**Petty Cash and Change Funds Procedures**

**All established petty cash funds (cash, change, and checking) are the property of Kent State University and are subject to all University policies and handling procedures as outlined below. These procedures are applicable to every University department, administrative office, and affiliated organization involved in handling petty cash accounts and transactions. If a grant is involved, the stricter of University or grant language will apply.**

1. **Introduction**

***Purpose of Change Funds*:** There are various departments that collect cash while conducting University business and may require change to complete these transactions. Change funds are established to provide cash to these departments for the sole purpose of making change where sales are made involving cash. **THE INTEGRITY OF THIS CHANGE FUND MUST ALWAYS REMAIN CONSTANT.** No purchases or payments are to be made, nor should checks (personal, payroll, etc.) ever be cashed with these funds.

***Purpose of Petty Cash Funds*:** A petty cash fund is intended to provide a means for making minor off-campus purchases under conditions by which the typical Accounts Payable payment methods are not practical or adequate. Purchases must be such that they would be acceptable if processed through the University’s Accounts Payable department and in compliance with University policy.  All purchases must be supported by proper documentation such as an original invoice, receipt, register tape, etc. clearly identifying what is being purchased and signed by the person making the purchase. Petty cash funds are not intended to be a means for circumventing Kent State University's policies, regulations, or required controls and approvals.

1. **Establishment of Petty Cash or Change Funds**

***A Petty Cash or Change Fund Request Form*** can be found on the Controller’s Office website under Financial Accounting and clicking on [Petty Cash & Change Funds](https://www.kent.edu/controller/petty-cash-change-funds). This form must be submitted for the following requests:

1. To establish a new petty cash or change fund
	1. If a checking account is not required, the Controller’s Office will complete a Payment Request Form, with the completed Petty Cash or Change Fund Request Form attached as backup, and Accounts Payable will issue a check payable to the custodian. To obtain the actual cash, the custodian must cash the check.
	2. If a checking account is needed, the completed Petty Cash or Change Fund Request Form should be completed and emailed to treasury@kent.edu by the head/chair of the requesting department & no Accounts Payable check will be issued. The money will be deposited to the new checking account by the Treasury department and checks can be written against the new account.
2. To make a change to an existing fund:
	1. To close a petty cash or change fund.
		1. In addition to this form, all remaining cash on hand will need to be deposited into Cashnet & a final reimbursement form will need completed to book final expenses.
	2. To increase a petty cash or change fund.
		1. The same procedure used for establishing new funds will be followed to issue a check for an increase.
	3. To decrease a petty cash or change fund
		1. Deposit unused funds into Cashnet or indicate on reimbursement form that replacement cash is not needed.
	4. To change the custodian of a petty cash or change fund.

Original signatures of the custodian and the department head/chairperson or dean are required in each of the above situations. The custodian and the department head/chairperson or dean can never be the same person. All forms must be completed in their entirety to be processed.

