

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 04/04/03

Date Issued 07/72

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Filing Number 10,752

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SUBJECT

Petty Cash Fund Procedures

PURPOSE

To specify the procedures and conditions under which petty cash funds can be established and maintained.

AUTHORITATIVE REFERENCE

K.S.A. 75-3052

K.S.A. 75-3054

K.S.A. 75-3053

K.S.A. 75-3055

GENERAL INFORMATION

Authorized Use of Petty Cash Funds. Petty cash funds may be used for authorized agency expenditures of the agency of \$100 or less. Petty cash funds may not be used for employee salaries, payment of current accounts that are payable monthly, or advance payments of any kind. No checks may be cashed from this fund. The custodian may, however, use it for making change.

Absolutely no loans or advances to employees may be made from this fund.

Source/Maximum. The amount needed to establish the petty cash fund will come from current year appropriations for operating expenditures. The maximum amount for any petty cash fund is \$500.

Special Considerations. The petty cash fund may be maintained in cash; it is not required to be maintained in a bank. The agency should designate a place in the agency for the safekeeping of the fund. The cash must not be commingled with funds of any employee, but is to be maintained in a businesslike manner in an approved location with adequate security.

The supervising employee in the agency is expected to make “surprise internal audits” of the fund periodically to insure that procedures are strictly enforced.

Any reconciling entry for an overage or shortage must be described in detail, including the date the error was discovered. The Director of Accounts and Reports may authorize any such reconciling entry providing that it does not exceed \$200. In cases of extraordinary losses resulting from robbery, burglary or other infrequent disappearances, a petty cash fund may, if approved by the Director of Accounts and Reports, be reimbursed by the state agency from available appropriations, but such reimbursements shall not exceed a total amount of \$2,000 in any fiscal year.

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The Director of Accounts and Reports may withdraw the authority to maintain any petty cash fund and, upon withdrawal of authority, the petty cash fund shall immediately be terminated and shall not be reopened except upon subsequent application to and authorization by the Director of Accounts and Reports.

Forms.

- DA-71, “Petty Cash Fund Maintenance” -- This form is used to establish the petty cash fund, to change the responsible employees, to request changes in fund amounts, and to cancel the petty cash fund.
- DA-73 “Reconciliation of Petty Cash Fund” -- This form is used for reconciliation of the petty cash fund. Reconciliation is to be done at least monthly. A copy of the reconciliation done at the time of fund replenishment should be attached to the payment voucher.
- Disbursement forms—The agency determines the standardized form that best meets the needs of that agency. The form used must be pre-numbered (pre-printed or manually completed) and show date of payment, payee’s name, payee’s signature, description of item purchased, expenditure sub-object code, and custodian’s signature. The agency may purchase forms from an office supply vendor or use a paper log (Form DA-78, Petty Cash Fund Log). If a triplicate form is used, the payee receives the original copy, the second copy is attached to the DA-73 and DA-120 Payment Voucher to restore the fund balance, and the third copy is retained for the agency’s records and possible review by Legislative Division of Post Audit. If a duplicate form is used (or a log which is photocopied), the payee is not given a copy unless requested.

IRS 1099 Reporting of payments made from Petty Cash Funds

Agencies that process any IRS 1099 reportable payments from a petty cash fund are responsible for submitting a SOKI³⁺ journal voucher to record the expenditure against the correct vendor record. The journal voucher should be prepared at the same time as the payment voucher. For the first funding line use transaction code 780, reversal code "R", and the vendor number of the petty cash fund. Then a funding line using transaction code 780 and the payee's vendor number is entered. The vendor number for the payee to be charged must be established in STARS prior to processing the journal voucher. In the comment section of the journal voucher, please type “for 1099 purposes”. If the voucher is processed under the agency’s delegated audit authority, please select “deleg” in the origin field. Please list the journal voucher number on the payment voucher.

An example is shown below:

Line# 1236	Sfx 01	Origin Deleg	OrigDoc# V0000001	T/C 780	Ref.Doc	Sfx	M	Agy 000	Fund 0000	BFY YYYY	Index 0000	PCA 00000	Sobj 2690	R R
	Description				Vendor Number PETTYCASH	Sfx NR		Agency Use			Amount 100.00			
Line# 1237	Sfx 02	Origin Deleg	OrigDoc# V0000001	T/C 780	Ref.Doc	Sfx	M	Agy 000	Fund 0000	BFY YYYY	Index 0000	PCA 00000	Sobj 2690	R
	Description				Vendor Number 123456789	Sfx 00		Agency Use			Amount 100.00			

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1099 reportable expenditure sub-object codes are denoted in PPM Filing 7,002 with the "***" sign.

Please contact the Appropriations/Master Lease Purchase Team to ensure that any reporting exemptions your agency may previously have been granted are still valid based on the current IRS reporting requirements.

Additional information regarding the vendor file may be found in Policy and Procedure Manual Filing No. 11,749.

