

Commonwealth of Virginia Fiscal Fundamentals

# Petty Cash Funds

# Petty Cash Policies

- For emergency or purchases that require immediate payment.
- Do not use when agency can be billed and pay through normal A/P process.
- Encourage employees to have invoices sent to A/P or use Small Purchase Charge Card.
- **All** purchases and reimbursements must meet **all** State procurement requirements.
- Petty cash funds > \$200 must be reimbursed by Financial EDI.

# Legal Authority

Code of Virginia, § 2.2-1824: "A reasonable petty cash, payroll or other imprest fund may be allowed each state department, institution, board, commission or other agency. The amount of such fund shall be fixed by the Comptroller in each case, but these funds shall be reimbursed only upon vouchers audited by the Comptroller."

# Fund Balance Management

- Create or Increase a Fund
  - Agency Head or Fiscal Officer sends written request to DOA Director, General Accounting.
- Reduce or Dissolve a Fund
  - Agency/DOA reviews to ensure proper use, amount, and sufficient justification.
  - If agency or DOA decides fund should be smaller, deposit reduction to credit of Treasurer of Virginia
  - If fund no longer justified, deposit full amount to credit of Treasurer of Virginia.

# Uses and Dollar Limits

Disbursements limited to those described in CAPP Manual:

- Emergency purchases of goods or services.
- Immediate payments, when goods or services will not be provided without immediate payment

# Uses and Dollar Limits

- Ordinary:  $\leq$  \$200 in cash and  $\leq$  \$750 by check
- Emergencies:  $\leq$  \$200 in cash and  $\leq$  \$3,000 by check.
- Travel advances for authorized travel, if sufficient notice to request advance by normal process is not possible.
  - $\leq$  \$500, should be temporary.
  - Permanent employees who travel on a regular basis should get a Travel Charge Card.
  - Permanent travel advances strongly discouraged.

# Uses and Dollar Limits

- Occasional travel expense reimbursements
- To establish change funds
- Emergency payment of a new employee's first paycheck
- Any other type of payment, loan, or advance to any person for any reason from petty cash not permitted without written DOA approval.

# Prohibited Purchases

Include, but are not limited to:

- Any expenditure for capital outlay projects
- Contractual payments (e.g., maintenance, service, or consultants)
- Installment purchases (i.e., buying an item and paying for it through a series of petty cash payments).

# Immediate Vendor Payments

Usually:

- Small, nonrecurring purchases from local vendors,
- Who are unwilling to honor small purchase orders, and
- When delayed vendor billing and payment are impractical.

# Immediate Vendor Payments

Petty Cash **cannot** be used to:

- Bypass established purchasing procedures.
- Avoid State contract items.
- Avoid bid procedures.

**Remember:**

**The Code of Virginia mandates centralized purchasing.**

# Travel Advances

- DOA will not increase petty cash to provide travel advances.
- Petty Cash should only be used for Travel Advances when sufficient notice is not given to request advance through CARS.
- Temporary and permanent advances are available to travelers on State business through CARS (GLA 105).
  - See CAPP Topic 20336, Agency Travel Processing
- Travel Charge Cards reduce the need for travel advances.

# Permanent Travel Advances

- DOA discourages permanent travel advances.
  - If your agency has permanent advances, they should be reviewed periodically for justification.
- You have authority to grant permanent advances from petty cash in limited circumstances.
- Advances are to be repaid to petty cash when employee ceases regular traveling or on termination from State.
- If advance not returned, Fiscal Officer shall take action to deduct advance from employee's paycheck.
- Travel Charge Cards are more prudent payment method.
- Petty cash ties up State funds on a long-term basis.

# Temporary Travel Advances

- Made from petty cash to traveler on official State business when sufficient notice is not given to process advance through CARS GLA 105.
- Traveler shall repay advance when reimbursed for actual expenses or no more than 60 days after receiving advance (whichever comes first).

# Travel Reimbursements

- Petty cash may reimburse traveler for approved expenses  $\leq$  \$100/trip/traveler.
- All travel expense reimbursements (from petty cash or processed by DOA) must be requested via DOA Travel Expense Reimbursement Voucher with supporting documents.
- Do not reimburse through PC to bypass CDS or EDI requirements

# Emergency Paychecks

Emergency payroll payments may be made to:

- New permanent employees.
- Weekly, daily, part-time, or temporary employees in **very** limited situations with prior DOA approval.

# Change Funds

- Change funds only to be used where necessary.
- The number of change funds varies with the number of cash registers, point-of-sale stations, and/or collection points.
- Change funds require no replenishment.
  - Amount remains constant.
  - Change fund withheld at close of day from total cash accumulated.