1. **Operating Procedures**
2. ***Custodian Responsibilities*: All petty cash or change funds** are entrusted to a custodian within the requesting department. We recommend assigning a back-up custodian for times when the primary custodian is unavailable. The back-up custodian’s responsibilities are the same as the primary custodian’s when he/she is unavailable. Responsibilities of the custodian include:
	1. **Accounting for and safeguarding the cash:** All cash and checks should be stored in a secure, locked storage location at all times. In no instance should University funds held under an individual’s control be kept on one’s person, deposited into a personal bank account, or taken to one’s home for safekeeping. The Custodian should be the only person with access to the fund.
	2. **Securing proper receipts and maintaining good records: in compliance with the University** [Record Retention Schedule](https://www.kent.edu/generalcounsel/record-retention-schedule)
	3. **Preparing and submitting all documents to the Controller’s Office for financial reporting purposes.**
	4. **Signing checks:** The Custodian(s) and their back-up (when applicable) are the only people permitted to sign checks written from accounts connected to a bank account. Department heads/chairs are not permitted to sign checks, as they provide oversight to the petty cash process.
	5. **Following up on stale checks (if applicable)**
	6. **Reporting theft: In the event theft occurs, please follow the steps below:**
3. **File a report with the KSU Police Department.**
4. **Notify the Controller’s Office of the theft and indicate the amount of stolen funds.**
5. **Obtain a copy of the police report.**
6. **Forward a copy of the police report to the Controller’s Office to serve as backup for the reimbursement of stolen funds.**
7. **Create a plan to prevent theft in the future.**
8. ***Petty Cash Disbursements*: Expenses paid with petty cash funds are only to be made for the purpose(s) for which the fund was intended and must be supported by original receipts. Petty cash funds are NOT be used to make purchases for items that can be made by official Accounts Payable methods, such as P-Cards or check requests, as petty cash is not intended for circumventing the Accounts Payable process. Please review the** [Compensating Research Subjects](https://www.kent.edu/accountspayable/compensating-research-subjects) **tab on the Accounts Payable website to ensure University Policy and Accounts Payable guidelines are followed for expenses related to compensating research subjects. It is the responsibility of the custodian to review all original documentation supporting the purchase(s) to ensure compliance with KSU policy (ex. no sales taxes should be paid). The custodian should keep a payment log of all petty cash purchases made and store original receipts/documentation with the department’s financial records for the duration of four years. The purchase log should contain the following information:**
9. **Date of purchase/payment/check written**
10. **Petty Cash Check # (if applicable)**
11. **Name of the vendor or other payee**
12. **Description of the goods purchased**
13. **Dollar amount paid**
14. **Index to record the transaction**
15. **Account code to record the expense**
16. **Signature indicating receipt of purchases or services**
17. **Positive evidence that a payment was made, i.e., original receipt**
18. ***Reimbursement of Petty Cash Funds*: To replenish funds, a Petty Cash Reimbursement Form must be completed and returned to the Controller’s Office by the 1st working day of every month. Although original records are on file in the departments, copies of original support documentation (receipts) should accompany all reimbursement requests. The Controller’s Office will process the Petty Cash Reimbursement Forms and reserve the right to review expenditures for reasonableness, but the responsibility for expenditure review and approval ultimately lies within the department. The funds will be replenished by either the Accounts Payable department (if no checking account associated with fund) or the Treasury department (if there is a checking account associated with the fund), depending on the fund. It is not necessary to deplete all funds before submitting a reimbursement request. A Petty Cash Reimbursement Form** can be found on the Controller’s Office website under Financial Accounting and clicking on [Petty Cash & Change Funds](https://www.kent.edu/controller/petty-cash-change-funds). Please use the Petty Cash Reimbursement Supplemental Form if more space is needed.

***To ensure the timely recording of expenditures, the Reimbursement process is required in every month purchases are made using Petty Cash funds.*** ***Ultimately, the fund must be made whole prior to the University's fiscal year end (June 30) to ensure that expenditures are recorded in the proper fiscal year.***

When completing the Petty Cash Reimbursement form, please double check that the following information is accurate/included:

1. The petty cash fund number assigned by the Controller’s Office to your account. (ex. GFPC-195)
2. Departmental index and account codes to charge. Please note, that in the case of a grant, the Principal Investigator (PI) must sign off on the reimbursement form to charge the grant index directly. Otherwise, the home department must initially absorb the charge and initiate a Cost Transfer Workflow to move the charge onto the Grant.
3. The commodity code for each expense item. For a listing of commodity codes, go to the Accounts Payable website and open the [Commodity Codes](https://www.kent.edu/accountspayable/forms-and-procedures) workbook, under Other Forms and Resources.
4. The current month Payment Log kept by the custodian and copies of support documentation for the expenditures.
5. Original signatures of the custodian and the department head, chair, or dean are required before the petty cash reimbursement request can be processed.

If it is determined that the Petty Cash fund is no longer needed, please work with the Controller’s Office to fill out a final reimbursement form and deposit any remaining cash on hand into Cashnet. The remaining cash on hand plus the reimbursement form amount should be equal to the original amount funded. When the Controller’s Office receives the final reimbursement form, the final expenses will be recorded and the petty cash fund will be closed.

1. ***Petty Cash/Change Fund Overages and Shortages*:** Pettycash should be counted at the time a reimbursement request is completed to ensure that no money is unaccounted for. Change funds should be balanced after every day of usage, but at least once per week and a log of the counts should be kept. Although the cash denominations may change over time, the amount of change fund cash on hand should never deviate from the established level.

In the event of a discrepancy between the established petty cash/change fund level and total cash on hand plus the receipts to be reimbursed, differences should be identified on the reimbursement request form as a cash overage/shortage and recorded to account code 77013 (Cash Over & Short). Overages should be deducted from the reimbursement request total and shortages should be added to the reimbursement total in order to bring the petty cash balance back to the established level. Funds lost due to circumstances beyond the control of the custodian must be repaid from the department’s funds. If shortfalls are due to a “theft” of petty cash funds, a copy of the police report will need to accompany the reimbursement request form. For specific procedures in response to Petty Cash theft, please refer to Custodian Responsibilities under Operating Procedures (III. A) within this document. Chronic overages and shortages are an indicator of possible internal control deficiencies and will be reported to Internal Audit.

