

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs

NUMBER: 03.A.07

AREA: General

SUBJECT: Petty Cash Procedures

1. PURPOSE

This administrative memorandum establishes custodial, accounting and control policies associated with the operation of petty cash funds for the University of Houston System.

2. POLICY

2.1. The petty cash fund is established with a designated amount from which payments and reimbursements for small dollar expenses may be made. Expenses have the same restrictions as the budget cost center, and additional restrictions on use apply. At all times, the cash on hand plus the dollar amount of expenses supported by paid receipts should equal the designated amount of the petty cash fund.

2.2. Cash advances are inherently risky and should be minimized. Cash should be advanced only to System and component university employees or students and only in emergency situations.

2.3. The amount of petty cash to be expended, reimbursed, and/or advanced per transaction (one item or multiple items at a single point in time) is \$100 or less. The maximum allowable amount for a petty cash fund is \$500. ~~Reimbursements greater than \$100 should be processed through Accounts Payable.~~

Note: In extraordinary circumstances, exceptions may be considered and approved by the System Office of the Treasurer.

2.4. A receipt properly documenting the purpose of each expenditure is required for any reimbursement and/or payment.

2.5. All expenditures should conform within the System expenditure guidelines, as well as state and federal regulations. The following transactions are prohibited as petty cash reimbursements on any ledger except where noted:

- a. Entertainment and travel reimbursements, as well as registration expenses are specifically excluded from authorized petty cash disbursements (exception: police officers required to transport prisoners out of town on short notice)

- b. Sales tax is not an authorized reimbursable expense from sponsored project funds
 - c. Transactions split between two or more receipts to stay under \$100 limit, or single receipts split between Petty Cash and a voucher for reimbursement
 - d. Reimbursements for meals; for alcoholic beverages; or tickets to social, cultural or athletic events
 - e. Payments to individuals or other non-corporate entities for personal services or honorariums, including consulting and professional services
 - f. Transactions for which an acceptable receipt is not available (see Section 2.12 below for receipt requirements)
 - g. Expenses of any kind charged to a credit card
- 2.6. The chief financial officer or designee at each component university is responsible for administration of component university petty cash funds.
- 2.7. When a separate petty cash fund is established, the department head requesting the fund, or a designee assigned by the chief financial officer, will be the custodian of that fund. The department head may assign custodial duties regarding the operation and maintenance of the fund to another component university employee, but the responsibility of proper custodianship remains with the fund's custodian.
- 2.8. The chief financial officer and the department head will determine the designated amount of cash in a departmental fund, which shall not exceed \$500.
- 2.9. The fund custodian shall be responsible for the following matters relating to the operation of the fund:
- a. Safe and secure storage
 - b. Keeping the petty cash fund separate from all other funds
 - c. Ensuring that each transaction is for the established purpose of the fund
 - d. Providing proper documentation to support each expenditure
 - e. Replenishing the fund in a timely manner
 - f. Any changes to a petty cash fund's physical location, custodian, amount, status, and security must be reported immediately by the fund custodian or designee to the System Office of Treasury, the component university's

Accounting or Controller's office and the component university's Police Department

- g. ~~Balancing-Reconciling~~ the fund each time a disbursement is made or a minimum of once a month if no disbursements have been made
 - h. Reporting ~~out of balance funds non-balance of the fund~~ in a timely manner to the chief financial officer or designee
 - i. Reporting theft from the fund to the chief financial officer or designee and component university Police Department (for UH - Victoria, local law enforcement officials)
- 2.10. The fund custodian will be required to take online petty cash training annually and sign a statement indicating responsibility for the petty cash cost center. (Go to <http://www.uh.edu/finance/pages/forms.htm> for a sample "Acknowledgment of Receipt of Funds and/or Cash Policies and Procedures" form.)
- 2.11. A properly completed voucher and acceptable documentation, as defined by the component university, is required for cash reimbursement.
- 2.12. The reimbursement request must be supported by proper receipts. Receipts must provide, at minimum, a) Company name and address; b) Date of purchase; c) Itemized listing or description of the item(s) purchased; and d) Price of items purchased. The following types of receipts are acceptable:
- a. Original, numbered receipts with the company name and address imprinted on the receipt, which includes an itemized listing or description of items purchased, plus a price of the item(s).

Copies of receipts mentioned above are acceptable but must be certified by the department head as a valid receipt, which has not been previously reimbursed.
 - b. Numbered or non-numbered receipts that do not have a company's or individual's name imprinted on the receipt, provided the name and address of individual or company is included by person seeking reimbursement.
 - c. COD charge lists are acceptable only if they are marked "Paid" and signed by the individual delivering the items, or stamped "Paid" with a company stamp and signed by the individual delivering the items.
 - d. Register tape from cash registers that have the company's name and date of purchase at the top of the tape, and all items are circled and described by individual seeking reimbursement.

