

CITY OF RENO – Policies and Procedures

Petty Cash and Change Funds

Approved by: ~~Sabra Newby~~ Doug Thornley, City Manager

Number: 305

Effective Date: ~~12-06-2018~~ 04-26-2023

I. PURPOSE

The purpose of this policy is to provide a uniform method of handling petty cash and change funds. Funds issued under this policy are to be safeguarded in accordance with the City's Cash Handling Policy. The Finance Director shall act as the City Manager's designee to establish petty cash and change funds per Resolution No. ~~6447~~.

II. REVISION HISTORY

12-06-2018 Adopted
04-26-2023 Updated

II. REFERENCES

City Council Resolution No. ~~6447XXXX~~
Nevada Revised Statutes §354.609

IV. PERSONS AFFECTED

All elected officials, officers, and City of Reno employees.

V. POLICY

It is the policy of the City of Reno to establish petty cash and change funds at the department level where necessary and justified to expedite reimbursement of small purchases of supplies and materials that facilitate official purposes of the City. Petty cash and change funds must be controlled and managed in strict accordance with this policy and the City's Cash Handling Policy to ensure the accountability and integrity of the funds.

VI. DEFINITIONS

- A. Authorized Signing Officer – An employee with direct operational oversight over the custodian or custodian alternate who approves petty cash vouchers and performs periodic petty cash counts.

- B. Change Fund – A fixed amount of cash made available to a department or activity for necessary cash operations. Change Funds are an advance of cash to begin and sustain a cashing, revenue-producing activity.
- C. Custodian Authorization Form – The form used to authorize custodians and alternate custodians for petty cash and change funds. The form is attached.
- D. Fund Authorization Form – The form used to authorize establishment and removal of petty cash and change funds. The form is attached.
- E. Office Fund Voucher Envelope – The envelope used to submit the petty cash reconciliation and documentation to the Finance Department. A copy of this envelope is attached.
- F. Personal Purpose Transactions – A prohibited transaction that is not reasonable and justified and does not constitute official City business.
- G. Petty Cash Advance Form – The form used to request an advance of petty cash. The form is attached.
- H. Petty Cash Fund – A reimbursement fund that makes cash conveniently available for expenditures that facilitate official purposes of the City.
- I. Petty Cash Reconciliation Form – The form used to reconcile petty cash funds monthly. The form is attached.
- J. Petty Cash Voucher Form – The form used to submit petty cash receipts to the custodian for reimbursement. A copy of this form is attached.

VII. RESPONSIBILITIES

- A. The Finance Department is responsible for:
 - 1. Assigning combination codes;
 - 2. Changing combination codes after receipt of a Custodian Authorization Form;
 - 3. Providing a new combination code to fund custodians as appropriate; and
 - 4. Issuing replenishment checks to primary custodians as appropriate.
- B. The Finance Director is responsible for:
 - 1. Approving or denying requests to establish new petty cash/change funds. adjustments to the fund amount, or re-establishment of a fund;

2. Authorizing custodians and alternates when they are the same from both petty cash and change funds;
 3. Approving fund levels which are different from the default level;
 4. Approving or denying the Custodian Authorization Form to designate a new custodian;
 5. Receiving the signed Office Fund Voucher Envelope;
 6. Authorizing closure of a fund at their discretion or if evidence shows misuse of the fund; and
 7. Approving or denying requests to extend temporary fund dates.
- C. The Internal Auditor is responsible for conducting petty cash and change fund audits.
- D. Department heads are responsible for:
1. Using the Fund Authorization Form to request to establish a new petty cash/change fund or to request adjustments to the fund amount from the Finance Director;
 2. Determining the object and purpose for a petty cash or change fund; the amount of funds requested; the source of money to be used to establish and maintain the fund; the method of controlling expenditures from the fund; and the primary custodian for the fund;
 3. Preparing the Custodian Authorization Form to designate a new custodian;
 4. Signing the Office Fund Voucher Envelope after cash on hand has been counted under dual control, reconciled and a request for replenishment has been prepared;
 5. Requesting the petty cash box combination code as appropriate during the brief absence of fund custodians; and
 6. Emailing an explanatory memorandum to the Internal Auditor and the Finance Director in the event of theft of unexplained disappearance of all or part of a cash fund.
- E. Fund custodians are responsible for:

1. Monitoring the petty cash fund activity volume for frequency of transactions;
 2. Having custody and access to the cash fund and relevant documents; and
 3. Signing the Office Fund Voucher Envelope after cash on hand has been counted under dual control, reconciled and a request for replenishment has been prepared.
- F. Authorized signing officers are responsible for determining the location of their assigned department's shared drive.
- G. Employees who handle petty cash are responsible for reimbursing funds when responsible for unallowable purchases or prohibited transactions.

