shall count the petty cash on hand and examine all documentation supporting the amounts disbursed against the <i>Petty Cash Ledger</i> to confirm that the:</p> <ul style="list-style-type: none"> • Total currency and sales records equal the amount of the fund; • Cash overages and shortages are properly documented; • Disbursements were properly authorized and conform to the DHS Petty Cash policy; • All transactions have been recorded on the petty cash ledger; • The amount in the column <i>Cash on Hand Balance</i> of the ledger equals the actual amount of the petty cash on hand; • Advances are documented, monitored, and if outstanding, are not past due. <p>The manager or designee must sign and date the petty cash ledger after verifying the reconciliation's accuracy.</p>
11. Replenishing petty cash funds	Manager, Custodian, Financial Services, Human Resources	<p>The petty cash fund should be replenished when the balance supports 15-20 business days. The fund should be reimbursed at least once every 30 days regardless of the dollar amount to be reimbursed. All reconciliation documentation must be sent to the program or business manager for verification and certification of the documentation supporting the amount requested for replenishment. Supporting documentation shall include, but is not limited to:</p>

		<ul style="list-style-type: none"> • Signed and dated petty cash ledger showing the amount to be replenished; • Signed and dated Petty Cash Advance form(s). • Sales records attached to the Petty Cash Reimbursement Voucher. <p>Financial Services Agency-wide Disbursements unit will review all documentation for accuracy and completeness. The unit is not authorized to replenish the petty cash fund if:</p> <ul style="list-style-type: none"> • An amount requested exceeds the maximum amount authorized in the petty cash fund. • The proper documents appointing the current Petty Cash Custodian have not been received. • A purchase or transaction violates DHS policies or state laws. <p>Copies of all documentation showing any unauthorized use, irregularity or improper accounting will be immediately submitted to DHS Office of Human Resources for appropriate action. Managers shall be held accountable up to and including dismissal for any petty cash transaction that violates DHS policies.</p> <p>The Agency-wide Disbursements unit will enter the appropriate transactions for all approved disbursements in the statewide accounting system to generate a warrant payable to the primary custodian and mailed to the address shown on the <i>Request to Establish a Petty Cash Fund</i>, form DHS 0187.</p> <p>Upon receipt of the warrant, the custodian should cash the replenishment warrant and place the currency and coins in the petty cash fund. When the warrant is cashed, subsequent transactions are automatically transmitted to Treasury. Treasury enters the transactions in the statewide accounting system, which records the warrant's redemption.</p>
12. Cash overage/shortage	Manager, Custodian, Financial Services	<p>Cash overages/shortages</p> <p>Each cash overage or shortage must be individually itemized and clearly identified on the petty cash ledger. Cash overages or shortages may not be netted together.</p> <p>Financial Services will record all overages/shortages as an increase or decrease to Other Fund Revenue, agency object 2905, in accordance with the DHS</p>

		<p>receipting policy, DHS-040-013.</p> <p>Financial Services will effect the appropriate transactions to ensure that the amount replenished plus the cash remaining on hand equals the amount authorized for the petty cash fund.</p> <p>Cash shortages In accordance with ORS 297.110, 297.120 and DHS receipting policy, DHS-040-013, managers immediately shall prepare a report explaining a cash shortage of \$100 or more, upon discovery. The report must be sent to the DHS Controller by the close of the business day. (Instructions are provided in <i>Receipting of Checks and Other Negotiable Instruments</i>, DHS-040-013.)</p>
13. Appointing petty cash custodian	Program manager, Business manager, Site manager, Designee, Custodian, Financial Services	<p>The program or business manager will confer with the manager in the appointment of the primary and alternate custodians. The alternate custodian functions in the absence of the primary custodian and shall adhere to all DHS policies and procedures. Neither custodian shall have expenditure decision authority unless specifically authorized by the DHS Controller for written justifiable business reasons submitted by the program or business manager.</p> <p>The <i>Receipt of Petty Cash Funds by Custodian</i>, form DHS 0186 must be completed in its entirety for each appointment. The completed form must be submitted to the Financial Services Agency-wide Disbursements unit within seven business days from the date of appointment. Financial Services Agency-wide Disbursements unit is prohibited from processing any petty cash transaction if documentation appointing a custodian is not received.</p> <p>Financial Services will enter the information into the statewide accounting system. Warrants replenishing the fund will be made payable to the primary custodian. In the event that the primary custodian will be absent for 14 days, the manager may request the warrant be made payable to the alternate custodian. The request must be clearly written on the <i>Petty Cash Ledger</i>, DHS 0188.</p>
14. Fiscal year-end reconciliation	Manager, Custodian, Financial Services	<p>The petty cash fund must be fully replenished by June 30 of each year to ensure that expenditures are recorded in the proper fiscal year and that the fiscal year-end cash balances are accurately stated in the financial reports.</p>