# Cashing Checks

- Cashing checks from petty cash for any reason and by any person generally not permitted.
- Agency Head or Fiscal Officer may request exemption by writing to DOA's General Accounting Director.
- Any checks that are cashed from petty cash must be cashed promptly at bank and cash restored to petty cash fund.

# Purchasing Dishonored Checks

- “Bad checks” are those deposited in a State bank account and later rejected by bank for:
  - Insufficient funds
  - Stopped payment
  - No account
  - Account closed
- State petty cash funds may be used to purchase and acquire the bad checks from the bank.
- Alternate option: Process DOA Accounting Voucher to obtain a check payable to the bank.

# Purchasing Dishonored Checks

- When bad check identified:
  - Immediately charge back to person from whom received, or
  - If reason for nonpayment eliminated, redeposit without delay.
  - Take action to collect on bad checks using internal resources – use all leverage and account collection options if check is not made good.
- Reimburse petty cash for "written off" bad checks via Revenue Refund Voucher.

# Fiscal Year End Requirements

- Confirm the amount advanced.
- Reconcile petty cash and documents as of close of business on June 30 each year.
- Refer to DOA's Fiscal Year-End Closing Procedures. (Link: [Year End Memorandum](#))

# Petty Cash Reimbursement Voucher

- Use the Reimbursement Voucher to obtain expenditure reimbursements for Petty Cash.
- Acceptable receipts are used to prepare the Reimbursement Voucher and document the expenses incurred.
- Written off "bad checks" can be reimbursed via Revenue Refund Voucher.
- If reimbursement amount:
  - $\geq$  \$25, must submit at least monthly.
  - $<$  \$25, must submit at least quarterly and always on June 30.

# Reimbursement via Financial EDI

- Petty cash funds > \$200 must be reimbursed via Financial EDI.
- Financial EDI saves \$ for the agency and state (costs of processing and handling paper checks).
- Petty cash remittance information is available on DOA's REDIVirginia website. The agency may elect to receive email notification when a reimbursement is made to the petty cash account.

# Internal Control

The Fiscal Officer has full authority to establish internal controls over petty cash.

- At least two people handle petty cash:
  - Cashier or custodian primarily responsible for signing checks and disbursing cash.
  - Authorized person who reviews and approves payments and disbursement vouchers (without authority to sign checks or disburse cash).
- If practical and feasible, someone who does not sign checks or approve payments reconciles the bank statement.

# Internal Control

- If not feasible to have both custodian and approver, Agency Head or Fiscal Officer must document and notify State Comptroller.
- Bank should send statements directly to reconciler.
- Statement should arrive unopened and remain in reconciler's sole control until reconciled.
- If payments reviewed by authorized person include reimbursements to the reviewer, another authorized person (with no authority to sign checks or disburse cash) should review and approve payment voucher.

# Petty Cash Checking Accounts

- If > \$200, must have petty cash checking account.
- Checking account should bear interest (if possible), deposited quarterly to State Treasurer.
- Checking accounts shall be in agency name.
- Checks must be serially pre-numbered and imprinted with "Petty Cash Fund" and agency name.
- Checks must be signed only when proper documents provided.
- Each check disbursement must be recorded.
- Checks outstanding > 1 year are subject to the Unclaimed Property Act.

# IRS Information Returns

## Information Returns Requirements:

- Vendor payments from petty cash may be subject to 1099 reporting.
- Agency is responsible for combining petty cash payments with other reportable payments.
- Payments  $\geq$  IRS reporting thresholds must be reported on an information return at calendar year-end.

# Fraud

Each Fiscal Officer must be alert for shortages or irregularities in petty cash accounts or records.

# Common Irregularities

- Overstating voucher totals in reimbursements.
- 2 payments for 1 voucher (1 via petty cash, 1 via A/P).
- False documents for postage, supplies, etc.
- Checks put in change fund with no intention to deposit.
- Vouchers already reimbursed, submitted for 2<sup>nd</sup> time.
- Keeping recoveries from charged-off bad checks.
- Checks used to pay personal expenses.
- Failure to properly record overpayments.
- Padding payrolls - fictitious or former employees' names.
- Failure to deduct leave of employees in figuring payroll.

# Records Retention

- Retain copies of Petty Cash Reimbursement Vouchers and supporting documents for 3 years.
- Decentralized agencies must maintain original Petty Cash Reimbursement Vouchers and supporting documents for 5 years.

# References

- CAPP Manual Topics
  - [20330](#), Petty Cash
  - [20336](#), Agency Travel Processing
- Internet
  - Petty Cash Expense Voucher:  
[http://www.doa.virginia.gov/General\\_Accounting/Forms/GA\\_Forms\\_Main.cfm](http://www.doa.virginia.gov/General_Accounting/Forms/GA_Forms_Main.cfm)

# Contacts

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