



SECTION: FINANCE
AREA: TREASURER'S OFFICE
SUBJECT: PETTY CASH FUNDS

PURPOSE

The purpose of this policy is to establish guidelines and procedures for establishing, maintaining, and monitoring petty cash accounts.

SCOPE

All UAMS Faculty, Staff and Employees.

DEFINITIONS

Petty cash funds are revolving, fixed amount, imprest accounts that are used to make miscellaneous, small, or emergency purchases. A petty cash fund is a specific amount of money and can only be assigned to a UAMS employee (custodian/agent) for authorized purposes.

Gift cards/certificates purchased for distribution to research subjects are considered cash and are therefore subject to the petty cash policies and procedures.

Non-cash incentives purchased for distribution to research subjects must be inventoried and distributions documented and are therefore subject to the petty cash policies and procedures.

Custodian is the individual assigned to and is personally responsible for the accurate and appropriate control of a petty cash account. A department head or equivalent administrator must designate the custodian. The custodian is trained in the proper procedures for petty cash management and certifies that s/he will follow the UAMS policies and procedures by completing the [*Statement of Petty Cash Custodian's Responsibility*](#).

Business/Financial Administrators for the purpose of this policy are those individuals identified on the authorized list published and maintained by the Treasurer's Office.

POLICY

Departments that make frequent, low-cost purchases or make payments to research subjects may request a petty cash fund from the UAMS Vice Chancellor of Finance and Treasurer's Office. Before requesting the establishment of a petty cash fund, the department should ascertain that the goods and services to be purchased could not be obtained from a vendor using standard purchasing procedures.

All petty cash accounts will be set up by the Treasurer's Office upon the approval of the Vice Chancellor of Finance and the receipt of the [*Petty Cash Action Form*](#) and [*Statement of Petty Cash Custodian's Responsibility*](#). All replenishments will be processed through the Treasurer's

Office using the *Custodian's Petty Cash Fund Reconciliation* with all appropriate attachments. The Treasurer's Office will notify the department of the approval/disapproval of the request and initiate issuance of a check to the custodian once the request has been approved.

The custodian is responsible for the accuracy of the balance, disbursement, and documentation of the funds. The custodian will follow the UAMS policies and procedures for petty cash. Custodian will perform a reconciliation of the account monthly or prior to when the fund is replenished, whichever comes first. Monthly reconciliation must be submitted within fifteen (15) days following the end of the month. If the fund reconciliation is not submitted within forty-five (45) days, the Treasurer's Office may withdraw authorization for the fund. No further reimbursements will be forwarded to the custodian, and any undocumented or non-reimbursable amounts will be invoiced to the fund custodian. If necessary, payroll deduction from the fund custodian will be used to reimburse UAMS.

Fund shortages are the responsibility of the fund custodian. All cash discrepancies should be immediately reported to and investigated by the custodian's immediate supervisor. Significant shortages should be reported immediately to the Treasurer's Office. If it is determined the shortage resulted from negligence on the part of the custodian, s/he will be held personally responsible and will be expected to reimburse UAMS.

The petty cash funds should be locked up except when in use. Be sure that the lock on the safe, desk, file cabinet, etc. is NOT common on the campus. Each fund is to be maintained and stored separately, for example, in its own envelope, cash bag, or cash box. Commingling of petty cash funds and associated documents with other funds is not permitted. Access to the funds should be restricted to authorized personnel only.

The following restrictions apply to petty cash funds: **no** checks, post-dated checks, notes payable (IOUs), payroll, payroll advance, travel expenses (i.e., toll fees, gasoline or vehicle costs, tips, etc.), or disbursements made for business meals/entertainment are permitted. Petty cash may only be used to purchase items requiring immediate payment. The fund may not be used to avoid any University or State purchasing restrictions. Refer to <http://ss.uams.edu/procurement/> for more details on purchasing restrictions and regulations.

