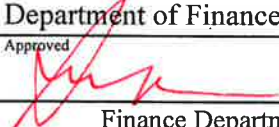





<p>Title</p> <p>Establish and Administer Petty Cash & Change Funds</p>	<p>Document Code No.</p> <p>FIN 10-2 (AP)</p>
<p>Department/Issuing Agency</p> <p>Department of Finance - Financial Management Division</p>	<p>Effective Date</p> <p>July 11, 1997</p>
<p>Approved</p>  <p>Finance Department Director</p>	 <p>Chief Accountant</p>

1.0 SUBJECT TITLE: Establish and Administer Petty Cash & Change Funds.

1.1 EFFECTIVE DATE: Ten days after signature

1.2 TYPE OF ACTION: Supersedes Financial Policy #3

1.3 KEY WORDS: Petty Cash, Change Fund, Imprest Fund

2.0 PURPOSE:

2.1 To establish official procedures and guidelines for petty cash, change fund and imprest funds for King County employees.

3.0 ORGANIZATIONS AFFECTED:

3.1 All agencies of King County government, including but not limited to the executive branch, the legislative branch, the departments of judicial administration and of assessments, the judicial branch, sheriff's department and the office of the prosecuting attorney.

4.0 REFERENCES:

4.1 RCW 42.26.040-080 allows the use of petty cash account with restrictions to miscellaneous petty or emergency expenditures, refunds legally payable by an agency, and cash change to be used in the transaction of the agency's official business.

4.2 RCW 43.09.185 replaces the Office of State Auditor Bulletin 007 and mandates that any loss of public funds or illegal activity be immediately reported to the state auditor's office or any suspected loss of public funds or assets or other illegal activity.

4.3 State of Washington BARS Manual, Volume 1, Part 3, Chapter 3, Section E, references the minimum requirements for the establishment and operation of petty cash accounts.

- 4.4 King County Code 4.16 allows petty cash purchases of miscellaneous items. Transaction amount shall not exceed one hundred dollars. The director will authorize reimbursement to each department or agency employee or official authorized to make such petty cash expenditures upon delivery of vendor's sales receipt. The authorized designee of the King County department or agency will certify the vendor's paid sales receipt prior to reimbursement.

5.0 DEFINITIONS:

- 5.1 **Petty cash** - A sum of money set aside for the purpose of paying small obligations for which the issuance of a payment request and warrant would not be cost-effective.
- 5.2 **Change fund** - A sum of money set aside for the purpose of making change where cash is collected.
- 5.3 **Imprest fund** - An account into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor disbursements.

6.0 POLICIES:

- 6.1 All county agencies requiring a petty cash and/or change fund shall comply with these policies and procedures that are in agreement with the state and county code for maintaining control of county funds.
- 6.2 All county agencies requesting a petty cash and/or change fund shall be required to administer the funds properly or be required to return the fund.
- 6.3 **Overview:**
- A. Financial Management Division (FMD) shall establish all petty cash funds to provide a source of cash to agencies for the direct payment for small purchases limited to situations where it is impractical to provide payment through the Accounts Payable process. These purchases must be in the course of official county business.
 - B. FMD shall establish change funds for agencies which collect cash and make change. A fund shall consist of a fixed amount of cash solely for this purpose.
 - C. A single fund shall not be used for both petty cash and change fund purposes. Each fund must remain physically separated from other agency funds.

- D. An agency shall maintain **one petty cash fund** at a single location. An exception may be granted by the Chief Accountant for extenuating circumstances.
- E. An agency may have several **change funds** at a single location if necessary.
- F. FMD may close a fund if it is determined that the fund has been improperly administered or is no longer necessary. Questions regarding policies and procedures for petty cash/change funds should be addressed to the Chief Accountant - Financial Management Division.
- G. Petty cash and change funds shall be audited on a random basis to determine the proper maintenance of each fund. Agencies authorized to conduct audits are the Council Auditor and the State Examiner.