VIII. PROCEDURES

- A. Petty cash funds will be established for the specific period of time the funds are actually needed. If the requirements are permanent and continuing, the period may be for an indefinite time. Each petty cash expenditure must not exceed \$~~100~~200. Cash advances shall be made from petty cash funds, never from change funds. A petty cash fund represents a loan to the department by means of a cash advance from the Finance Director. Each petty cash fund is subject to audit at any time and must be "whole" at all times, i.e., the fund custodian must always and at all times have on hand a sum of cash and receipts equal to the original advance.
- B. Change funds are not to be used for expenditures, reimbursements or cash advances. They are otherwise managed and controlled in the same fashion as petty cash funds. Change funds are distinguished from petty cash funds and shall not be commingled with petty cash funds at any time.
- C. Allowable Expenditures
1. Petty cash funds shall be used only for items that cannot be readily purchased with a procurement card. The following are allowable expenditures, provided that these expenditures have been previously approved in writing as described in this policy:
 - a. Mileage reimbursement for infrequent trips within 30 days of when the expense was incurred with a limit of one request per person per week properly documented by mileage generated by an internet mapping program from the employee's work site to the destination and from the destination back to the employee's work site;
 - b. Supplies, including cleaning supplies and office supplies;

- c. Small tools;
- d. Travel expenditures, such as parking fees and toll fees;
- e. Training and lessons fees;
- f. Meals that conform to the City Travel Reimbursement Policy as reimbursable and are incurred during travel for City business where per diem is not authorized as part of the travel approval;
- g. Meals for City business meetings incurred by departments that have been given prior authorization per the City Purchasing Policy regarding discretionary purchases; or
- h. Meals for employee meetings incurred by departments that have been given prior authorization per the City Purchasing Policy regarding discretionary purchases.

D. Prohibited transactions include, but are not limited to the following:

- 1. Alcohol, drugs, illegal substances, and firearms;
- 2. Personal loans;
- 3. Salary and wages advances;
- 4. Employee loans;
- 5. Any borrowing from the fund;
- 6. Personal purpose transactions;
- 7. Use of petty cash funds for change fund transactions;
- 8. Check cashing transactions;
- 9. Personal services that would require an IRS Form 1099;
- 10. Commingling with other funds;
- 11. Membership dues;
- 12. Publications and subscriptions;
- 13. Splitting a transaction which exceeds petty cash limits into two or more smaller transactions to meet the \$100 threshold;

14. Authorized signing officers or supervisors approving their own transactions; or
 15. Making change to break large bills for employees or others.
- E. Petty Cash Fund Establishment: A request to establish a new petty cash or change fund must be made by the department head to the Finance Director using the Fund Authorization Form. The department head must determine the object and purpose for the petty cash fund; the amount of funds requested; the source of money to be used to establish and maintain the fund; the method of controlling expenditures from the fund; and the primary custodian for the fund. An alternate custodian may be selected at the same time. Custodians and alternates must be employees of the City, not be temporary or contract employees, and cannot be the same for both petty cash and change funds unless authorized by the Finance Director. The fund level should be based on the estimated monthly activity volume. The default level will be ~~\$200-500~~ unless otherwise approved by the Finance Director. The request must clearly state whether the fund is to be for petty cash or a change fund.
- F. Change Fund Establishment: A request to establish a new change fund must be made by the department head to the Finance Director in writing by using the Fund Authorization Form. The department head must determine the justification for the change fund, the amount of funds requested, and select a primary custodian. An alternate custodian may be selected at the same time. Custodians and alternates must be employees of the City and they cannot be the same for both petty cash and change funds unless authorized by the Finance Director. The fund level should be based on the estimated monthly activity volume. The default level will be \$200 unless otherwise approved by the Finance Director. The request must clearly state whether the fund is to be for petty cash or a change fund.
- G. Request for Increase/Decrease in Fund Amount: Fund custodians shall monitor the petty cash fund activity volume for frequency of transactions. Too frequent reimbursements might indicate that the fund level is too low and an increase in the amount might be needed to support the volume of petty cash activity. On the other hand, too low a volume of petty cash disbursement activity, as evidenced by infrequent reimbursements and excessive cash on hand, might indicate that the fund amount is too high or that the petty cash fund is no longer necessary. Adjustments to the fund amount shall be requested on the Fund Authorization Form by the department head to the Finance Director who will approve the adjustment, if justified.
- H. Cash Fund and Supporting Documents Location Security: Cash shall be kept secured at all times in a metal box with a combination code. The combination code shall be assigned by the Finance Department – Accounts Payable Division and changed annually. The metal box shall be kept in a location hidden from general view, preferably in a fire proof safe or locked in a cabinet with a key. If the box is

