



Applies to: All university personnel and units who handle and manage petty cash or change funds.

Responsible Office

Office of Business and Finance

POLICY

Issued: 06/01/1991
Revised: 09/01/2011
Edited: 07/17/2018

In general, use of **petty cash funds** is discouraged and should be used only when necessary. The maximum expenditure amount for petty cash is \$50.00 per expenditure unless otherwise approved by the Office of Financial Services (OFS).

Purpose of the Policy

To define the process for establishing petty cash funds and **change funds**.

Definitions

Term	Definition
Petty cash fund	A limited dollar fund used to purchase goods when the university's present procurement system is not cost effective and when the dollar amount is low.
Change fund	Used exclusively to provide money for making change for university approved department sales, and is reconciled on a daily basis.

Policy Details

- I. Uses of a petty cash fund
 - A. A petty cash fund may be used for:
 - 1. Miscellaneous office supplies needed for unit operation,
 - 2. Postage for units outside the meter mail program, or
 - 3. Business expenses as authorized by the [Expenditures](#) policy.
 - B. Prohibited uses of a petty cash fund are:
 - 1. Personal or third-party check cashing,
 - 2. Travel advances to employees,
 - 3. Moving expenses,
 - 4. Payment of payroll stipends, or
 - 5. Business expenses not authorized by the Expenditures policy.
 - C. An alternative to a petty cash fund is the university procurement card.
 - D. A [Sales and Use Tax Blanket Exemption Certificate](#) should be used for all purchases, as the university is exempt from paying sales tax. Forms may be accessed through the [Office of the Controller website](#).

PROCEDURE

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- I. Establishing and funding a petty cash or change fund.



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- A. To establish a petty cash or change fund a unit completes the following steps:
 1. Download and complete a [Petty Cash/Change Fund](#) information sheet. The sheet must be signed by the unit head and the senior VP/dean or their senior fiscal officer.
 2. Indicate the type of fund requested, either petty cash or change fund.
 3. Return the form to the Office of the Controller for review; the Office of the Controller will seek approval by Financial Services.
 4. After the request is approved and returned to the unit, the requesting unit will process an online payment request using the payment request entry pages (PREP) in the financials system.
 5. Accounts Payable will issue a check to establish the fund.
 - B. The source of funding for a petty cash or change fund is provided by the unit.
 - C. Reference the appropriate general ledger organization, fund, and account on the Petty Cash/Change Fund Information Sheet.
 1. The petty cash account for general ledger is “11150.”
 2. The change fund account for general ledger is “11160.”
 3. It is not permissible to use general funds (“010xxx”) or general budget funds (“011xxx”) for either a petty cash or change fund.
- II. Fund custodians for petty cash or change funds.
- A. The fund custodian should be the head of the unit or her/his designee. A backup custodian must also be appointed as applicable.
 - B. Access to the fund(s) should be limited to fund custodians and backup custodians.
 - C. The duties of the fund custodian are to:
 1. Maintain and balance the fund(s).
 2. Report any unusual activity, change in custodian, or change in fund status to the Office of the Controller.
 3. Physically secure the fund and the receipts reimbursed. Funds should be kept in a secure location away from high traffic areas. The preferred location is a locked safe. If this is not possible, then funds should be kept in a locked drawer that is accessed only by the fund custodian or backup custodian.
 4. Maintain appropriate documentation pertaining to the transfer of the proper fund balance to the new custodian.
 5. Assure that funds are not commingled with other funds (e.g., change funds).
 - D. The duties of the backup custodian are to assist in the duties of the fund custodian in the event of an emergency or when the primary custodian is on leave.
 - E. If a change of custodian is required, the unit head must notify the Office of the Controller in writing referencing the former and new custodian of the fund.
- III. Reimbursement.
- A. Reimbursement procedures with receipt:
 1. Obtain the approval of the fund custodian prior to incurring expense.
 2. Review the validity of the vendor receipt.
 3. Reimburse the purchaser for the exact amount of the vendor receipt.
 4. Have the purchaser sign and date the vendor receipt and the custodian initial the receipt after reimbursement is disbursed.
 5. Maintain the receipt with the fund until submitted for fund replenishment.
 6. The custodian cannot reimburse herself/himself.
 - B. Reimbursement procedures without receipt:
 1. Obtain the approval of the fund custodian prior to incurring expense.
 2. Prepare a facsimile receipt.
 3. Reimburse the purchaser for the exact amount of the facsimile receipt.
 4. Have the purchaser sign the facsimile and indicate that an original receipt was not available.
 5. Maintain the facsimile receipt with the fund until submitted for fund replenishment.
 6. The custodian cannot reimburse herself/himself.
 - C. Reimbursements procedures for amounts greater than \$50:



