



Business Office – Accounts Payable – Petty Cash Revolving Funds

Process Overview

Petty Cash revolving funds are available as an alternative to using the purchase order system for limited types of expenditures. They eliminate the need to request purchase orders for small dollar purchases not under contract with the Purchasing Office. Most departments have only infrequent purchases or short-term needs (less than five days), and should use the Business Office Petty Cash Fund rather than requesting a departmental revolving fund.

The term *revolving fund* refers to the nature of the petty cash accounts. Each month the department reports the amount of money spent along with backup and is reimbursed for that amount. It is similar to a credit card account where you pay off the balance every month. This cycle continues for the life of the fund. When the fund is closed, the remaining balance is returned to the Business Office, and the final expenditures are recorded on a journal voucher instead of issuing a check.

Petty cash revolving funds may not be used for payment of honorariums or any payments to individuals except for reimbursement of documented business expenses. Likewise, per diem, personal items or payments normally handled by Payroll may NOT be paid through the petty cash process. Foreign purchases are not allowed and travel reimbursements are limited to local travel only.

The maximum dollar amount for a petty cash transaction is \$50. Receipts may NOT be split to stay within this maximum. Reimbursements for amounts greater than \$50 must be requested through a purchase requisition instead of the petty cash process.

For further clarification of any petty cash revolving fund policies, contact the Business Office.

Obtaining a Revolving Fund

Approval must be granted by the Vice President over the department and the Associate Vice President for Business Affairs to obtain a new revolving petty cash fund. When a petty cash revolving fund is opened, a check is issued against a University general ledger account. The departmental budget is not charged until you submit a reimbursement request.

General Disbursement Guidelines

Disbursement Documentation

The employee requesting reimbursement must sign a Petty Cash Voucher before receiving the money. The Voucher must also include approval from the designated supervisor. (Note: All vouchers presented to the cashier in the business office must include the approval of the appropriate department head, as well as an approval from the accounting staff – Staff Accountant, Senior Accountants, Manager of Operations for Accounting, or Assistant Director of Financial Services)

Original receipts are required for supplies and services. A receipt should include: date, place vendor name, amount and description of items purchased. It is important that the name and address of the vendor be printed or stamped on the invoice. The date, amount, and description of the purchases can be hand written.

If you reimburse a person who has made a purchase with a personal credit card, a detailed receipt must accompany the credit card receipt. If the credit card receipt is unavailable and the invoice or detailed receipt does not show paid in full, a copy of the credit card statement can be supplied as proof of payment. Make sure the purchaser's name appears on the statement. Black out the credit card number to prevent unauthorized use. The credit card statement must show the name of the vendor, the date purchased, and the dollar amount and must match the invoice or detailed receipt provided.



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Travel Expense Forms used for documentation of travel reimbursements through petty cash can be used instead of the Petty Cash Voucher. All signatures are required on a Travel Expense Form processed through petty cash, just as those processed through the Accounts Payable Office.

Sales and Use Tax

Petty cash purchases are subject to sales and use tax just as any other purchase made by the University (with the exception of purchase of library holdings).

Charleston Southern University requires Sales or Use Tax to be paid on all purchases of Tangible Personal Property (TPP), which is delivered to any location within the State. TPP purchases made with petty cash funds may include, but are not limited to: books, equipment, journals, software, subscriptions, and supplies

If an out of state vendor does not charge sales tax on its invoice, we are required to pay Use Tax to the State of South Carolina. If the purchase is made from a vendor within the State of South Carolina, and the Vendor does not charge sales tax, the University is required to pay Use Tax to the State. When a vendor charges sales tax on its invoice, the vendor is responsible for reporting and paying that amount to the State. Some out-of-state vendors charge sales tax on their invoices.

Occasionally a department or employee may make a purchase from an out-of-state vendor. The purchase may be made online, by phone, or in person. If the billing information from the vendor does not clearly state that South Carolina Sales Tax has been charged, the department is responsible for reporting the Use Tax when requesting reimbursement. The Use Tax is charged to the department's budget but is not subject to reimbursement to the department. When the department reimburses an individual using petty cash fund, the reimbursement should only be for the amount billed and should not include the use tax.

Rejected Reimbursement Requests

Occasionally all or part of your reimbursement request may be rejected during our audit. In most cases you will receive a phone call from our office explaining the problem and possible solutions. Payment is usually postponed until the problem is resolved.

Rejected transactions must be resolved with the Accounts Payables Office or reimbursed from personal funds of the custodian within 30 days of notice of a rejected transaction. Custodians are personally accountable and financially liable for improper transactions. No single item will be rejected and returned until we have spoken with the custodian about the problem.

