

State of Vermont
Department of Finance and Management

Financial Process:	Petty Cash Accounts	Issue Date:	April 2006
		Number:	BP- 02
Topic:	Internal Control - Best Practices	Revision Date:	N/A
Applicable To:	All State Agencies, Departments, and Offices	Page:	1 of 4

Objective

Departments shall identify and implement techniques and procedures to provide adequate security and controls for “imprest” petty cash funds entrusted to them.

Risks

- Lost, stolen, or misappropriated cash (*high degree of inherent risk*).
- Concealed errors or irregularities going unchecked.

Definitions

The term “cash” as used herein includes currency, coins, and checks drawn on authorized bank accounts.

An “imprest” fund is a cash fund or a fixed amount established by an advance of funds, without charge to an appropriation.

“Petty Cash” is an imprest cash fund established for disbursement as needed in making payment for small incidental expenditures.

Note: The following types of imprest accounts are not considered “Petty Cash” for the intent of this document; however, many of these best practices can be applied to these types of imprest accounts as well.

- “Change funds” accept payments from (or give refunds to) customers for specific goods and services (i.e. point of sale).
- “Operating accounts” are generally checking accounts that are used to support programmatic expenditures. These funds are disbursed at the departmental level consistent with the department’s mission and objectives.

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Best Practices Include

- ❖ Petty Cash should only be used for small dollar expenditures and/or consistent with the intended use of the fund.

[Authorization]

- ❖ Petty Cash should not be used to pay vendors for personal services, employee salaries, wages, loans, advances or bonuses.

[Authorization]

- ❖ The Petty Cash account funding level should be sufficient to meet the normal operating needs of the department, yet restricted enough to require replenishment at relatively short intervals (e.g. quarterly).

[Safeguarding of Assets]

- ❖ One employee should be assigned responsibility as Custodian of the fund with a designated back-up. Access to and location of petty cash should be limited and restricted to only designated custodians.

[Safeguarding of Assets & Separation of Duties]

- ❖ External bank accounts established for petty cash funds must be in an account designated and/or approved by the Office of the State Treasurer.

[Authorization]

- ❖ When reconciling, count cash in a non-public area not easily visible to others.

[Safeguarding of Assets]

- ❖ Custodian should maintain a Petty Cash log including receipts for each disbursement, which provides the date of disbursement, the amount, and support indicating the business purpose of the expenditure.

[Verification/Documentation & Reconciliation]

- ❖ Petty Cash Log should be complete – petty cash on hand plus un-reimbursed expenditures should always equal the established imprest fund amount.

[Reconciliation]

- ❖ Petty Cash should be reviewed, reconciled and then replenished as needed on a frequent basis.

[Reconciliation & Verification/Documentation]

- ❖ A supervisor or manager should approve each account reconciliation, and the replenishment request.

[Monitoring, Separation of Duties & Approval]

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- ❖ All petty cash replenishment checks must be cashed or deposited promptly, under the control of the custodian.

[Safeguarding of Assets]

- ❖ Maintain and match a copy of the deposit slip with the bank deposit receipt for reconciliation with the monthly bank statement for all checking account deposits.

[Documentation, Verification & Reconciliation]

- ❖ Departments should maintain written procedures for all petty cash financial activity. Procedures should address, at a minimum, staff responsibilities (“custodian duties”), key activities, timelines, and the safeguarding of the fund.

[Documentation & Supervision]

- ❖ Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance.

[Monitoring]

- ❖ Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. management, State Auditor’s Office, law enforcement).

[Safeguarding of Assets]

- ❖ Petty Cash should be maintained in a secure location (*i.e.* locking file cabinet or safe) under the control of the custodian.

[Safeguarding of Assets]

- ❖ Custodian should be responsible for knowing which expenditures are allowable prior to authorizing disbursement of funds.

[Authorization]

- ❖ Consideration should be given to closing a petty cash account if there is no longer a need for it. Procurement cards can be used as an alternative.

[Monitoring & Safeguarding of Assets]

- ❖ Department management should perform unannounced Petty Cash reviews and/or reconciliation.

[Monitoring/Separation of Duties]

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➤ **VISION RELATED BEST PRACTICES**

- ❖ Custodians and others with responsibility for the Petty Cash fund should adhere to [VISION Procedure # 5 – Petty Cash](#).

[Standards]

- ❖ Provide to the Department of Finance and Management a “[Petty Cash Verification Form](#)” in accordance with [VISION Year End Closing Instructions](#).

[Reporting]

Notices

- These best practices are intended to support the internal control framework as presented in the [Internal Control Standards: A Guide for Managers](#).
- In consideration of these best practices, the objective should be on adherence and not on rationalizing ways and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.