



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 62.05: Authorized Petty Cash/Change Funds

DATE: April 27, 2016

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish rules and guidelines for managing authorized cash funds.

REVIEW: This OP will be reviewed in March of even-numbered years by the managing director of University Financial Services with substantive revisions forwarded to the vice president for administration & finance and chief financial officer.

POLICY/PROCEDURE

1. Definitions

a. Cash Funds

There are two categories of cash funds: change and petty cash. Change funds are comprised of currency and coins used strictly for making change. Petty cash funds are used for approved program disbursements and are maintained in a separate bank account.

b. Fund Custodian

The fund custodian is named on the Cash Control Plan. This person is primarily responsible for safeguarding the fund even though cash fund activities may be handled by more than one person.

2. General Guidelines and Recommendations for Cash Fund Control Procedures

Establishing and maintaining internal cash controls for each cash fund is critical for preventing mishandling of funds and for safeguarding against loss. Strong internal controls protect employees from inappropriate allegations of mishandling funds by defining assigned responsibilities in the cash handling process.

- a. All personnel entrusted with handling cash must be trained in cash controls to comply with state laws, to adhere to TTU policies, to protect employees, and to demonstrate sound fiscal responsibility. Each fund custodian is responsible for developing, administering, and documenting the cash controls training of all cash handlers for the fund. This training should include, but not be limited to, control environment and cash controls training developed by Audit Services.
- b. Fund custodians must perform reviews of the entire process to ensure that adequate controls are in place and being followed properly by personnel. Establishing safeguard procedures for

cash and related materials is mandatory for each fund custodian. Deans, vice presidents, and fund custodians must continually consider possible cash vulnerabilities and resolve concerns immediately. University Financial Services or Audit Services may be contacted at any time for assistance.

- c. No person at the institution has the right to circumvent state law. If it is discovered that state law is being violated, disciplinary action will be taken in accordance with Section 07.03, *Regents' Rules*, on fraud policy. Every employee has the responsibility for contacting University Financial Services or the Texas Tech Police Department to report fraudulent acts if there is a reasonable basis.

3. Establishment of Cash Funds

- a. Cash funds may be requested by submitting a completed *Cash Control Plan (CCP)* form to University Financial Services. This form is available online at <http://www.depts.ttu.edu/ufs/forms.php>. The form must provide sufficient information to justify establishing a fund. All information necessary to understand the operation of the fund should be submitted. The form must contain an original signature from both the fund custodian and the fund custodian's immediate supervisor.
- b. If the cash fund is approved, a check will be issued payable to Banner ID R01939238 (Texas Tech University) with the department and fund custodian noted in the address tab.

4. Annual Submission of Cash Fund Control Plans

An updated CCP form must be submitted to University Financial Services in March of each year. Failure to submit an updated form in a timely manner will result in the denial of additional cash funds for the fund custodian and department and/or termination of existing cash funds.

5. Changes to Cash Fund Control Plans

- a. Changes in Custodian

When a change in custodian becomes necessary, a revised CCP form explaining the need to change custodians must be submitted immediately to University Financial Services, and it must include the new custodian's information and signature. The revised form should also be signed by the outgoing custodian, if possible.

- b. Balance Increases or Decreases

If a balance increase or decrease is needed, a revised CCP form must be submitted to Accounts Receivable justifying the requested change.

- (1) If an increase is approved, a check for the amount of the increase will be issued payable to Banner ID R01939238 with the department and fund custodian noted in the address tab.
- (2) For a decrease, the custodian must return the appropriate funds to University Financial Services for deposit to the correct Banner fund code for the department and the Banner petty cash account code (1A0001, 1A0004, or 1A0009). The submitted funds must be accompanied by a completed *Departmental Deposit Information Sheet (DDIS)* as

required by OP 62.07. A copy of the DDIS must be provided to University Financial Services.

c. Closing a Cash Fund

If a cash fund is not being used on a regular basis, or if the fund has outlived its purpose, then the fund should be closed (following the guidelines in section 5.b.2 above).

6. Reimbursements

a. Fund Reimbursements

Cash funds used for approved program disbursements must be reimbursed no less frequently than monthly. Original receipts and an explanation for reimbursement must be included with the reimbursement request.