- e. Price tags taken from various items which contain a computerized or other type numbering system, and name of company is supplied.
 - f. Hand written paper receipts which contain a full name, address and telephone number of person from whom purchased, and is signed by this person (provided they are verified by the department head, and a full description is made as to why no other type of receipt mentioned above can be obtained).
- 2.13. The petty cash fund should be replenished by the custodian on or before the last day of each month if the disbursements made since the time of last replenishing exceeds \$50. The fund must be replenished on or before the last day of the fiscal year regardless of the amount of disbursements made.
- 2.14. Each campus may have its own process to replenish petty cash funds. Documents requesting~~Requests for~~ replenishment of petty cash funds should be made submitted or routed through on a voucher by the fund custodian and submitted to Accounts Payable.~~The request is to~~ and the requests should be accompanied by the receipts received since the last request for replenishment. ~~A check from the component university will be issued on behalf of the custodian, payable to the University Cashier. The check may be cashed at the University Cashier's Office and acts as reimbursement to the fund for authorized disbursements of cash.~~
- 2.15. The following control procedures are in place and will be utilized to safeguard the Petty Cash Fund:
- a. Petty cash funds are subject to surprise cash counts by the component university's accounting department and the System's Internal Audit Department.
 - b. The department that maintains the petty cash fund will be responsible for the reconciliation of petty cash with the general ledger. (Reconciliation of any departmental PeopleSoft cost center should never be assigned to the petty cash custodian.)
 - c. Segregation of petty cash funds from other funds should be monitored departmentally.
 - d. The campus Accounts Payable or Accounting department responsible should verify that the proper account is used at the time the fund is set up.
 - e. The department should submit the reimbursement request in accordance with campus guidelines.
 - f. Petty cash shortages should be reported to the chief financial officer or designee who will notify the Chief Audit Executive immediately. Any

theft of petty cash funds will be handled in accordance with Section 2.9.i. of this document.

- 2.16. The chief financial officer or designee at each component university is responsible for ensuring that each petty cash fund is audited at least once each fiscal year.
- a. Departments authorized and approved for Petty Cash and Change Funds are subject to unannounced review by the component university's Accounting Department in accordance with the System Administrative Memorandum (SAM) 03.F.04, Cash Handling.
 - b. Unannounced reviews are conducted throughout the fiscal year. Departments will **not** be notified in advance.
 - c. The purpose of the audit is to ensure that the component university funds are properly safeguarded. This would, in turn, enable an effective verification of cash held by the custodian with the official records.

3. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Associate Vice Chancellor for Finance

Review: Every three years on or before March 1

4. APPROVAL

Approved: Jim McShan
~~Interim-Senior~~ Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: July 28, 2015

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	12/14/1990	Initial version
2	12/10/1993	Revised Section 1 to simplify purpose of document. Added Section 2.2 on minimizing cash advances in emergency situations. Changed the maximum amount of petty cash to be expended from \$150 to \$100 in Section 2.3. Added Section 2.6 on excluding entertainment and travel reimbursements. In Section 2.10, the designated amount of the fund shall not exceed \$500. Added information to Section 2.11.g on balancing the fund. Added information to Section 2.14 regarding the voucher request form. Removed Section 2.14.c on credit card receipts. Revised Exhibit A
3	05/01/1995	Added examples of Exhibit B and Exhibit C to procedure
4	11/15/1999	Applied revised SAM template to meet current documentation standards. Removed Section 2.5, 2.6, and 2.7. Added Section 2.5, detailing all transactions prohibited as petty cash reimbursements. Changed the title of Exhibit A to "Acknowledgement of Receipt of Funds and Policies and Procedures Related Thereto." Removed Exhibit C from document and Section 2.15. Changed review period from annually on or before May 1 st to every third year on or before May 1 st . Added updated forms to Exhibit A and Exhibit B
5	04/21/2000	Surprise cash counts can be performed by the component's accounting department and/or the System's Internal Auditing Department, as documented in Section 2.16.a. Changed the responsible party from the Vice Chancellor for Administration and Finance to the Associate Vice Chancellor for Finance
6	10/09/2001	Changed "university" to "component university" throughout text, and changed "cost center" to "account" throughout text. Changed review period from every third year on or before May 1 st to every three years on or before May 1 st . Added Vice Chancellor for Administration and Finance to approval process. Added revised form to Exhibit A

Revision Number	Approval Date	Description of Changes
7	06/09/2009	Applied revised SAM template to meet current documentation standards. Revised Section 2.6 to remove requirement of forwarding written procedures to the Treasurer. Removed Treasurer from duty of notification of changes to petty cash funds in Section 2.9.f. Added hyperlink to Exhibit A in Section 2.10. Removed Section 2.11 and Exhibit B from document. Removed carbon copy receipts from Section 2.12.b. General Accounting was removed from responsibility for reconciliation of petty cash and general ledger in Section 2.15.b. Accounts Payable was given responsibility to verify accounts for vouchers in Section 2.15.d. Changed review period from every three years on or before May 1 st to every three years on or before March 1 st . Removed Section 5, Indexing Terms
8	07/28/2015	Applied revised SAM template and added new Revision Log. Added information to Section 1 regarding restrictions on expenses. The allowable petty cash fund amount of \$500 was added to Section 2.3. A note was added after Section 2.3 regarding exceptions being approved by the System Office of the Treasurer. Section 2.5.c was added regarding transactions split between two or more receipts. Revised Section 2.5.e to include honorariums. Updated Section 2.5.f to refer to receipt requirements in Section 2.12. Revised Section 2.9.f on reporting changes to a petty cash fund to the System Office of Treasury, the component university's Accounting or Controller office, and the component university's Police department. Revised Section 2.12 to include information about what type of information a receipt should provide. Added price of the item to Section 2.12.a. Revised Section 2.14 to include receipts received since the last request for replenishment. In Section 2.15.d, added the Accounting Department to be responsible for verifying the proper account is used. Revised Section 2.15.e for departments to submit reimbursement request in accordance with campus guidelines. In Section 2.16, petty cash funds are audited at least once each fiscal year; included information regarding unannounced reviews and documentation in SAM 03.F.04
<u>9</u>	<u>TBD</u>	<u>Updated titles and links as applicable. Removed requirement in Section 2.3 for reimbursements greater than \$100 being processed through Accounts Payable. Changed "balancing" to "reconciling" in Section 2.9.g. Changed "non-balance of fund" to "out of balance funds" in Section 2.9.h. Simplified process in Section 2.14 on replenishing petty cash funds for each campus</u>