1. ***Physical Security***: Cash and checks should be stored on campus in a locked storage unit (such as a safe) at all times. At no point should University funds be kept on one’s person, deposited into a personal bank account, or taken to one's home for safekeeping.
2. ***Fund Segregation*:** Each petty cash fund and each change fund should be segregated from all other cash funds. These funds are intended to stand alone; do not combine them with other cash.
3. ***Bank Reconciliation*:** For petty cash funds with checking accounts, The Controller’s Office will reconcile the bank statement ending balances to the established Petty Cash values on a monthly basis and perform necessary follow up. A copy of this reconciliation will be emailed to the Custodian monthly, as completed, or upon request. Any uncashed checks will be considered stale after 16 months and written off, however, regular efforts should be made by the Custodian to follow up on uncashed checks.
4. ***Fund Verification*:** Every June, the Controller’s Office will verify with the custodians details about change and petty cash funds. This verification will seek to confirm cash on hand, outstanding reimbursements, any discrepancies, and custodian. This exercise is to ensure that expenses are recorded in a timely manner for fiscal year end, our balance sheet figures are accurate, and to notate any details that may have been missed throughout the year. Noncompliance with verification requests will be referred to Internal Audit.
5. **Changing an Existing Petty Cash or Change Fund:**
6. ***Increasing or Decreasing an Existing Petty Cash Fund:*** To reduce KSU’s exposure to cash loss, the established balance of a petty cash fund should be approximately what is needed in an average one-month period. If you find that your petty cash fund levels are not adequately meeting your department’s needs or if you have excessive cash sitting around unused, an increase or decrease in the fund balance may be necessary. A [Petty Cash or Change Fund Request](https://www.kent.edu/controller/petty-cash-change-funds) form must be submitted to the Controller’s Office to accomplish the fund balance change.
7. ***Change in Petty Cash Custodian:*** Due to the fact that employees may leave the University, transfer to new departments, or have their responsibilities reorganized, the Petty Cash Custodian designation may need to be reassigned. If this occurs, please complete the [Petty Cash or Change Fund Request](https://www.kent.edu/controller/petty-cash-change-funds) form, section 2c, and send to the Controller’s Office for processing.
8. ***Closing a Petty Cash Fund*:** If the Petty Cash fund is no longer necessary or not going to be used for a while, the Custodian should consider reducing the balance or closing the fund completely.  The Controller's office should be contacted for specific instructions on closing the fund, but in general, all remaining cash on hand will be deposited to Cashnet, a final reimbursement form must be turned in, and the [Petty Cash or Change Fund Request](https://www.kent.edu/controller/petty-cash-change-funds) must be completed and sent to the Controller’s Office. Questions regarding procedures should be directed to the Controller’s office at 330-672-2392.
9. **Miscellaneous Information**

Petty cash is not intended to circumvent the Accounts Payable process and whenever possible, payments to vendors should be made via P-Card (as long as no fees are incurred as a result) or through a Payment Request Form to Accounts Payable. This creates a better audit trail and centralizes our purchasing records, allowing for an easier retrieval of documentation. University Policy must be followed on all Petty Cash purchases.

In general, the following expenses are prohibited from petty cash funds: travel, sales tax, alcoholic beverages, departmental holiday celebrations, gifts, entertainment, or purchases of a personal nature. Please see [University Policy 7-02.8](https://www.kent.edu/policyreg/administrative-policy-regarding-travel-regulations-state-and-out-state) in regards to travel regulations for University personnel. Please see [University Policy 7-02.5](https://www.kent.edu/policyreg/administrative-policy-regarding-business-meals-and-hospitality-expenses-payable-or) regarding business meals and hospitality expenses payable or reimbursable from University funds. For clarification on allowable expenditures, please contact the Accounts Payable department.

Petty cash funds may not be used to make payments to individuals when W-2 or 1099 forms are required for tax purposes. Failure to conduct these transactions through the Payroll or Accounts Payable departments will result in noncompliance issues for the University regarding IRS regulations.

Petty cash may not be used to pay for internal exchanges of goods or services between departments. Internal exchanges of goods or services between departments should be processed with an interdepartmental charge (IDC) and should be initiated by the department providing the goods or services.

Since the University is tax-exempt, petty cash accounts may not reimburse for any taxes paid. Any taxes paid by an individual become the personal responsibility of the purchaser. Should an inappropriate sales tax payment be made from a petty cash fund, the custodian could be held personally liable for replenishing the fund for such expenses.

Please contact the Controller’s Office at 330-672-2392 if you have any specific questions related to petty cash or change funds that are not addressed within this document.