- (1) Local petty cash accounts request reimbursement on a Banner direct pay form using the appropriate petty cash account code.
- (2) Study Abroad petty cash accounts request reimbursement through Accounting Services.

b. Expense Reimbursements

The fund custodian or approved alternate must deny reimbursement from a cash fund for any expense for which the original receipt is unavailable or that is not reimbursable under policy. The fund custodian will be held responsible for any reimbursement made that is not in accordance with institutional policy. Disbursing under such circumstances will result in the loss of custodianship and/or termination of the cash fund. Unallowable uses for cash funds include, but are not limited to, the following:

- (1) Purchases inconsistent with or in violation of policy
- (2) Wage, salary, or earnings advances
- (3) Travel advances
- (4) Personal check cashing

7. Storage and Security of Cash Funds

- a. Cash funds and related materials (check stock, deposits slips, and endorsement stamps) must be kept in a secure locked box or safe at all times, accessible only to the fund custodian and/or approved alternate. Cash funds must never be commingled with personal funds. Personal checks may not be cashed from cash receipts or cash funds.
- b. For the departments or fund custodians that handle more than one cash fund, each cash fund and its related materials must be kept physically separate from other cash funds, using different bank bags or lock boxes.
- c. For cash funds maintained in a bank account, there should be an alternate signature on the account to accommodate situations where the custodian is not available to sign.

8. Reconciliation of Petty Cash Funds Maintained in Bank Accounts

- a. At all times, the sum of cash on hand (or in a bank account), receipts on hand, and/or disbursements in the process of being reimbursed must equal the approved petty cash fund balance set forth in the CCP form.
- b. All petty cash bank accounts must be reconciled to the approved balance on a monthly basis using the *Petty Cash Reconciliation* form available online at <http://www.depts.ttu.edu/ufs/forms.php>. A copy of the reconciliation form, along with a copy of the bank statement, must be forwarded to University Financial Services within 30 days of the close of the month. University Financial Services will review petty cash reconciliations based on the following criteria:
 - (1) Timeliness of reconciliation submittal
 - (2) Consistency between ending balance on bank statement and balance per bank shown on the reconciliation form
 - (3) Consistency between outstanding deposits shown on the reconciliation form and supporting documentation (copies of validated deposit slips)
 - (4) Relative ages of outstanding deposits (not older than three days)
 - (5) Consistency between outstanding checks shown on the reconciliation form and supporting documentation
 - (6) Relative ages of outstanding checks (not older than one year)

Each March, the petty cash fund custodian must cancel any outstanding checks older than one year as of March 2. The total amount cancelled should then be remitted to University Financial Services along with documentation detailing the name and address of the payees on the outstanding checks. These amounts will be recorded as part of the institution's unclaimed property and, at the proper time, remitted to the state.
 - (7) Inclusion of supporting documentation for reimbursements due (copies of purchase orders or direct pay requests)
 - (8) Relative age of individual reimbursement due items (not older than two weeks)
 - (9) Disclosure of bank fees and service charges on reconciliation form
 - (10) Consistency between approved cash fund balance (from CCP form) and book balance on the reconciliation form
- c. Failure to submit monthly reconciliations will jeopardize future reimbursements to the petty cash fund and could result in formal notification to the next higher level of administration, Audit Services, and/or executive management.
- d. Reconciliation support documents must be maintained by the cash fund custodian and retained for the current fiscal year plus the three previous fiscal years.

9. **Overages and Shortages**

a. Petty Cash Funds

- (1) For minor shortages in petty cash funds, the department should prepare a direct pay request for a check made payable to Banner ID R01939238 with the department and fund custodian noted in the address tab and using a departmental revenue FOP with Banner account code 5N0002.
- (2) It is permissible to accumulate minor shortages for up to one month and submit a single direct pay request for the time period. A list of the dates and amounts of the shortages must be attached to the request.
- (3) Any shortages greater than \$10 must be reported immediately upon discovery to University Financial Services. All shortages greater than \$100 or losses occurring from theft (known or potential) must be reported immediately upon discovery to Audit Services and to the Texas Tech Police Department in addition to University Financial Services.

b. Change Funds

Departments utilizing change funds in connection with the receipting of income should deduct minor shortages from the change fund and deposit the total amount of receipts. The change fund should be reimbursed for shortages in the same manner as petty cash funds (see section 9.a. above).

10. **Cash Counts**

Cash funds must be maintained and reconciled so that they are available for audit at any time by the State Auditor, Audit Services, University Financial Services, or the appropriate administrative area.

- a. The cash fund custodian must request that all auditors or reviewers show proper identification prior to making the funds available for an audit or cash count.
- b. The cash fund custodian must remain with the auditors or reviewers during the cash count or audit.

11. **Resolution Process for Cash Issues**

Fund custodians will be notified by a representative from University Financial Services or Audit Services in the event of cash control questions or concerns.

- a. Cash concerns must be addressed by the fund custodian immediately, even if a resolution is not immediate. There will be zero tolerance for unresponsiveness and/or failure to resolve concerns in a timely manner. Cash fund custodians are expected to be responsible. Any unaddressed or subsequently unresolved cash concerns will be forwarded quickly to the next higher level of administration for resolution or disciplinary action.

- b. Where needed, fund custodians should seek assistance from University Financial Services or Audit Services in researching, assessing, and addressing cash concerns.

The *Cash Control Plan* form and the *Petty Cash Reconciliation* form may be accessed at www.depts.ttu.edu/ufs/.