Additional instructions on completing journal vouchers can be found in the [Journal Voucher Module Users Guide](http://da.state.ks.us/ar/genacct/soki3/JV-UsersGuide.htm) located at <http://da.state.ks.us/ar/genacct/soki3/JV-UsersGuide.htm>.

PROCEDURES

Responsibility

Action Step

Establishing a Petty Cash Fund

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| Agency | 1. Determine that the agency has a need for a petty cash fund. Determine the appropriate amount for the petty cash fund. Complete Form DA-71, Petty Cash Fund Maintenance, and submit completed form to the Division of Accounts and Reports, Audit Services Team. |
| Audit Services Team | 2. Review Form DA-71 and, if appropriate, obtain the Director's approval to authorize a petty cash fund to be opened and maintained. File the original copy and return a copy of the approved form to the agency. |
| Agency | 3. Complete a DA-120, Payment Voucher, for the authorized amount payable to "Petty Cash Fund # ____". Expenditure sub-object code 7240, Advances for Petty Cash Fund, should be used to record the expenditure. The voucher is processed and the custodian or alternate endorses the warrant and places the cash in a secure location. |

Cashing Petty Cash Warrant

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| Agency | A procedure should be established for cashing petty cash warrants. For example, the agency might need to prepare a letter to the bank authorizing an employee to cash the petty cash warrant. |
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Disbursements

Petty Cash Fund Custodian Make appropriate disbursements from the petty cash fund. Obtain a receipt for the expenditure from the employee and complete the disbursement form or log. File the receipt with the disbursement form or log.

Reconciliation and Replenishment of Petty Cash Fund

- Agency
1. At least monthly, the custodian or alternate will reconcile the fund using Form DA-73, Reconciliation of Petty Cash Fund. Complete the form even if no expenditures have been made, to assure the fund is intact. Upon completion of the reconciliation, if additional funds are needed for the next month, the custodian will prepare an appropriate voucher to replenish the fund to its authorized amount. However, a voucher should not be prepared to replenish the fund for less than \$5 (except at fiscal year end). A separate voucher is required for each petty cash fund and a copy of the DA-73 and the disbursement forms or log must be attached to the voucher. Forward the voucher and all attachments to the Audit Services Team of the Division of Accounts and Reports. Agencies with delegated audit authority should process the replenishment voucher in accordance with the agency's procedures. If the fund is not being replenished, retain the DA-73 in the agency files (do not send it to Accounts and Reports).
- Audit Services Team
2. Review and process the payment voucher and issue a warrant.
- State Agency
3. Custodian or alternate should endorse the warrant and restore the fund to its authorized amount.

Changes in Responsible Employees

- Agency
1. Complete Form DA-71, Petty Cash Fund Maintenance, showing changes and submit completed form to the Division of Accounts and Reports, Audit Services Team.
- Audit Services Team
2. If changes are appropriate, file original and send copy of the approved form to the agency.

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Increases/Decreases in Fund Amount

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| Agency | 1. Complete form DA-71 indicating the requested increase or decrease in fund amount and submit completed form to the Division of Accounts and Reports, Audit Services Team. |
| Audit Services Team | 2. If changes are appropriate, file original and send copy of the approved form to the agency. |
| Agency | 3. If the request is for an increase, complete a DA-120 payment voucher for the authorized amount payable to "Petty Cash Fund # ____" and send a copy of the payment voucher to the Division of Accounts and Reports, Audit Services Team. Expenditure sub-object code 7240, Advances for Petty Cash Fund, should be used to record the expenditure. |
| | 4. If the request is for a decrease, remit funds equal to the amount of the decrease to the State Treasurer and send a copy of the Receipt Voucher to the Division of Accounts and Reports, Audit Services Team. Revenue sub-object code 6221, Refund of Advances for Petty Cash Funds, should be used to record the deposit to the fund from which the fund was established. |

Cancellation of Fund

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| Agency | 1. Complete Reconciliation of Petty Cash Fund, DA-73. |
| | 2. Deposit the currency and cash with the State Treasurer. Revenue sub-object code 6221, Refund of Advances for Petty Cash Funds, should be used to record the deposit to the fund from which the fund was established. |
| | 3. For the petty cash disbursements that haven't been reimbursed, complete and submit an interfund charging the expenditures with appropriate sub-object codes and recording the receipt portion to your agency with revenue sub-object code 6221 to the fund from which the fund was established. |
| | 4. Complete the top portion and bottom "Cancellation" box of the Petty Cash Fund Maintenance, DA-71, for the cancellation showing the Petty Cash Fund number being |

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cancelled and the receipt voucher number and interfund number used in the cancellation.

5. Submit the DA-71, Petty Cash Fund Maintenance, and the DA-73, Reconciliation of Petty Cash Fund, to the Division of Accounts and Reports, Audit Services Team.

Audit Services Team

6. Confirm that the deposit and, if replenishment involved, the Interfund processed in STARS.
7. Record the cancellation of the petty cash fund in Accounts and Reports' records.

CONTACT SOURCES

Division of Accounts and Reports
Central Accounting Services Section
Audit Services Team