**Petty Cash Policy**

1. **General Information**

Petty cash funds provide departments with cash on hand for immediate use. Departments without an established petty cash fund may also request reimbursement for certain eligible purchases from the Business Office using a direct payment voucher.

The petty cash fund should never be used for personal use. Any funds expended for personal use, even temporarily, will be considered theft.

1. **Eligible Purchases and Purchase Limits**

Purchases qualifying for reimbursement through petty cash include lab, office, shop, and industrial supplies and parts.

Purchases not qualifying for reimbursement through petty cash include travel expenses associated with a Request for Travel Authorization, items that will not remain on MSU property, payments to individuals for services performed, entertainment expenditures, and shipping/handling charges.

State and local taxes should typically not be reimbursed except on agency funds. A Texas Sales and Use Tax Exemption Certificate must be presented to the vendor to request an exemption.

The limit for petty cash purchases is $200.00 per day, per vendor.

* A purchase is defined as the total amount purchases from a given vendor, per day.

**NOTE:** Obtaining several receipts to avoid this limitation is not allowable.

1. **Departmental Petty Cash Funds**

Departments may establish a permanent or temporary petty cash fund.

* Permanent petty cash fund: Can be used for emergency purchases necessary to the departments’ operations, such as small supplies, sales tickets for on-going special events, etc.
* Temporary petty cash fund: Is generally small and can be used for ticket sales, or to provide change for a one-time event. Depending on the length of the event, the fund should be brought back to the MSU Business Office within a few days from the date they were assigned.

Each department is accountable for the fund it has been assigned. This fund should be reconciled at all times. Each department is responsible for maintaining all receipts and insuring that the total of petty cash on hand plus any receipts not yet submitted for reimbursement always equal the authorized amount.

Each department using a petty cash fund must maintain documentation on file which includes:

* Records to indicate who has been assigned custody of the department’s petty cash funds.
* Details of the security provided for the fund, including where the fund is secured when not in use.
* Reimbursement receipts with corresponding backup and records showing incoming and outgoing transaction flow.

It is the specific responsibility of supervisory personnel to review cash handling documents which are prepared by staff reporting to them and to ensure proper controls are implemented to safeguard the funds.

1. **Appointing a Petty Cash Custodian**

A custodian for the temporary or permanent departmental petty cash fund must be appointed by the authorized signer.

Once appointed, the custodian must sign for the petty cash fund at the Business Office. A copy of the signed form is maintained in the Business Office until the petty cash fund is returned to the Business Office.

In the event the custodian ceases employment with the department/university, the petty cash will be reassigned to his/her replacement.

1. **Requesting a Departmental Petty Cash Fund**

Departments must email the Business Office (Bursar) to request a permanent or temporary petty cash fund at least three days in advance of an event, if applicable. The email must be sent from an authorized signer that will be used for the petty cash fund.

The request must include:

* Custodian name and title
* An explanation for the use of the petty cash fund (including the length of time the petty cash fund will be needed)
* Date funds will be picked up
* If establishing a temporary fund, indicate the date the funds will be returned
* Amount of the petty cash fund

The petty cash form will be completed by the Bursar and signed by the custodian when petty cash funds are picked up.

**NOTE:** The petty cash release will not be issued until the Petty Cash Request form is signed.

1. Petty Cash Reimbursement Procedures

A Direct Payment Voucher (DPV) form must be prepared to replenish the cash fund or to reimburse or to reimburse departments without a petty cash fund for eligible purchases. Each form must contain original valid receipts and must be signed by individuals with signature authority.

For departmental petty cash funds, a DPV form must be completed at least once a month, preferably twice a month, for example, the 1st and 15th of each month. When the DPV is submitted to the Business Office, a check will be issued to the custodian, cashed, and the cash immediately returned to the petty cash fund to replenish the fund for those purchases.

1. **Reconciling the Departmental Petty Cash Fund**

At any given time, the total amount of the fund should be reconcilable. Good internal controls include a monthly internal accounting of the fund. This verification should be conducted by the responsible person, preferably someone besides the petty cash custodian(s).

Maintaining documentation of the reconciliation is recommended. Any shortage or overage of $20 or more should be immediately reported to the Business Office, Bursar.

To ensure departments comply with all financial provision, the Business Office (Bursar) will conduct random audits of petty cash funds.

1. **Theft or Burglary**

Losses involving suspected theft or burglary from a pending deposit or departmental petty cash fund – regardless of the dollar amount – must be documented as follows:

* Departmental petty cash funds: Document on a DPV form as a shortage and submit to the Business Office to replenish the departmental fund.

These losses must also be reported to the Office of the Internal Auditor, Business Office and University Police before the close of business, followed by a written report within one business day.