6.4 **Establishment and Maintenance of a Petty Cash or Change Fund:**

- A. To establish a **petty cash or change fund** or to change an existing fund, a written request from the Department Director to the Chief Accountant shall include the following:
 - i) Purpose of fund.
 - ii) Amount requested (estimated average expenditure for a two-week period).
 - iii) Name of the custodian who shall be a regular, active County employee.
 - iv) Method of safekeeping fund.
 - v) Location of fund.
- B. If the requested fund is approved by the Chief Accountant, FMD shall issue a warrant in the name of the designated custodian. The original warrant must be picked up from FMD-Accounts Payable Section by the custodian.
- C. FMD-Financial Accounting shall:
 - i) Maintain a documentation file regarding the establishment and any revisions for each petty cash and change funds.
 - ii) Maintain a current list of petty cash and change funds reconciled to the general ledger control accounts. A list will be issued to appropriate King County employees on an annual basis.
 - iii) Coordinate efforts with agency staff to resolve reported discrepancies.
 - iv) Request an annual confirmation from each agency signed by the Department Director for all petty cash and/or change funds. The annual confirmation shall include:

- (a) physical location of each fund
- (b) name of the custodian for each fund
- (c) amount of cash for each fund

D. Theft of Petty Cash or Change Fund

- i) Notify Chief Accountant immediately in the event of suspected theft or loss of public funds (RCW 43.09.185).
- ii) Documentation of theft shall be forwarded to the FMD-Financial Accounting Section which includes a copy of the police report, information as to when and how the theft occurred and a plan of action to prevent theft in the future.
- iii) Chief Accountant shall notify Risk Management and the State Auditor.
- iv) A reimbursement prepared by FMD-Financial Accounting Section charged to the organization's appropriation is required to receive a reimbursement warrant.

E. Closure or Reduction in Amount of a Petty Cash or Change Fund

- i) The custodian shall ensure that the amount is the same as originally provided.
- ii) The requesting department shall provide written notice to the FMD-Financial Accounting Section.
- iii) FMD-Financial Accounting Section staff shall prepare a Cash Transmittal and Receipt form for cash received and deposit the cash with the Treasury Division cashier.
- iv) FMD-Financial Accounting Section staff shall prepare a General Journal entry to record expenditures represented by the petty cash slips and/or purchase receipts information.
- v) FMD-Financial Accounting Section staff shall provide copies to the agency custodian.

6.5 **Operation of Funds:**

A. Petty Cash

- i) Petty cash shall be used for legitimate county purchases limited to \$100.00 per transaction (King County Ordinance 12138).
- ii) Petty cash shall not be used for personal cash advances or to cash personal checks (State of Washington BARS Manual Chapter 3, Section E, Item 9).
- iii) Petty cash shall not be advanced in anticipation of an approved purchase.

- iv) Employees shall submit a completed Petty Cash Slip (Appendix 9.1) supported by a receipt to the Petty Cash Custodian.
- v) Prior to the distribution of funds, the custodian shall verify the accuracy of the employee's reimbursement request and approval authorization.
- vi) The custodian shall ensure that the following represents the authorized petty cash amount:
 - (a) cash on hand
 - (b) cash disbursements represented by a petty cash form and receipts
 - (c) cash disbursements waiting reimbursement from FMD-Accounts Payable Section
- vii) The Petty Cash Custodian shall obtain reimbursement for expenses paid out of petty cash and shall:
 - (a) prepare an Accounts Payable reimbursement request and certify to the disbursement of funds
 - (b) obtain an authorized Accounts Payable signature. Persons authorizing the payment shall be neither a subordinate to nor of a lower job classification than the custodian.
 - (c) properly complete the petty cash form for all disbursements and attach receipts.
 - (d) submit to FMD-Accounts Payable Section staff
- viii) At the end of the year, the petty cash fund shall be reimbursed to its imprest amount so that all expenditures are recorded in the proper year.

B. Change Funds

- i) Receipts shall be deposited to the Treasury Division cashier or depository bank account intact daily, leaving the change fund constant. Any shortage or overage shall be reported as part of the day's deposit by using the Cash Overage/Shortage account on the Cash Transmittal and Receipt form.
- ii) Change funds must always be a fixed amount of cash only and accounted for by the custodian.
- iii) Change funds shall not be used to cash personal checks.

6.6 **FINES AND PENALTIES:** Any county employee or elected official who incurs unauthorized costs shall be held personally liable for all said costs.