Petty cash funds are subject to unannounced review by the Treasurer's Office, Finance, UA Internal Audit, Grants Accounting, UAMS contracted auditors and Legislative Audit personnel.

PROCEDURES

A. Establishing a Petty Cash Account

1. The Department will determine the purpose and dollar amount of the funds and identify a Custodian. The established amount of the petty cash account should not be greater than the estimated quarterly need. Excess funds held in petty cash accounts cost UAMS by reducing investment income.
2. The Department will determine the type of petty cash account required and provide a justification for the type of account in the Statement of Purpose on the *Petty Cash Action Form*.
3. The Department will complete and forward the *Petty Cash Action Form* to the Treasurer's Office with approval from the Business/Financial Administrator. This form may be sent via email as a PDF attachment. For research accounts, Grants Accounting will verify the work breakdown structure element (WBSE) is correct and enter the account information into ARIA. The form is then uploaded into ARIA under the appropriate WBSE as document type "Petty Cash Action Form".

4. The Treasurer's Office will verify the Custodian has completed the petty cash training and submitted a signed copy of *Statement of Petty Cash Custodian Responsibilities*.
5. As an alternative to receiving cash from the Treasurer's Office, gift cards for research subjects may be purchased through Procurement Services. Grants Accounting will be notified of purchase by Procurement Services. Prior to processing the purchase request, Procurement Services will verify that the requestor is an authorized custodian of funds. The purchase of the cards will be recorded to general ledger account 531510 "Rsch Participant Pmt".

B. Disbursement of Funds

1. The custodian will record each disbursement from petty cash using the *Research Subject Payment Voucher*, *Schedule of Reimbursement* or other form providing the necessary information. Each transaction must be recorded separately with the following information:
 - i. purpose/event
 - ii. fund and cost center or WBSE
 - iii. documentation by receipt, invoice, or other supporting papers (research subject payments will be documented by having the subject sign a receipt of funds)
2. The custodian will verify each disbursement is made in accordance with UAMS Policies and Procedures.
3. Research Only – The research subject must sign a receipt acknowledging payment. Custodian will log each research subject payment into an excel spreadsheet with the following data elements: date, receipt number, subject patient identification (PID), subject social security number (SSN), subject address, amount of disbursement, Fund, WBSE, and the name of the person making the disbursement. (If a subject receives multiple payments, the street address does not need to be collected each time.)
 - i. For studies where collecting the social security number is not possible or would seriously deter subject participation, the Principal Investigator (PI) must submit a waiver request for collecting SSN. Waivers of SSN will be granted for studies where the amount of payment to participants totals less than or equal to \$20 within the calendar year and the PI agrees to obtain written confirmation that the subject has not and will not receive any other compensation from UAMS within the calendar year. Waivers of SSN may be granted for studies where the amount of payment totals greater than \$20 and less than or equal to \$100 within the calendar year. The PI must agree to obtain written confirmation that the subject has not and will not receive any other compensation from UAMS within the calendar year and explain how it is highly unlikely that the subject will receive more than \$600 within the calendar year.

C. Reconcile and Replenish Account

1. The custodian prepares a *Custodian's Fund Reconciliation* and attaches either a *Schedule of Reimbursement* or the *Research Subject Payment Voucher*.
2. The custodian will reconcile the account each month.
 - i. total the disbursements
 - ii. count the cash on hand
 - iii. total disbursements and total cash on hand should equal the established amount of the fund
3. Obtain independent (someone other than the custodian) written approval of reconciliation of the fund.
4. Investigate any differences and provide explanation.
5. Obtain Business/Financial Administrator approval of any differences.

6. Document any shortages or surplus on *Custodian's Fund Reconciliation* and submit to Treasurer's Office within fifteen (15) days after the end of each month.
7. Custodian attaches reconciliation records, receipts and copies of all documents associated with the Replenishment Request.
8. Forward replenishment request to the Treasurer's Office.
9. Disbursement Services reviews and verifies all petty cash disbursements for allowability. Once verified, the Treasurer's Office will issue a replenishment check to the custodian.
10. Research Only – Grants Accounting reviews and verifies all research subject payment petty cash disbursements. Once verified, the Treasurer's Office will issue a replenishment check to the custodian.

