

Petty Cash Procedures

According to the *State University of New York Fiscal and Accounting Procedures for Mandatory Student Activity Fee Programs* (Page 5) the custodial and disbursing agent (Sub-Board I) may establish a petty cash fund. The Trustee Guidelines limit purchases from petty cash to **\$50**.

I. *What is a “petty cash fund”?*

Definition



Petty cash is an imprest fund that is used only for expenditures of an incidental nature. An imprest fund is a fund established for a fixed amount that is replenished in the exact amount expended from it. Therefore, a petty cash fund can never contain more than the original amount that was used to establish it; e.g. a petty cash fund established for \$250.00 can never contain more than \$250.00.

II. *How are withdrawals made from petty cash?*

There are two methods of withdrawing funds from petty cash:

1. **The reimbursement method:** Petty cash may be used to reimburse an individual for a purchase that was made using his/her personal funds. Upon presentation of an original receipt, vendor invoice, or other adequate documentation to support the expenditure, the petty cash custodian will reimburse the individual for the exact amount of the purchase, based upon the documentation presented.

Reimbursement for a purchase



2. **The advance method:** The petty cash custodian may advance petty cash to an individual in anticipation of a purchase. Since the purchase has not yet been made at the time of the petty cash withdrawal, the amount withdrawn may vary from the amount of the actual purchase.

Documentation must be submitted to the petty cash custodian within a reasonable time, e.g. three days. If the actual expenditure was less than the amount advanced, the individual must return the excess cash together with valid documentation of the expenditure. If the actual expenditure was more than the amount advanced, requiring an outlay of personal funds by the individual making the purchase, the individual may be reimbursed for the excess amount after submitting adequate documentation to support the expenditure.

Advances from petty cash



Method #1 is preferred for the following reasons:

- It is less complicated.
- There is no risk of loss of petty cash due to failure to submit documentation.
- The petty cash fund can be replenished more quickly.
- Responsibility is transferred from the petty cash custodian to the individual making the purchase.

In any event, a petty cash expenditure is no different from any other expenditure in that all withdrawals from petty cash must be supported by adequate and original vendor documentation.

III. *How is the petty cash fund replenished?*

Expenditure
documentation
submitted with
Encumbrance
Request Form



Upon receipt of valid documentation of a petty cash expenditure, the petty cash custodian must submit to the SBI Accounting Office the documentation with an Encumbrance Request Form payable to the custodian for the exact amount of the expenditure so that funds may be encumbered against the applicable appropriation budgetary account(s). The SBI Accounting Office will issue a REP form to the student government/client for approval. Upon return of the approved REP form, the SBI Accounting Office will issue a check and forward it to the custodian to replenish the petty cash fund.

REP process
must be followed!



Undeposited cash receipts from revenue or other sources **cannot** be used to replenish petty cash. Petty cash can **only** be replenished through the REP process. REP forms to replenish petty cash will not be processed without adequate documentation.

IV. *Are there forms that can be used to help keep track of petty cash?*

Petty cash
voucher forms



To account for petty cash transactions, a triplicate petty cash voucher (*Cashier's Voucher*) should be prepared every time funds are withdrawn from petty cash. The **pink** copy of the voucher is given to the individual receiving the cash. The **yellow** copy is retained by the petty cash custodian and is subsequently submitted to the SBI Accounting Office with an Encumbrance Request Form when the expenditure is documented and the fund is to be replenished. The **white** copy (original) is retained with the petty cash fund. At any time, the total of cash and outstanding petty cash vouchers (white copies) should equal the total amount of the fund as originally established.

When the petty cash fund is replenished by Sub-Board I check, the white copy of the petty cash voucher is removed from the fund and may be filed with the blue *Accounts Payable Voucher* form for audit purposes.