

**COUNTY OF ORANGE, VIRGINIA
PERSONNEL POLICIES MANUAL**

PETTY CASH FUNDS

POLICY NO.: 8.2

EFFECTIVE: 11/01/2003
REVISED:

OVERVIEW: This defines the policy for the establishment and use of Petty Cash Funds in Orange County Government.

SCOPE: This policy applies to all employees.

PROVISIONS:

A. General:

1. The Board of Supervisors authorizes the establishment of Petty Cash Funds for small, necessary purchases where the use of such accounts results in a more efficient administration of County business. Petty cash will be used only for the specific type purchases for which the fund is approved and only when use of normal procurement means such as a County check, purchase order, or credit card are not available, would result in a disproportionate administrative cost relative to the purchase, or cannot be completed in the time required.
2. Each Petty Cash Fund will be established to fulfill a defined purchase and will be authorized at a not-to-exceed level of funding. In no case will Petty Cash Funds be established with an authorized funding level in excess of \$1,000.
3. Payment will be made into Petty Cash Funds only through reimbursements, in the form of a County accounts payable check, to replenish funds used for authorized purchases. All other funds received as donations or refunds, should be deposited with the County Treasurer.

B. Establishing Funds

1. The County Administrator is authorized to approve establishment of Petty Cash Funds. Department Directors and Constitutional Officers desiring to establish Petty Cash Funds will submit requests through the Director of Finance to the County Administrator. Each request will include the following:

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- a. The proposed uses of the fund. Identify the type expenditures that are expected to be reimbursed and those not expected to be reimbursed.
 - b. The recommended dollar limit of the fund.
 - c. The authorized custodian of the fund.
 - d. The procedures for authorization of disbursements from the fund and the persons who may authorize disbursement from the fund.
2. Following approval by the County Administrator, the Director of Finance, in concert with the County Treasurer, will take action to establish the fund. Such action will include establishing the necessary checking account, funding of the account, and providing the responsible director/custodian with the charter for the fund.
- a. There is no authority to disburse petty cash outside the annual budget appropriation.
 - b. In cases where Petty Cash Funds are established outside the budget cycle, initial funding will be provided by an approved transfer of money from approved account(s) into the newly established Petty Cash Fund.
 - c. Fund Charters will include:
 - (1) The name of the fund.
 - (2) The maximum dollar amount of the fund.
 - (3) The purpose and authorized uses for the fund.
 - (4) The custodian of the fund.
 - (5) The persons authorized to make disbursements from the fund.
 - (6) The amount of fund cash that may be maintained on hand.
3. Petty cash custodians must be certified by the Director of Finance before they are authorized to administer the fund. Certification will be made after instruction in the following areas:
- a. The County's procurement policy.
 - b. Authorized uses of the fund.

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- c. Procedures for fund disbursements and replenishment.
- d. Procedures for monthly reconciliation of the fund and checking account.
- e. Custodian's personal responsibility and liability for the Petty Cash Fund.

C. Petty Cash Fund Use

1. The preferred method of payment for goods and services provided to the County is through a County check, purchase order, credit card or through the use of County accounts with individual businesses.
2. There are some purchases, however, that are for small, incidental items when use of one of the means described in C.1. is not practical or feasible. Petty Cash Funds are established to provide a cost-effective means of meeting these needs.
3. Department Directors or Constitutional Officers will establish procedures governing the approval for disbursements (check and cash) from the fund.
4. Petty Cash Fund custodians are responsible to ensure disbursements are properly approved in accordance with Departmental procedures and consistent with the fund uses as established in the Charter.
5. Petty cash will only be used for official County business and may not be used for personal reasons. For example, petty cash will not be used to cash personal checks, pay for personal items (even if the intent is for the person to reimburse the fund), or to pay compensation due to individuals due through the normal payroll or accounts payable process. Under no circumstances will "loans" be made from petty cash.
6. Petty Cash Funds will not be used for:
 - a. Payments associated with capital outlay projects.
 - b. Payments for contracted services (e.g. maintenance, service, and consultants).
 - c. Installment purchases (buying an item and paying for it through a series of payments)

D. Petty Cash Fund Procedures

1. Check Register.

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a. The fund custodian must account for every check issued in a check register. The record must show the date issued, the check number, the name of the payee and the amount disbursed. The account to be charged must also be recorded. When the monthly bank statement is received, the record must be marked to indicate which checks have been paid by the bank. Cancelled or carbon copies of checks and bank statements must be kept on file for audit. Spoiled checks will be marked "VOID" and the signature line obliterated or mutilated.

b. All checks must be serially pre-numbered and imprinted with "Orange County" and the fund name. Checks should be signed only on presentation of satisfactory evidence that the disbursement is proper. A record must be made of every check disbursement. Outstanding petty cash checks over 1 year old are considered abandoned.

