

**STATE OF VERMONT
AGENCY OF ADMINISTRATION
DEPARTMENT OF FINANCE AND MANAGEMENT**

Subject: **Petty Cash Procedure**

Effective Date: **June 21, 2007**

Applicable To: **All State Agencies and Departments**

Issued By: **Department of Finance & Management**

Approved By: **James B. Reardon, Commissioner**

PURPOSE

This procedure outlines the management of the State of Vermont's Petty Cash (Imprest) Funds.

BACKGROUND

Petty Cash Funds may be established by departments upon written approval from the Commissioner of Finance and Management as authorized under 32 VSA Sec. 466. The purpose of the Petty Cash Fund is to provide departments with ready cash for the payment of small incidental expenditures such as postage and other office costs when it is impractical to use the normal VISION Accounts Payable process. A Petty Cash Fund may also be used by departments as a "change fund" when cash sales are handled. Departments are responsible for adequate security and control of their Petty Cash Funds. Theft and other losses of Petty Cash are the responsibility of the department managing the Petty Cash Funds.

PROCEDURE & GUIDELINES

I. Restrictions on Use

The Petty Cash Fund **cannot** be used for the following:

- 1) Payments for personal services that would be considered wages or payments to independent contractors. All payments for personal services must be paid either through the payroll system as wages or through the VISION accounts payable module for payments to independent contractors.
- 2) Reimbursements to employees for travel and similar expenses. Reimbursement of travel and other covered expenses as provided for under the Agency of Administration Bulletin 3.4, must be processed through the state payroll system using the "Reimbursement of Travel Expense Form".
- 3) Personal loans, salary advances or to serve as an employee check cashing fund.
- 4) Cash/Check payments to employees for the purpose of employee recognition, bonuses, or merit awards. These payments must be processed through the state payroll system.
- 5) Non-cash awards (e.g. gift certificates, gifts, plaques, etc.) to employees for the purpose of employee recognition, bonuses or merit awards. These payments must be processed through the VISION Accounts Payable Module.
- 6) Any payments (direct or indirect) where the sole purpose of the expense is to provide a personal benefit to employee(s).

II. Establishing a Petty Cash Fund

- 1) The department requesting the creation of a Petty Cash Fund or an increase to an existing Petty Cash Fund must send a memo addressed to the Commissioner of Finance and Management through the Director of Financial Operations. The memo should detail the purpose and use of the fund or reason for the increase, the dollar amount requested, and should identify the fund custodian (including contact information).
- 2) The Director of Financial Operations will review each request for appropriateness and make a recommendation to the Commissioner of Finance and Management based on the documentation provided at the time of request.
- 3) If approved by the Commissioner of Finance and Management, the Department of Finance and Management will advance to the requesting department the amount requested, from the general fund, in the form of a check processed through the VISION system.

III. Establishing External Bank Accounts for Petty Cash Funds

- 1) Departments are **not** authorized to establish an external bank account with these funds, or any other funds, without obtaining prior approval from the Vermont State Treasurer's Office.
- 2) Per Title 32 VSA Sec. 431, "The treasurer, the auditor and the governor shall select the banks in which the funds of the state treasury shall be deposited. Each agency or department of the state shall be required to obtain the approval of the treasurer to establish and maintain a bank account of a selected bank as well as develop procedures, approved by the treasurer, to reconcile a bank account. The treasurer shall annually furnish the auditor, on a timely basis, a certified statement from each bank, with which he or she has an account, of the amount of such account."

IV. Reconciliation, Replenishment and Revenue Recognition Process

Reconciliation:

It will be the responsibility of the designated custodian, of the account, to reconcile the fund at least monthly. The reconciliation includes bank activity through the fund authorized amount). The reconciliation is to be reviewed for appropriateness and approved by a supervisor.

Replenishment of Fund:

- 1) When the Petty Cash Fund is reduced to a balance that can no longer support its purpose, a designated person, other than the custodian, must perform a replenishment of the fund. The first step of the replenishment must include a reconciliation of the fund, including documentation (receipts) of expenditures with a listing of accounts to be charged. This reconciliation, along with a request to be replenished, should be sent to the department's Accounts Payable office to process a payment from the VISION system to replenish the fund.
- 2) The replenishment request is to be reviewed for appropriateness and approved by a supervisor, prior to entering a VISION voucher.
- 3) The reconciliation and the replenishment check advice and/or bank deposit receipt must be kept as supporting documentation of the replenishment. This documentation must be retained on site and available on request by the Department of Finance and Management and/or the Office of the State Auditor.

Revenue Recognition:

In cases where the fund is used to make change, and the reconciliation indicates that there is an overage, the excess amount must be booked as revenue in the VISION system and a deposit made into the appropriate state bank (depository) account. This process must be performed at least monthly and/or when a prescribed threshold amount is recognized.

VI. Reporting

After the close of each fiscal year, a report is due to the Financial Operations Division of the Department of Finance and Management by July 15. This process is noted in the Year End Closing Instructions.

- 1) Holders of a Petty Cash Fund are required to provide a full reconciliation of their Petty Cash Fund, as of year end, by submitting the Petty Cash Verification Form.
Failure to comply with these guidelines may result in the closing of the Petty Cash Fund.
- 2) In addition to the annual report (Department of Finance and Management) there is a separate reporting requirement to the Office of the State Treasurer, for all state funds held in bank accounts. Inquiries related to this reporting requirement can be directed to the Office of the State Treasurer, Accounting Division.

VII. Closing a Petty Cash Fund

The Petty Cash Fund should be closed when the purpose for which the fund was established has been completed, or is no longer needed, as determined by the department Business Manager or the petty cash custodian.

When closing the fund:

- 1) The custodian must have the fund fully replenished.
- 2) Prior to closing a Petty Cash Fund that involves an authorized (Office of the State Treasurer) bank account, approval must be granted by the Treasurers Office to close the account. Arrangements must be made to provide that office with a final accounting of the bank account.
- 3) The custodian or the Business Manager must deposit the advanced funds, into the official State banking institution (depository account) and forward the deposit slip to the Department of Finance and Management for processing. Do not process the deposit in VISION under your business unit.
- 4) The Department of Finance and Management will process a direct journal deposit in VISION, (based on the deposit to the depository account), to reimburse the General Fund and close the Petty Cash account.

VIII. Audit

All Petty Cash Funds are subject to periodic audits by the Department of Finance and Management and/or the Office of the State Auditor. The audits will be performed to assure that proper controls are in place and to assure procedures as outlined in this document are followed.

If you have any questions or need clarification on any aspects of this procedure, please contact the Financial Operations Division of the Department of Finance and Management.

The Petty Cash Verification Form can be found in the Other Year-End Closing Forms section of the Finance & Management website at: <http://finance.vermont.gov/forms/cafr>

Document Revision History: Procedure & Guideline

05/25/07 **I Restrictions on Use:** # 2 New, 3 was # 2, 4 Clarified, 5 New, and 6 New.

05/25/07 **II Establishing a Petty Cash Fund:** #1 Expanded to include Custodian contact information.

05/25/07 **IV Reconciliation, Replenishment and Revenue Recognition Process:**

Reconciliation section New

Replenishment of Fund replaces the Reimbursement Process

Procedure: # 1 Expanded and clarified,

2 (expanded)

3 expanded original.

Revenue Recognition: New

05/25/07 **VI Reporting:** New section.

05/25/07 **VII Closing a Petty Cash Fund:** Processes and Procedures clarified.

05/25/07 **VIII Audit:** Reporting criteria removed (new Reporting section established), audit function expanded to include the State Auditor of Accounts.