D. Monitoring or Changing the Account

1. The Business/Financial Administrator is responsible for ensuring that there is adequate segregation of duties. Occasionally, the custodian's supervisor or someone other than the custodian will perform a surprise count of the fund. The supervisor, unit head, or designee reviews and approves all forms related to the operation of the fund. This includes accepting responsibility for verifying the accuracy and appropriateness of supporting documentation and arithmetic totals, etc. This individual also ensures that the custodian manages the fund in accordance with established policies and procedures.
2. The Treasurer's Office, in conjunction with Grants Accounting, will schedule and perform unannounced audits of the account periodically and when the account is being closed. All cash discrepancies will be reported to the custodian's immediate supervisor. The Department will have thirty days to make corrective changes, at which time a re-audit will be performed. The Treasurer's office will report to the Department Chair and the Dean of the College any discrepancies in the account. Failure to make the necessary corrections may result in the closing of the petty cash account and payroll deduction from the fund custodian to reimburse UAMS.
3. The Treasurer's Office may determine that a fund's balance is substantially in excess of the department's needs based on historic usage. The fund custodian and the department head may be asked to either reduce the fund balance or further justify its continuance at the current level.
4. The total of cash available and outstanding receipts should **ALWAYS EQUAL** the established amount of the fund.
5. The Treasurer's Office may recall a petty cash fund if any violation of this policy occurs.
6. To change any information concerning the account the custodian will complete the *Petty Cash Action Form* and forward to the Treasurer's Office outlining the required changes (i.e., change custodian, increase, decrease, close, etc...) with approval from the Business/Financial Administrator.

E. Change of Custodian

1. Any change in the custodianship of the fund must be immediately reported to the Treasurer's Office using the *Petty Cash Action Form* and the *Statement of Petty Cash Custodian Responsibilities* for the new custodian.
2. Petty cash reconciliation is to be performed in the presence of the old and new custodians at the time of transfer. If it is impossible for the old and new custodians to be present at the same time, the count should be performed in the presence of another responsible employee of the department who will assume custody of the fund until the new custodian arrives. The count must be documented with a statement signed by the custodians (and the third-employee custodian, if used). This statement must be sent to the Treasurer's Office with the next monthly reconciliation.

F. Custodian Training

1. Each employee responsible for managing petty cash will be provided training for the proper management of the petty cash account. Training will consist of (1) an online tutorial with an electronic sign-off for completion; (2) a one-on-one session with the Grants Accounting Cash Manager for research subject payment; and (3) a follow-up session to review internal controls within one month of the initial session.
2. Registration and completion of petty cash training will be monitored through training tracker. Only those employees enrolled in the training program will be authorized as custodians to petty cash or to process payments to subjects.
3. A list of authorized custodians will be maintained by the Treasurer's Office.

G. 1099 Reporting

1. Disbursement totals for each research subject, along with his/her social security number, will be accumulated during the calendar year to determine which research subjects should receive a 1099.
2. The Director of Disbursement Services will notify the custodian as to which subjects have received over \$600 and will require a 1099. The custodian will submit the name and address of each individual to receive a 1099 to Disbursement Services by January 10th of each year.

FORMS

[Statement of Petty Cash Custodian's Responsibility](#)

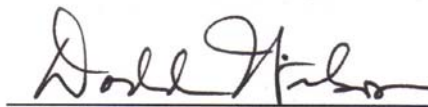
[Custodian's petty Cash Fund Reconciliation](#)

[Petty Cash Action Form](#)

[Research Subject Payment Form](#)

[Research Subject Payment Voucher](#)

SIGNATURE:



Chancellor

Date: November 6, 2008