**Petty Cash and Change Funds UPPS No. 03.01.16**

**Issue No. 3**

**Effective Date: 08/17/2021**

**Next Review Date: 06/01/2023 (E2Y)**

**Sr. Reviewer: Associate Vice President for Financial Services**

**POLICY STATEMENT**

*Texas State University is committed to providing and maintaining petty cash and change funds to expedite the business needs of departments.*

**01. BACKGROUND INFORMATION**

01.01 The purpose of this policy is to establish procedures for creating, managing, reimbursing, and closing petty cash and change funds.

01.02 A petty cash or a change fund is created through an advance of funds to a petty cash fund custodian authorized by a Texas State University department, center, or other business unit to administer the fund. Justification for the fund must be provided by the department and approval must be received from the department’s account manager, dean or director, and the associate vice president for Financial Services (AVPFS) before the fund is created.

01.03 Petty cash funds are used to handle small, unanticipated purchases from vendors where immediate payment is required and the formal university purchasing and billing processes are impractical or impossible to use. Petty cash must not be used to pay vendors when a Texas State purchasing card, purchase order, or payment request form could be used. Departments are strongly encouraged to use the university purchasing card in lieu of petty cash. All petty cash purchases and reimbursements must adhere to university procurement policies and procedures.

01.04 Change funds are specific amounts of cash kept in departments and used to make change for goods sold or services rendered by the department. A change fund may not be used for expenditures, reimbursements, or to cash checks. This fund is used strictly for making change and should never vary in amount.

01.05 The fund custodian must be a full-time employee of Texas State. Fund custodians may not be undergraduate students, graduate students, wage, or temporary personnel.

01.06 Unless specified and approved by the account manager, the department’s dean or director, and the AVPFS, a petty cash fund or change fund is limited to $250.

01.07 All petty cash and change fund advances will be recorded in the university’s financial system.

01.08 Grant accounts and accounts funded by state appropriations are not eligible to use either petty cash or a change fund.

01.09 The department requesting petty cash or a change fund must establish written procedures for controlling these funds. Written procedures should minimally include authorization of the person to act as fund custodian, guidelines for the safekeeping of funds, procedures for usage of funds, steps for reimbursement of funds, and procedures for handling shortages, including instructions on notifying the University Police Department (UPD), the Texas State University Systems (TSUS) Office of Internal Audit at Texas State, Student Business Services (SBS), and the General Accounting Office in the event of a loss. Fund custodians or departments may contact the SBS Cash Operations office for assistance and guidance on proper cash-handling procedures as needed.

01.10 All petty cash and change funds are subject to cash counts or audits, whether announced or unannounced, by SBS, the General Accounting Office, the TSUS Office of Internal Audit at Texas State, or the State Auditor’s Office.

01.11 Exception to provisions of this policy may be authorized by a President’s Cabinet officer.

**02. PROCEDURES FOR CREATING A PETTY CASH OR CHANGE FUND**

02.01 The account manager must submit a fully approved [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) to the AVPFS (located at J.C. Kellam Building 589) that includes the following information:

a. type, amount requested, and justification for the fund;

b. name and contact information for the fund custodian who is responsible for the fund;

c. name and contact information for the account manager;

d. where the funds will be physically located;

e. how the funds will be secured;

f. certification by the fund custodian and account manager that they will comply with all applicable policies and procedures; and

g. a justification if the requested amount exceeds the limit established by this policy.

02.02 If the fund custodian is the account manager or an approver, that approval must be made by a supervisor at least one level higher.

02.03 Once the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) is approved by the AVPFS, Accounts Payable will establish the petty cash or change fund using the completed form and by informing the SBS Cash Operations office of the approved request. The SBS Cash Operations office will issue cash to the fund custodian at the cashier’s window.

**03. PROCEDURES FOR MANAGING A PETTY CASH FUND**

03.01 The fund custodian is responsible for securing and managing the department’s petty cash fund. The fund custodian should have exclusive access to and control of the fund and should be the only person in the department to disburse cash from the fund. When not in use, the funds should always be stored in a secure, locked container with access limited to the fund custodian. At any point in time, the approved petty cash fund balance should always be equal to the sum of cash on hand plus documented receipts from purchases.

03.02 It is the responsibility of both the fund custodian and the account manager to limit the use of the fund to legitimate and allowable university-related expenses. Both must ensure that all disbursements from a petty cash fund are for expenses for which a detailed, itemized receipt is provided and for which the payment is allowable under university policy. The fund custodian and account manager will be held responsible for any disbursement that is not in accordance with university policy. Improper disbursements may result in the loss of custodianship, termination of the petty cash fund, and other disciplinary action as appropriate.

03.03 The following uses of petty cash are strictly prohibited:

a. travel;

b. gasoline;

c. alcoholic beverages;

d. registration fees;

e. refunds;

f. personal services, professional services, honorariums, etc.;

g. donations;

h. purchases from university operations (i.e., bookstore, Print Shop, etc.);

i. purchases to be charged to Higher Education Funds (HEF);

j. assets or controlled assets;

k. license fees;

l. COD shipping costs; and

m. computer hardware or software.

03.04 Texas State is generally exempt from sales tax on goods and services; however, items of a personal nature such as food, clothing, and toiletries are taxable when personally paid. It is the petty cash user’s responsibility to claim sales tax exemption at the time of payment, if allowed. The university will not accept liability for disallowed payments of sales tax and will not reimburse the petty cash fund for the tax paid on non-taxable purchases (see [sales tax procedures](http://www.txstate.edu/gao/ap/resources/Texas-Sales-Taxes-on-Purchases.html)).

