

City of Waukegan

Petty Cash Policy

Effective October 21, 2013

Prepared by the Department of Finance & Administration

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The City of Waukegan permits departments to maintain a petty cash fund, as described by this policy.

Departments are responsible for adequate security and control of their petty cash funds. The fund should be secured at all times in a locked place. Because no insurance is available to cover losses from the fund, theft and any other losses of petty cash are the responsibility of the department.

1. Purpose and Use

Petty cash can be used to reimburse individuals for out-of-pocket expenditures less than \$60.00. Petty cash can sometimes be used in place of the City's purchasing process where appropriate, for example, as reimbursement for small, incidental department expenses when it is infeasible or impractical to use normal purchasing means. Petty cash should be used in this manner only when absolutely necessary. A petty cash fund can also be used as a "change fund" in the department for handling ticket sales, etc., where expenses are not incurred.

a. Prohibitions

Petty cash should not be used for the following:

- Travel expense reimbursements. Continue to use the travel expense report.
- Travel advances. All travel activities need to be reported through the travel reimbursement process.
- Payment for items that are to be purchased through the purchasing system.
- Payments to vendors for invoices submitted directly to the department where a check request, purchase requisition/order was issued. Continue to send these invoices to Accounts Payable for processing and payment.
- Payments to independent contractors, consultants, awards, etc., to non-City employees. These should be processed through Accounts Payable for processing and payment.
- Payments to employees for services, awards, bonuses, etc. These should be processed through the Payroll process.
- Payments of a taxable or non-taxable benefit to an individual. These should be processed through the Payroll process.
- Personal borrowing (IOUs).

2. Initiating a Petty Cash Fund

A staff member should send a memo or e-mail to the Director of Finance & Administration. The memo must detail the purpose and use of the fund, identify the custodian and their supervisor, and request an amount for which the fund will be established. The dollar limit for each use of the fund is set at the Director of Finance & Administration's discretion. As a general rule, the total fund balance is likewise set at the discretion of the department, usually \$50-\$300, though individual circumstances may dictate a need for a higher limit. In all cases, the Finance Department will review each request for appropriateness based on documentation provided at the time of the request.

3. Petty Cash Custodian

a. Appointment

The petty cash fund should be secured at all times. The department is responsible to appoint a custodian, who is a member of the staff, to monitor its use and replenishment. Appointment and approval should be made by the Agency Head; a custodian cannot appoint or approve himself/herself. In addition, there should be limited access to the fund.

The Director of Finance & Administration must be notified if there is a change in the petty cash custodian. In order to ensure accountability to the new custodian, a Finance Department employee will audit and document the fund at the time of the change.

b. Responsibilities

It will be the responsibility of the custodian to ensure that this fund is used to cover only those expense reimbursements for which it is not possible, or is infeasible, to use normal purchasing methods such as a check request, or purchase requisition/order. In addition, the custodian will ensure that fund use is consistent with the manner described in the documentation that initially established the fund. The petty cash custodian is also responsible to enforce City policy regarding sales tax, which is not reimbursable.

The custodian is responsible to perform a full reconciliation of the fund quarterly, which he/she will provide to the Finance Department. The custodian also handles fund replenishment (see the section on Reimbursement Process).

The custodian is responsible for reporting all instances of loss of funds, including filing a report with Police Department, as soon as the loss is discovered.

4. Reimbursement Process

When the fund is reduced to a balance that can support approximately two weeks of activity, the custodian should perform reconciliation and send it, along with a check request with appropriate documentation (see below) to replenish the fund, to the Director of Finance & Administration. Before being submitted, this reimbursement request must be approved by the immediate supervisor of the fund custodian.

Properly document each transaction in the following manner:

- Submit a detailed journal of all transactions, identifying all pertinent information (who, purpose, transaction detail and date of expense). Identify each cost and the account number to be charged.
- Attach original receipts, referencing each receipt's corresponding transaction on the detailed journal.

Once the reimbursement request is approved, cash will be returned to the requesting department for fund replenishment. If certain currency and / or coin denominations are desired, the department should so indicate on the reimbursement request.

5. Changing the Fund Amount

Should a situation arise where it is determined that the size of the petty cash fund should be increased or decreased, a memo should be forwarded to the Finance Director, requesting this change. An increase to a petty cash fund is subject to the approval of Director of Finance & Administration, as well as the Agency Head, similar to when the fund is initially established.

6. Closing a Petty Cash Account

The petty cash fund should be closed when the purpose for which the fund was established has been completed, as determined by either the Agency Head or the petty cash custodian. In addition, the Finance Department reserves the right to conduct periodic usage reviews and, based on the results, can request closure or reduction of the fund. When closing the fund, the custodian should submit all remaining funds to the Director of Finance & Administration. Along with the final reconciliation of expenses, this will relieve the balance in the petty cash fund as established for this use. The final reconciliation of funds and expenses must be provided to the Director of Finance & Administration at the time the funds are received.

7. Audit

Each reimbursement request will be subject to audit by the Finance Department. In addition, the Finance Department and/or External Auditors may perform periodic unannounced audits of the fund to ensure proper control is maintained.

The department is required to provide the Finance Director with a full reconciliation of the fund on, at minimum, a quarterly basis. This can be done as part of the request for reimbursement process (see above) but must be done at least quarterly.

8. Contact

Any questions concerning the petty cash fund or this policy can be directed to the Director of Finance & Administration.