



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

POLICY C-02: Policy for Petty Cash and Change Funds
Issued by: Auditor-Controller's Office
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I. PURPOSE

Many County Departments maintain a petty cash fund for emergency expenditures where it is impractical to be billed or have a warrant issued in advance or maintain a change fund for facilitating day-to-day operating activities, typically in a public counter environment. The purpose of this document is to specify the policy for managing such funds.

This policy outlines the minimum requirements and is not meant to be a detailed procedural guide. Petty Cash and Change Fund Guidelines supplement this policy and provide departments, agencies, and districts with guidelines for establishing, managing, modifying, or closing the funds. The guidelines, along with related forms, can be obtained from the Auditor-Controller's SharePoint site.

II. POLICY

Each Department is responsible for developing and maintaining written internal control procedures for their petty cash and change funds prior to the approval and establishment of such accounts. These procedures and petty cash and change funds are subject to review and audit by the Auditor-Controller's Office Internal Audit Division (ACO-IA). The ACO may establish change and petty cash funds for County departments for the following purposes:

- Change fund to be used to make change in carrying out official County duties of cash collection
- Petty cash fund to be used to pay small obligations for which the issuance of a formal purchase order and check would be too expensive and time consuming

Unauthorized Uses

Petty cash and Change funds must only be used for its intended purpose as defined by this policy. The same funds cannot be used for both petty and change purposes.

Petty cash expenditures will be limited to goods and reimbursements, which are legal charges against the County. Individual Petty cash expenditure may not exceed \$50. Petty cash purchases shall not be used to circumvent the procurement policies and procedures established by the County. Departments that have petty cash funds must consider alternate payment methods, such as Procurement Cards (P-Cards) to eliminate the need for a petty cash fund.

Documentation

Petty cash disbursements must be properly documented and verified that they are for a valid County business expense using formally printed, pre-numbered vouchers and vendor receipts. Receipts should be itemized and include a description of the business purpose of the transaction, goods purchased, the purchase date, and the appropriate authorization.

Custodian

Departments must appoint a custodian for the petty cash/change fund, who will be responsible for the safekeeping and disbursements of the fund.

When custody of a petty cash fund is transferred to another custodian, the existing petty cash fund should be turned in and a reconciliation performed to ensure that the total of the cash and the receipts equal the specified amount of the fund, and that the new custodian is aware of his/her specific responsibilities related to custody of the petty cash fund. This reconciliation should be agreed and documented by both relinquishing and acquiring custodian.

The department must update their written documentation and inform ACO-IA when there is a change of custodian.

Petty Cash and Change Fund Establishment and Management

Departments must follow the procedure outlined in the Auditor-Controller's Petty Cash and Change Fund Guidelines for establishing a new petty cash or change fund, or to modify or close existing petty cash or change fund.

Replenishing a Petty Cash Fund

Departments must follow the procedure outlined in the Auditor-Controller's Petty Cash and Change Fund Guidelines to request replenishment of petty cash fund.

Physical Security

When the petty cash fund's currency is not being used, it must be placed in a safe or locked receptacle, which is kept in a properly secured area.

In the event of theft or loss of funds, a Cash Over and Short form must be prepared immediately and sent to the ACO-IA. Refer to Policy for Cash Handling Controls, C-01, for more information on Cash Overages and Shortages.

Petty Cash funds are not to be borrowed by individual employees for any length of time, and daily cash counts should be conducted.

Petty Cash/Change Fund Report

The ACO will render a written report and give an account to the Board of Supervisors of any petty cash fund differences when the ACO determines it is necessary or when the Board directs the ACO to do so. The report will contain a summary of petty cash fund differences, establishments, increases, reductions, transfers, and discontinuances requested and received by each county department/agency.

Unannounced Cash Review

Departments must make periodic cash reviews for petty cash and change fund balances and of all cash, including receipts, on an unannounced basis. The ACO-IA may conduct unannounced cash reviews when deemed necessary.

III. RESPONSIBILITIES

County Departments, Agencies and Districts

- Comply with the Auditor-Controller's Policy for Petty Cash and Change Funds and its related guidelines in conjunction with the Cash Handling Controls Policy, C-01
- Establish and maintain internal controls for petty cash and change funds

Auditor-Controller

- Approve or deny petty cash and change fund requests
- Maintain a record of all petty cash and change funds along with the justification for the account
- Conduct unannounced cash reviews when deemed necessary