03.05 Both the fund custodian and the account manager shall be jointly responsible for ensuring that funds are properly safeguarded. If a loss or theft of these funds occurs, it must be reported to UPD and the TSUS Office of Internal Audit at Texas State immediately. It is the responsibility of UPD to conduct the criminal investigation and reports as required within the scope of their authority. The TSUS Office of Internal Audit at Texas State will conduct an audit of the fund and submit the audit report to the vice president for Finance and Support Services and the department’s President’s Cabinet officer if outside of the Finance and Support Services division.

03.06 The fund custodian must document a count and reconciliation of the petty cash fund no less than weekly to ensure no discrepancies exist. Daily counts and reconciliations are encouraged where practical.

03.07 Petty cash cannot be used for single purchases exceeding $100. A purchase may not be broken down on multiple receipts to stay within the $100 limit. The fund will be subject to closure for misuse if such activity occurs. Any items exceeding the $100 limit should be purchased with a university purchasing card or processed through the normal procurement or reimbursement processes.

03.08 Recurring or routine expenditures cannot be processed through petty cash funds.

03.09 Reimbursements to petty cash funds are processed by submitting a completed [Petty Cash Reimbursement form](http://gato-docs.its.txstate.edu/jcr%3Aefe52f65-51d9-4379-b9e0-b77bdecdbe17/AP-15%20Petty%20Cash%20Reimbursement.pdf) signed by the fund custodian and the account manager. Supporting detailed, itemized receipts must be attached to the form and customary, required explanations should be included for each receipt. For example, reimbursement requests for food purchases must describe the purpose of the activity and for whom the food was purchased; the attendees must be identified as faculty, staff, students, or external parties; and details of the items purchased must be included. Accounts Payable will communicate any denied reimbursements to SBS for assessment of the need for a follow-up surprise cash count.

03.10 All petty cash funds must be reconciled and reimbursed at fiscal year-end. The fund custodian and the account manager will submit a [Petty Cash Reimbursement form](http://gato-docs.its.txstate.edu/jcr%3Aefe52f65-51d9-4379-b9e0-b77bdecdbe17/AP-15%20Petty%20Cash%20Reimbursement.pdf) to Accounts Payable no more than six business days and no less than four business days prior to fiscal year-end.

03.11 Annually, the General Accounting Office will assess the utilization of petty cash funds. Petty cash funds that are used infrequently will be closed unless written approval to keep the fund open is obtained from the AVPFS by the fund custodian and account manager.

03.12 Petty cash funds are non-transferable. When there is to be a change of fund custodian, the fund must be closed and the funds returned to the SBS Cash Operations office with the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) indicating the closure request. The new fund custodian must then complete the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx). The new fund will be established as per Section 02.01.

03.13 The General Accounting Office will not reimburse a petty cash fund unless a [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) is on file indicating the name of the current fund custodian.

**04. PROCEDURES FOR MANAGING A CHANGE FUND**

04.01 The fund custodian is responsible for securing and managing the department’s change fund. The fund custodian shall have oversight of the fund and is responsible for ensuring proper cash-handling procedures are in place to properly secure the change fund. When not in use, the funds should always be stored in a secure, locked container with access limited to the fund custodian. At any point in time, the change fund balance must be equal to the sum of cash on hand plus documented overages or shortages.

04.02 Both the fund custodian and the account manager shall be jointly responsible for ensuring that funds are properly safeguarded. If a loss or theft of these funds occurs, it must be reported to UPD and the TSUS Office of Internal Audit at Texas State immediately. It is the responsibility of UPD to conduct the criminal investigation and reports as required within the scope of their authority. The TSUS Office of Internal Audit at Texas State will conduct an audit of the fund and submit the audit report to the vice president for Finance and Support Services and the department’s President’s Cabinet officer if outside of the Finance and Support Services division.

04.03 Fund custodians must document a daily cash count of change funds to ensure no discrepancies exist.

04.04 Annually, the General Accounting Office will assess the utilization of change funds. Change funds that are used infrequently will be closed unless written approval to keep the fund open is obtained from the AVPFS by the fund custodian and account manager.

04.05 Change funds are non-transferable. When there is to be a change of fund custodian, the fund must be closed and the funds returned to the SBS Cash Operations office with the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) indicating the closure request. The new fund custodian must then complete the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx). The fund will be established as per Section 02.01.

**05. PROCEDURE FOR CHANGING OR CLOSING A PETTY CASH OR CHANGE FUND**

05.01 To decrease, increase, or close a petty cash or change fund, the fund custodian and account manager must complete a [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx). Prior to closure of a petty cash fund, all supporting receipts must be submitted for reimbursement. For either a change in balance or a closure, a cash count must also be completed by SBS. After completing their cash count, SBS will receipt and deposit any cash exceeding the new balance of the fund or will indicate their approval on the [Cash Account Certification form](http://gato-docs.its.txstate.edu/jcr%3Ac6e95d41-2493-4837-bd12-1ff54ab012d0/AP-14%20Cash%20Account%20Certification%20Form.docx) for a fund increase.

**06. REVIEWERS OF THIS UPPS**

06.01 Reviewers of this UPPS include the following:

Position Date

Associate Vice President for June 1 E2Y

Financial Services

Treasurer June 1 E2Y

Director, Student Business Services June 1 E2Y

Director, General Accounting Office June 1 E2Y

**07. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

 Associate Vice President for Financial Services; senior reviewer of this UPPS

 Vice President for Finance and Support Services

 President