7.0 PROCEDURES:

Action By: Action:

Establishment of a Petty Cash or Change Fund:

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| Department Director | 7.1 | Prepares a request to establish a petty cash or change fund or to change an existing fund. The following information must be included in the request: <ul style="list-style-type: none">A. Purpose of fund;B. Amount requested (estimated average expenditure for a two-week period);C. Name of the custodian who shall be a regular, active County employee;D. Method of safekeeping fund;E. Location of fund. |
| | 7.2 | Sends written request to the Chief Accountant, Financial Management Division. |
| Chief Accountant | 7.3 | Approves or denies request. <ul style="list-style-type: none">A. If the request is approved:<ul style="list-style-type: none">i) Forwards the request to FMD-Financial Accounting Section staff for the issuance of the warrant in the name of the designated custodian.B. If the request is denied:<ul style="list-style-type: none">ii) The Chief Accountant shall notify the Department Director. |
| Fund Custodian | 7.4 | Picks up original warrant in the FMD-Accounts Payable Section. |

Operation of Funds - Petty Cash:

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| Employee | 7.5 | Submits a completed petty cash slip with receipts attached to supervisor for approval. |
| Supervisor | 7.6 | Reviews the request, authorizes <u>only</u> reimbursements for legitimate county business and returns the petty cash slip and receipts to the employee. |
| Employee | 7.7 | Presents the approved petty cash slip and documentation to the Fund Custodian for reimbursement. |
| Fund Custodian | 7.8 | Reviews the reimbursement documentation, verifies the accuracy and the approval authorization prior to the distribution of funds. Petty cash shall be limited to purchases of \$100.00 or less per transaction. |
| | 7.9 | To obtain reimbursement for expenses paid out of petty cash: <ul style="list-style-type: none">A. Ensures that the following represents the authorized petty cash amount:<ul style="list-style-type: none">i) Cash on hand;ii) Cash disbursements represented by a petty cash form receipts;iii) Cash disbursements waiting reimbursement from FMD-Accounts Payable Section.B. Prepares an Accounts Payable reimbursement request and certifies to the disbursement of funds.C. Obtains an authorized Accounts Payable signature. Persons authorizing the payment request shall be neither a subordinate to nor of a lower job classification than the custodian.D. Properly completes the Petty Cash Slip (see Appendix 9.1) for all disbursements and attaches receipts.E. Submits Petty Cash Slip and receipts to FMD-Accounts Payable staff. |

Theft of Petty Cash or Change Fund:

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| Fund Custodian | 7.12 | Notifies Chief Accountant immediately in the event of suspected theft or loss of public funds. |
| | 7.13 | Forwards documentation of theft to the FMD-Financial Accounting Section. Documentation includes a copy of the police report, information as to when and how the theft occurred and a plan of action to prevent theft in the future. |
| Chief Accountant | 7.14 | Notifies the State Auditor and King County Risk Management. |
| FMD-Financial
Accounts Payable
Section | 7.15 | Processes the reimbursement request charged to the agency's appropriation. |
| | 7.16 | Holds the reimbursement warrant for pick up by the Fund Custodian. |

Closure or Reduction in Amount of a Petty Cash or Change Fund:

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| Fund Custodian | 7.17 | Ensures that the amount is the same as originally provided. |
| | 7.18 | Sends written notice, cash and receipts to the FMD-Financial Accounting Section. |
| FMD-Financial
Accounting Section | 7.19 | Prepares a Cash Transmittal and Receipt form for cash received. |
| | 7.20 | Deposits cash and a Cash Transmittal & Receipt form with Treasury Division cashier. |
| | 7.21 | Prepares a General Journal entry to record expenditures represented by the petty cash slips and/or purchase receipts information. |
| | 7.22 | Sends copies to the agency Fund Custodian. |

Operation of Funds - Change Fund:

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| Fund Custodian | 7.23 | Deposits receipts to the Treasury cashier or depository bank account intact daily, leaving the change fund constant. |
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- 7.24 Reports any shortage or overage as part of the day's deposit by using the Cash Overage/Shortage account on the Cash Transmittal & Receipt form.

8.0 RESPONSIBILITIES

- 8.1 Department Directors are responsible for requesting approval for petty cash funds and change funds to be established in their departments/agencies; assigning a Fund Custodian to administer funds; and preparing annual confirmation for department/agency funds.
- 8.2 Chief Accountant is responsible for approving department requests to establish petty cash and change funds.
- 8.3 Financial Management Division is responsible for establishing petty cash funds and change funds for county departments/agencies, as appropriate; and closing funds that have been improperly administered.
- 8.4 Fund Custodian is responsible for administering funds properly; notifying Chief Accountant of suspected theft or loss of public funds; and depositing receipts to the Treasury Division or depository bank account daily.
- 8.5 Employees are responsible for prudent judgment when seeking reimbursement for legitimate county expenditures.

9.0. APPENDIX:

- 9.1 Petty Cash Slip