Expenditures may be rejected for the following reasons:

- Unauthorized purchases
- Exceeding the \$50 per item ceiling
- Lacks appropriate supporting documentation

It is very unusual for a whole reimbursement request to be returned. We would have contacted the custodian and discussed the situation before making the return. The custodian would be expected to resolve the problem, which prevented our processing the request, and resubmit.

The Most Common Reconciliation Problems

- Providing packing slips instead of invoices
- Travel Expense Forms not being used for mileage
- Petty Cash Vouchers and/or receipts are missing



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- Incorrect account number and/or object code used
- Petty Cash Reconciliation Form missing
- Original signature missing from forms
- Original documents not provided
- Photocopies of receipts not provided

Budget Information

Your budget will not be charged until you turn in a reimbursement. Therefore it is important you turn in monthly reimbursement requests to ensure a timely record of your expenditures to your budget.

The department is responsible for choosing the budget to be charged and monitoring their accounts to ensure all the expenditures were charged correctly to the budget. Key errors may occur and we need to be notified on a timely basis to make corrections.

Changing Custodians

In cases where a change in custodian is necessary, the original fund must be balance and closed out and a new fund begun. , You must notify the Business Office immediately if such a change becomes necessary.

Documentation of Reimbursement Request

Reimbursement Requests must be submitted at least once per quarter for proper accounting and controls. To submit this request, you will complete a Purchase Requisition form with all approved petty cash vouchers, original receipts, a photocopy of all receipts and the Petty Cash Reconciliation form attached and route for required approvals. After approvals are obtained, Purchasing will create a purchase order and forward the attached vouchers to Accounts Payable for review of all reimbursement requests before the reimbursement is issued.

The Petty Cash Voucher provides a description or reason for each disbursement. The voucher must include a date, budget account number, detailed list of items purchased and total reimbursed. The Voucher must also include the signature of any individual that was reimbursed and any additional purchase approval signature required.

The Petty Cash Reconciliation Form is used to determine if all the funds in the account have been identified. This form is required each time you request reimbursement. The balance of your fund must equal your reimbursement plus your current cash balance. Any discrepancy must be investigated.

The Purchase Requisition is the form submitted to Accounts Payable for creation of the reimbursement check. This document must have all required approvals.

Reimbursement requests are normally processed within 5 working days of the date of receipt of the forms. If you do not receive a check within 2 weeks of sending the request to us, please contact us.



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Safeguarding the Petty Cash Funds

Security

Security is critical for petty cash funds. Cash should be stored in a secured area under lock and key except when in use.

If you are unsure of your safety measures, ask the Business Office and/or Security Office to do an inspection and/or offer suggestions.

Fund Verifications

Fund Verification is one way to safeguard a petty cash account. An independent review of the account can help reduce the possibility of fraud by the custodians. It is a way to ensure that a fund is fully accounted for and that no part of the fund is "missing".

Policy

Every petty cash account is required to have a Fund Verification performed at least twice per year. The Business Office will notify the custodian when a Fund Verification needs to be done, or a staff member from Accounting will make an unannounced visit to the department to do the Fund Verification. There may be some instances in which more than one fund verification or unannounced audit may be necessary. The custodian of the fund must remain present during the fund verification process.

If our Accounting staff arrives to do an Unannounced Fund Verification, they will review all of the petty cash payment documents, the departmental procedures and verify the reconciliation. The Accounting staff member will make recommendations if needed and offer additional training if warranted.

Closing a Petty Cash Revolving Fund

When closing any petty cash revolving fund, you will need to provide a final accounting of all expenditures. To do this you need to prepare the same paperwork that you would if you were requesting a reimbursement. Write across the Purchase Requisition and Petty Cash Reconciliation forms - **CLOSING ACCOUNT – FINAL REIMBURSEMENT"**.

To close a cash account, a final petty cash reconciliation should be taken to the Assistant Director of Financial Services, who will issue you a general ledger account number to use for depositing all of the currency (the total amount of the petty cash fund at the cashier window in the Business Office. This account number should be included on the Receipt Information Form and submitted along with the currency to the cashier. This will zero out and close the Petty Cash Fund when you deposit the cash to the general ledger account. **DO NOT** deposit the funds to your budget. A copy of the receipt should be given to the Assistant Director of Financial Services to file with the final petty cash reconciliation. The total of the final petty cash reconciliation and the receipt should equal the total of the fund.

File Maintenance

Keep copies of all reimbursement requests and all supporting documentation. This is especially useful if your request is lost or misplaced before the reimbursement has been made.

All documentation must be kept on file for a minimum of 4 years even if the account has been closed.



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Forms

- Petty Cash Reconciliation
- Petty Cash Voucher
- Travel Expense Form
- Receipt Information Form