		<p>Managers shall submit a reconciliation report to the program or business manager regardless of whether the petty cash fund needs to be replenished. If the fund had no disbursements, the manager will provide a written signed statement "No purchases were made during the period reflected on the petty cash ledger."</p> <p>The program or business manager will sign the report to certify the accuracy and completeness of the information before transmitting the documentation to Financial Services.</p> <p>The report must be received by Financial Services not later than 15 business days after June 30.</p>
<p>15. Annual review of fund balance</p>	<p>Financial Services Agency-wide Disbursements manager, DHS Controller</p>	<p>To ensure that petty cash funds are used effectively, the Financial Services Agency-wide Disbursements manager will conduct an annual review of all petty cash funds. The assessment will include:</p> <ul style="list-style-type: none"> ● The effectiveness of the internal controls used to manage the fund; ● Frequency of purchases, amounts and items purchased; ● Documentation supporting advances and purchases (e.g., original sales records, pre-approvals and other required documents); ● Cash shortages/overages; ● The reasonableness of the maintained cash balance in relation to operating needs. Reasonableness of the cash balance will be determined by using the average monthly disbursements for the previous 12 months. <p>The Financial Services Agency-wide Disbursements manager will confer with the DHS Controller to determine whether the petty cash fund balance should be maintained, reduced or closed. The program or business manager will be notified of the decision within 30 business days.</p>
<p>16. Changes in petty cash fund balance</p>	<p>DHS Controller, Program manager, Business manager, Site Manager, Custodian</p>	<p>Increasing fund balance</p> <p>The appropriate manager may submit written documentation to the Financial Services Agency-wide Disbursements manager justifying business requirements that support increasing the petty cash fund. The documentation must include:</p> <ul style="list-style-type: none"> ● The average monthly disbursements for the prior 12 months; ● The frequency of submitting fund replenishment

requests;

- Explanations justifying why the purchases cannot be submitted to Financial Services Agency-wide Disbursements for normal payment processing.

The Financial Services Agency-wide Disbursements manager will review the documentation and submit a recommendation to the DHS Controller. Financial Services will notify the manager in writing of the DHS Controller's decision within 15 business days from receipt of the request. If approved, a warrant will be issued payable to the primary custodian for the amount of the authorized increase.

Decreasing fund balance

A petty cash fund will be reduced if the amount of the fund exceeds the operating needs or for other substantiated reason approved by the program or business manager or as required by the DHS Controller or designee. Financial Services will coordinate and effect the necessary financial transactions to reduce the fund.

Closing the fund

The petty cash fund will be closed when:

- The original business requirements establishing the fund no longer exist or have substantially changed.
- A program manager or business manager determines that a petty cash fund within his or her area of authority should be closed.
- The DHS Controller or designee authorizes closure.

Upon notification to close the fund, the custodian immediately will prepare a final reconciliation of the fund. All unexpended cash shall be converted to a money order made payable to the Department of Human Services and mailed to Financial Services Receipting unit for deposit. Under no circumstances shall cash be returned through the mail. The money order fee must be documented on DHS 0185, *Petty Cash Reimbursement Voucher* and DHS 0188, *Petty Cash Ledger*. The unexpended cash plus the amounts disbursed must equal the total amount authorized for the petty cash fund.

All documentation shall be sent to Financial Services Receipting unit by the close of the next business day.

		Financial Services will effect the appropriate accounting transactions to record the disbursements and deposit.
16. Auditing the petty cash fund	Program manager, Business manager, Site manager, Custodian Internal or External auditor, Financial Services	<p>The appropriate manager or designee will annually inspect all funds within his or her area of responsibility. The program manager will ensure that the primary custodian and manager are on-site during the inspection. At the discretion of the program or business manager, the fund may be removed if any material irregularity is discovered.</p> <p>Additionally, the program or business manager or designee, Financial Services, DHS internal auditor, or other auditor may periodically audit the fund unannounced.</p> <p>The manager and custodian shall ensure that the fund is balanced and available for any announced or unannounced audit at all times.</p>

Policy that applies:

[DHS-040-010: Delegation of Expenditure Decision Authority](#)

[DHS-040-013: Receipting of Checks and Other Negotiable Instruments](#)

[DHS-040-017: Petty Cash](#)

Form(s) that apply:

DHS 0187, Request to Establish a Petty Cash Fund

http://DHSresources.hr.state.or.us/WORD_DOCS/DE0187.doc

DHS 0186, Receipt of Petty Cash Funds By Custodian

http://DHSresources.hr.state.or.us/WORD_DOCS/DE0186.doc

DHS 0184, Petty Cash Advance

http://DHSresources.hr.state.or.us/WORD_DOCS/DE0184.doc

DHS 0185, Petty Cash Reimbursement Voucher

http://DHSresources.hr.state.or.us/WORD_DOCS/DE0185.doc

DHS 0188, Petty Cash Ledger

http://DHSresources.hr.state.or.us/WORD_DOCS/DE0188.xls

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