2. Cash.

a. The fund custodian must maintain a current record of all cash transactions. The record must show the date the cash was disbursed, the name of the payee, and the amount disbursed. The account to be charged must also be recorded. Cash replenishments will be made only by check from the same Petty Cash Fund.

b. Cash will be maintained in a secure lock box. Access to the lock box will only be afforded individuals authorized to make disbursements from the fund. A daily count of cash will be made and reconciled against the record of cash transactions. A record of the reconciliation will be entered in the record of cash transactions.

3. Receipts. Receipts will be obtained for all disbursements. The original of the receipts will be maintained as part of the auditable Petty Cash Fund records. A copy of the receipt will be submitted with all requests for reimbursement.

a. Acceptable receipts include a vendor's sales document such as an invoice, sales slip, or cash register ticket. All receipts must itemize and identify the items or services purchased, the date, and the amount paid.

b. A receipt book will be maintained and used to provide receipts for reimbursement

4. Records Retention. All records relating to Petty Cash Funds will be maintained on file for 3 years.

5. Deposits. The only deposits that are authorized to be made into Petty Cash Funds (cash or checking accounts) will result from submission of a Request for Payment to Finance. Monies collected for reimbursement of Petty Cash Funds or received as

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donations to the County or its departments, will be deposited with the Treasurer of Orange County.

6. Donations. The Department Director/Constitutional office must follow the proper accounting practice and Code of Virginia in having these funds appropriated for use prior to expenditure of such funds. See the Finance Department for instruction on coding donation deposits with the Treasurer.

7. Refunds or Reimbursements. If the refund or reimbursement is received for an expenditure originally paid out of the Petty Cash Fund within the same fiscal year, the Department Director/Constitutional Officer shall deposit these funds with the County Treasurer into account "EXPR" and send a stamped copy of this deposit with a letter to the Finance Director stating the following:

- Reason for Refund/Reimbursement
- Account Line item that the original purchase was charged against
- Date of original purchase

In the event the refund/reimbursement is for a prior year purchase, the funds will be deposited with the County Treasurer into account "MISC" with a stamped copy sent to the Finance Department. If the Department/Office wishes to request appropriation of these funds, they will also send a letter to the Board of Supervisors, c/o Finance Director, stating the reason for the request including: origin of refund/reimbursement, date of original purchase, and the line item for funds to be appropriated to. The Finance Director will forward this request, to the Board of Supervisors for review and approval/disapproval in the form of a Supplemental Appropriation Request.

8. Reconciliation. Petty Cash Fund checking accounts will be reconciled on a monthly basis. Department Directors will, on a monthly basis, provide the County Treasurer with a copy of the reconciliation portion of the petty cash bank statement and a signed statement that they have reviewed the reconciliation and providing the name of the individual who performed the reconciliation.

E. Fraud and Internal Control

1. The Director of Finance will audit each Petty Cash Fund a minimum of once per year. The funds are also subject to audit by the County auditors.

2. The Department Director or Constitutional Officer responsible for Petty Cash Funds will establish internal procedures to detect shortages or irregularities in the fund. The

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following list should serve as a guide for the various types of irregularities that may be encountered and against which internal control procedures should be established:

- Overstating the totals of vouchers in request for reimbursement of Petty Cash Fund.
- Multiple payments for the same voucher – one from Petty Cash and one for a payment through another means (County check, credit card).
- Multiple payments for the same voucher from Petty Cash.
- False vouchers or receipts for postage, supplies, and other expenditures.
- Deposits directly into the Petty Cash Fund.
- Checks drawn in payment of personal expenses charged to business expense.
- Failure to properly record overpayments on accounts.