

## RULE 3.2 – PETTY CASH FUND

Adopted Date: 08/28/2006

Revised Date: 04/23/2018

### PURPOSE

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Petty cash funds may be established in a department or agency for situations when procurement options cannot be utilized in a reasonable manner for the purchase of minor goods, equipment, and services related to goods. Since cash is a liquid resource, strong internal controls are a necessity. The purpose of this fiscal accountability rule is to establish a more effective manner in which to manage petty cash funds.

This rule, and the associated [Petty Cash Fund Procedure](#), shall be read in conjunction with the following fiscal accountability rules to ensure compliance and understanding:

- [Fiscal Accountability Rule 1.2 – System of Record](#)
- [Fiscal Accountability Rule 2.1 – Expending Authority Delegation](#)
- [Fiscal Accountability Rule 2.4 – Separation and Rotation of Duties](#)
- [Fiscal Accountability Rule 3.3 – Change Fund](#)
- [Fiscal Accountability Rule 3.4 – Receipt and Deposit](#)
- [Fiscal Accountability Rule 7.1 – Propriety of Expenditures](#)
- [Fiscal Accountability Rule 8.1 – Procurement of Goods and Services Related to Goods](#)

### DEFINITIONS

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**Ad-Hoc Bank Transaction** – A journal used for recording cash transactions in the system of record.

**Fund Amount** – The maximum amount of cash that a Petty Cash Custodian is authorized to have in his/her fund at any given time. It is not the actual amount of cash on hand.

**Nominal Amount** – An amount of \$125 or less per transaction.

**Petty Cash Fund** – A fund established to allow cash payment for small, incidental expenses of nominal amounts.

**Petty Cash Fund Custodian** – An employee of a department or agency responsible for the administration, safekeeping, and disbursement of petty cash funds.

**Reimburse** – To pay back an employee for nominal, out of pocket expenses incurred for work related activities.

## RULES

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### Establish, Change, or Abolish a Petty Cash Fund

1. To establish a petty cash fund the Expending Authority for the department or agency shall:
  - A. Appoint a Petty Cash Fund Custodian and an alternate custodian;
  - B. Complete the [Petty Cash Fund Authorization Form](#); and
  - C. Submit the form to the Controller's Office.

The Petty Cash Fund Custodian, alternate custodian(s), and petty cash fund amount shall remain in effect until a new [Petty Cash Fund Authorization Form](#) is received by the Controller's Office.

2. To appoint a new Petty Cash Fund Custodian and/or alternate custodian(s) a new [Petty Cash Fund Authorization Form](#) shall be authorized by the Expending Authority and submitted to the Controller's Office.
3. To increase a petty cash fund a new [Petty Cash Fund Authorization Form](#) shall be authorized by the Expending Authority and submitted to the Controller's Office.
4. To decrease a petty cash fund a new [Petty Cash Fund Authorization Form](#) shall be authorized by the Expending Authority and submitted to the Controller's Office.
5. To abolish a petty cash fund the department or agency shall submit a [Petty Cash Fund Authorization Form](#), to the Controller's Office, [Create an Ad Hoc Bank Transaction](#) for Petty Cash Funds in the financial system of record, and deposit the funds.

### Core Rules

6. The department or agency shall establish, maintain, and monitor an internal petty cash fund policy and procedure that includes internal controls, an **Over/Short Resolution Plan** (refer to [Fiscal Accountability Rule 3.4 – Receipt and Deposit](#)), and physical security. The internal department or agency policy and procedure may be more restrictive, but not more generous than this fiscal accountability rule and the associated procedure, as long as the more restrictive internal policy and procedure is consistently

applied. The department or agency shall review the internal procedure at least annually to ensure compliance with this fiscal accountability rule and procedure.

- 7.** Petty cash funds shall be kept in a secure location at all times and access to the funds shall be restricted to the petty cash fund custodian and the alternate custodian(s).
- 8.** Petty cash funds shall not be advanced in anticipation of an approved purchase.
- 9.** All petty cash fund disbursements shall be approved in advance by the Petty Cash Fund Custodian.
- 10.** Purchases made using petty cash funds shall comply with [Fiscal Accountability Rule 8.1 – Procurement for Goods and Services Related to Goods](#).
- 11.** State and local sales tax may be reimbursed when a purchase is made with cash or an employee's personal check, debit card, or credit card.
- 12.** Petty cash funds shall only be used to purchase items of a nominal amount and issue employee reimbursements.
- 13.** Petty cash funds shall not be used for:
  - A.** Payment of salaries;
  - B.** Wages, bonuses or employee appreciation gifts, such as cash or gift cards;
  - C.** Non-employee 1099 compensation payments;
  - D.** Travel expenses;
  - E.** Travel advances;
  - F.** Mileage reimbursement except for employees who do not enter their hours worked in Kronos;
  - G.** Alcoholic beverages;
  - H.** Tobacco or tobacco products;
  - I.** Marijuana or marijuana products;
  - J.** Assets;
  - K.** Personal advances; and/or
  - L.** Check cashing.

- 14.** Petty cash funds shall be recorded and reconciled to the City and County of Denver's (city) financial system of record as of the last business day of every month. Adjustments shall be posted promptly.
- 15.** Replenishment of petty cash funds shall be made by the Manager of Finance check only.
- 16.** Petty cash fund shortages shall be reported to the Petty Cash Custodian's immediate supervisor as soon as the discrepancy is discovered.
  - A.** If the shortage is due to theft, the Expending Authority and the Controller's Office shall be notified as soon as the discrepancy is discovered.
  - B.** A police report shall be filed in all suspected thefts as soon as the theft is discovered, and a copy of the report shall be provided to the Petty Cash Custodian's immediate supervisor.
- 17.** On or before January 31 of each year, Petty Cash Custodians shall confirm their petty cash fund balance.
- 18.** A department or agency shall close or reduce the authorized amount of a petty cash fund that is not operated in accordance with this fiscal accountability rule and the associated [Petty Cash Fund Procedure](#). Petty cash funds with no activity within a one (1) year period shall be closed, a cash receipts journal created, and the funds deposited unless a justifiable exclusion to this rule can be provided.
- 19.** Petty cash funds shall not be used as a change fund. Departments or agencies maintaining both a petty cash fund and a change fund shall physically separate the funds and account for each fund separately.
- 20.** Petty cash funds may be audited by the Controller's Office.

## Internal Controls

- 21.** Supervisory personnel who oversee Petty Cash Custodians, including alternatives, shall ensure that random independent reconciliations of petty cash funds are performed during the year. Results of these surprise counts shall be documented and retained by the department or agency and provided to the Controller's Office upon request.
- 22.** A department or agency shall ensure adequate internal controls regarding separation and rotation of duties are in place in accordance with [Fiscal Accountability Rule 2.4 – Separation and Rotation of Duties](#).
- 23.** The petty cash fund custodial responsibilities shall be rotated to an alternative Petty Cash Fund Custodian for at least two consecutive weeks during each calendar year.
  - A.** Petty cash funds shall be reconciled and documented before custodial responsibilities are rotated; and

- B. Documentation of this rotation shall be retained by the department or agency and provided to the Controller's Office upon request.

## AUTHORITY AND ACCOUNTABILITY

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The **Controller's Office** is responsible for this fiscal accountability rule and any procedures, guides, job aids, forms, and one-page summaries associated with this rule.

Unless otherwise specified at the beginning of the document, printed copies are UNCONTROLLED. Always refer to the online Fiscal Accountability Rules on City and County of Denver website prior to use to ensure you are using the most current copy.