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1. Complete a payment request using PREP in the financials system.
 2. Print a copy and attach all original receipts. The reimbursement must comply with the [Expenditures policy](#).
 3. Calculate the receipts twice to ensure that receipts to be reimbursed equal the amount requested to be reimbursed.
 4. Accounts Payable will issue reimbursement to the individual listed on the payment request.
- IV. Balancing a petty cash or change fund.
- A. To balance the fund:
 1. Count the cash on hand,
 2. Calculate total of receipts to be reimbursed, and
 3. Identify any reimbursements in transit.
 - B. The total of the cash, receipts on hand, and replenishments in transit should equal the total fund.
- V. Fund balancing schedule.
- A. A petty cash fund should be balanced at least once each week, and more often depending on the frequency of replenishment.
 - B. For the protection of the unit, the fund, and custodians; the fund should be balanced quarterly in the presence of the custodian, but by someone other than the custodian or backup custodian.
 - C. Change funds must be balanced on a daily basis by the custodian.
 - D. If a change fund is transferred from one cashier to another, it must be balanced before being transferred.
- VI. Fund shortages and overages in petty cash funds.
- A. A log should be maintained to track all shortages and/or overages of the fund.
 - B. Management, other than the fund custodian, must periodically review the fund records and log to identify any inconsistencies or trends.
 - C. Discovered inconsistencies or spending trends must be reported to the Office of the Controller.
 - D. If the fund has a shortage, the following documentation is required:
 1. A memo is written detailing the shortage and indicating the account control to be charged;
 2. The unit head must review, initial, and date the memo; and
 3. The memo is submitted for reimbursement along with the other receipts when the fund needs to be replenished.
 - E. When a fund is in need of replenishing, the following steps are taken:
 1. The unit should set a dollar level at which the fund is to be replenished (usually when one-fourth of the fund remains).
 2. Balance the fund prior to it being replenished.
 3. Calculate the total twice to ensure receipts to be replenished equal the amount requested.
 4. Process an online payment request using PREP and indicate the correct general ledger organization, fund, and account for each reimbursed expenditure.
 5. Print a copy of the payment request and attach the appropriate receipts.
 6. Maintain all original receipt documentation in the unit.
 7. Accounts Payable will generate a check to the unit in care of the fund custodian.
 8. Allow a minimum of ten days from submission for the replenishment check to be issued.
 - F. If a fund does not require replenishment at least every 60 days, the fund should be reduced or eliminated.
- VII. Fund shortages and overages in change funds.
- A. If a shortage or overage is discovered in the daily balancing or transfer of a change fund, the custodian should immediately recount the fund.
 - B. If the difference continues, another employee should immediately perform the count in the custodian's presence.
 - C. When a true difference has been determined, it should be properly recorded as follows:
 1. Shortages and overages should be identified by each cashier.
 2. A daily log should be maintained identifying the reason for the shortage or overage. Management should periodically review this log.
 3. Any recurring exceptions should be reviewed and discussed with the cashier and the Office of the Controller if applicable.



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- 4. The net difference (shortage or overage) per day should be recorded in the appropriate revenue account.
5. The account to be used to identify the net difference (shortage or overage) is "41067." The shortage or overage will be identified with either the credit or debit entry that is made on the deposit record.

VIII. Closing or reducing a petty cash or change fund.

A. The following steps are taken to close or reduce a fund:

- 1. Balance the fund.
2. Inform the Office of the Controller that the cash fund is closing or being reduced.
3. Prepare the daily deposit journal entry in general ledger and print the deposit slip.
4. Follow deposit procedures to make a deposit at the nearest deposit center. Refer to the Office of the Treasurer website for deposit procedures.
5. The applicable general ledger organization and fund code should be used when depositing the petty cash fund under account "11150."
6. A photocopy of the deposit ticket is sent to the Office of the Controller.
7. The Office of the Controller will reconcile the photocopied deposit ticket to the referenced general ledger account and change the status of the unit's petty cash fund.

IX. Audits and physical cash counts.

- A. Internal Audit performs unannounced physical counts of petty cash and change funds.
B. A report of these audits is submitted to the unit, applicable dean or VP, and the Office of the Controller for review to identify any control weaknesses and to improve management of the funds.

Responsibilities

Table with 2 columns: Position or Office, Responsibilities. Rows include Unit head, senior VP, dean, senior fiscal officer and Unit.



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Position or Office	Responsibilities
Fund custodian	<ol style="list-style-type: none"> Maintain and balance the fund. Report any unusual activity, change in custodian, or change in fund status to the Office of the Controller. Secure the fund and receipts reimbursed physically. Maintain accurate documentation pertaining to the transfer of the proper fund balance to a new custodian. Assure that funds are not commingled with other funds. Do not reimburse herself/himself for expenses. Observe the balancing of a fund quarterly personally. Balance a change fund daily or when transferring as described in VII-A and B. Properly record a true difference as identified in Procedure VII-C.
Backup custodian	Assist with the "fund custodian" responsibilities in the event of an emergency, or when the primary custodian is on leave.
Office of Financial Services (OFS)	Review petty cash expenditure requests greater than \$50.
Accounts Payable	<ol style="list-style-type: none"> Issue checks to establish requested petty cash/change funds. Issue reimbursement to the individual listed on the payment request. Generate fund replenishment checks to the unit in care of the fund custodian.
Office of the Controller	<ol style="list-style-type: none"> Review and approve unit requests to establish petty cash/change funds. Receive notifications of changes of fund custodians. Receive reports of discovered inconsistencies or spending trends. Review and discuss any recurring net differences with unit and cashier. Reconcile the photocopied deposit ticket to the referenced general ledger account when closing or reducing a fund, and change the status of the unit's petty cash fund.
Internal Audit	<ol style="list-style-type: none"> Perform unannounced physical counts of petty cash and change funds. Submit audit reports to the unit, dean/VP, and the Office of the Controller for review.

Resources

Business and Finance, busfin.osu.edu/
 Expenditures policy, 4.11, busfin.osu.edu/sites/default/files/411_expenditures.pdf
 Petty Cash/Change Fund information sheet, busfin.osu.edu/policies-forms
 Sales and Use Tax Blanket Exemption Certificate, busfin.osu.edu/policies-forms

Contacts

Subject	Office	Telephone	E-mail/URL
Policy questions	Office of the Treasurer, Office of Business and Finance	614-292-6261	busfin.osu.edu/treasurer
Establishing funds, changing fund custodians, fund shortages and overages, reconciliation of closed or reduced funds	Office of the Controller, Office of Business and Finance	614-292-6220	busfin.osu.edu/controller
Audit questions	Internal Audit, Office of Business and Finance	614-292-9680 Fax: 614-292-7938	busfin.osu.edu/internal-audit

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