kept locked in a cabinet with a key, only the designated custodian and alternate custodian shall have access to the key. Upon completion of the disbursement process, all documents associated with the petty cash disbursement shall be stored electronically in a secured, password-protected file in the department's shared drive in a location determined by the authorized signing officer.

- I. Access to Cash Fund and All Documents Relevant to the Disbursement Process: At all times, only the custodian and alternate custodian shall have custody and access to the cash fund and relevant documents.
- J. Designating a Custodian – Custodians and Alternate Custodians shall be formally designated by a department head in writing by submitting the Custodian Authorization Form to the Finance Director for approval. A separate custodian must be appointed for each change fund and petty cash fund. A single person may not be a Custodian for both the petty cash fund and the change funds unless authorized by the Finance Director.
- K. Change of Custodian
 - 1. Permanent Change: Upon a permanent change of the primary or alternate Custodian, the Custodian Authorization Form shall be prepared by the department head designating a new custodian. This form shall be approved by the Finance Director. Copies of the approved forms are forwarded to the Finance Department – Accounts Payable Division and the Internal Auditor. Upon receipt of the approved form, the Finance Department – Accounts Payable Division will change the combination code on the petty cash box and provide the new code directly to the new custodian and the Finance Departments – Accounts Payable Division will issue subsequent replenishment checks to the new primary custodian. The cash on hand shall be counted under dual control, the fund balance shall be reconciled and a request for replenishment prepared on the Office Fund Voucher Envelope. The Office Fund Voucher Envelope shall be forwarded together with the Custodian Authorization Form to the Finance Director. The old custodian, the new custodian, and the department head shall sign the Office Fund Voucher Envelope.
 - 2. Extended Absence: If the custodian or alternate custodian is to be absent for an extended period as determined by the department, an alternate custodian shall assume their duties. The turnover of responsibility procedure is the same as for a permanent change with the period of temporary transfer stated on the Custodian Authorization Form.
 - 3. Brief Absence: If the need for petty cash arises during a brief absence of both the custodian and the alternate custodian, and the need cannot wait for the custodians' return, the petty cash box combination code shall be requested by the department head from the Finance Department – Accounts

Payable Division. The code shall be subsequently changed by the Finance Department – Accounts Payable Division within two business days.

- L. Personal Responsibility: If an unallowable purchase or prohibited transaction is made through a petty cash fund, the employee responsible (or the approving supervisor) for such purchase or transaction may be held personally responsible for reimbursing the fund.
- M. Theft or Unexplained Disappearance of All or Part of the Cash Fund: The Internal Auditor, Finance Director, and Police Department shall each be notified immediately. An explanatory memorandum from the department head shall be emailed to the Internal Auditor and the Finance Director. The Finance Director will approve re-establishment of the fund if they find it necessary. The Finance Director has the authority to close or decline to replace a petty cash fund in cases of custodial mishandling.
- N. Audit Requirements
 - 1. Unannounced audits of petty cash and change funds, including cash on hand actual counts, will be conducted by the Internal Auditor as frequently as deemed necessary by the Internal Auditor.
 - 2. If the Internal Auditor finds that audit recommendations related to petty cash or change funds have not been effectively and timely implemented, the Finance Director has the authority to close the fund.
- O. Closing a Fund: The Finance Director has the authority to close the petty cash or change fund at any time at their discretion or if evidence shows misuse of the fund. If the fund has been previously approved for a specific period of time only, a petty cash fund or change fund shall be closed at that date. An extension may be requested and must be approved by the Finance Director to keep the temporary fund open. If a fund is no longer used or required, it shall be closed regardless of the original schedule. A fund is closed by submitting the current receipts and the remaining cash to the Finance Department – Accounts Payable Division with a Fund Authorization Form and without a request for replenishment.

END