




Volume No. 1 - Policies & Procedures	TOPIC NO.	20330 – Cardinal
Section No. 20300 - Cash Disbursements Accounting	TOPIC	PETTY CASH
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Overview

Introduction This topic describes the accounting policies and procedures to be used in handling State Petty Cash Funds by all agencies of the Commonwealth of Virginia.

Policy

Recorded as a Voucher All petty cash disbursements must be recorded in Cardinal as a voucher in the Accounts Payable Module for transparency.

Non-Routine Purchasing A petty cash fund is established to handle


- emergency purchases or
- purchases which must be paid for immediately.

A petty cash fund should not be used when an agency billing can be arranged and where the purchase can be paid for through the normal vendor payment process using the Department of Accounts (DOA) and the State Treasurer's established procedures.

Agency employees should be encouraged to arrange for bills/invoices to be submitted to the agency for payment, or when appropriate, to use the Commonwealth Small Purchase Charge Card.

Routine Purchasing Most payments for goods and services will be made according to the procedures established in other sections of this manual regarding purchasing requirements, vendor payments, and travel. All purchases and petty cash reimbursements must adhere to State procurement requirements.

Small Purchases Charge Card Agencies are strongly encouraged to obtain Small Purchase Charge Cards to use in lieu of petty cash. See CAPP – Cardinal Topic No. 20355, *Purchasing Charge Card*.

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Use of EDI for Repayment All petty cash funds in excess of \$200 must be reimbursed through the Commonwealth of Virginia's Financial EDI Program. Refer to subtopic "Financial EDI Payment System Use Required" below for more information.

Definitions


Change Fund A specific amount of money placed in the custody of an individual. These funds are to be used to make change for services rendered by an agency.

Imprest A specific amount established for a monetary fund and placed in the custody of a petty cash fund cashier who is accountable for that precise sum. The combination of cash, paid petty cash receipts, and unpaid reimbursement vouchers must equal the total amount of the fund at all times.

Petty Cash Fund An imprest fund established through an advance of funds by the Comptroller to a State agency for making immediate cash payments for authorized purposes.

Petty Cash Fund Cashier or Custodian A State employee who is designated as an agent of the agency head and is responsible for the petty cash fund. The cashier or custodian is authorized to disburse petty cash and sign checks.

Petty Cash Business Unit Each agency petty cash bank account has its own unique identifying accounts payable Business Unit in Cardinal. Petty cash vouchers are paid out of the agency petty cash business unit and petty cash bank account.

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How to Establish a Petty Cash Fund

Code of Virginia Authority

The authority to establish petty cash funds is in the *Code of Virginia*, § 2.2-1824 as follows:

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.


Send a Request to DOA

To establish a petty cash fund, several steps must be followed:

1. A request signed by the Agency Head or Fiscal Officer should be made to the Director, General Accounting, at DOA. The State Comptroller will review the request and the agency will be notified if it has been approved. The request should include answers for the following ten questions:

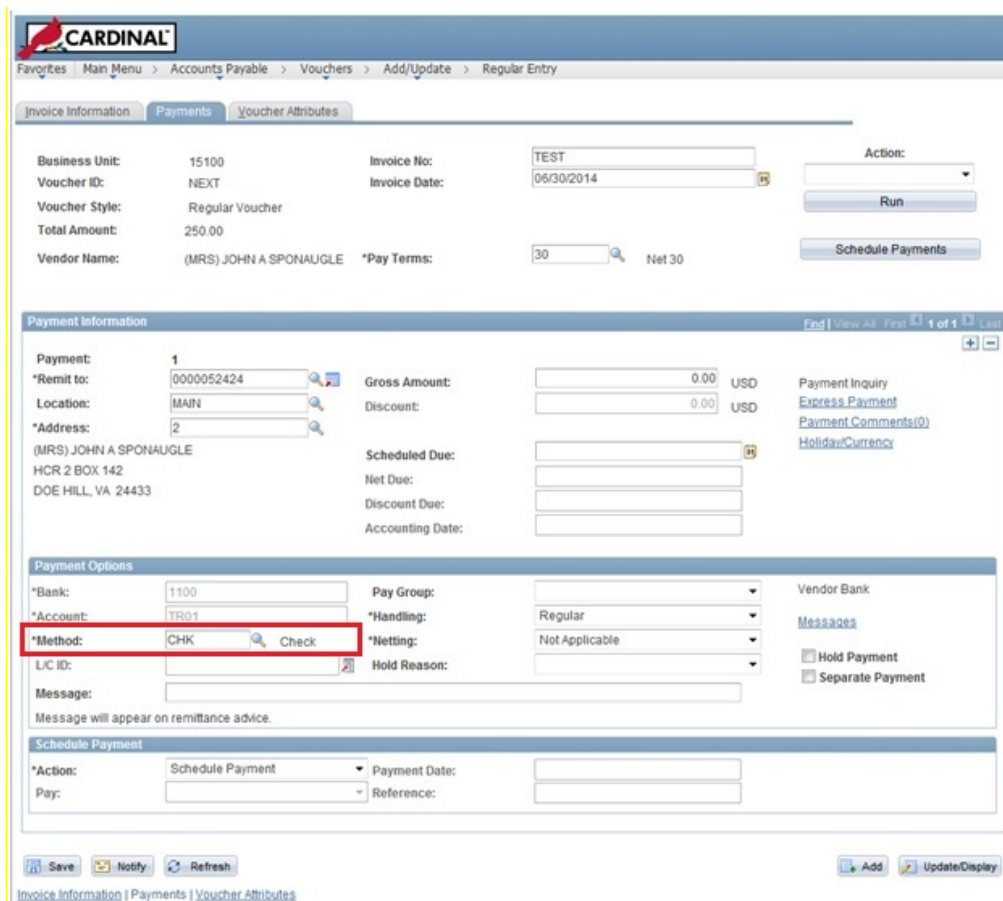
No.	Question
1	What amount of petty cash is needed?
2	For what purposes and their frequency will expenditures be made from the fund?
3	What is the amount and purpose of the largest single payment that you will authorize from the fund?
4	What will be the advantage of your agency having a petty cash fund?
5	What will be the sources of receipts into the fund?
6	Who will be the cashier or custodian of the fund?
7	Will a checking account be utilized? If a bank will not be used for all or part of the fund, what security measures will agencies implement to safeguard these funds?
8	Who will be authorized to sign checks?
9	Who will review and approve the disbursements and reimbursement vouchers?
10	What other comments or information are pertinent for the establishment of the fund?

2. Once the request to establish a petty cash account has been approved, DOA's General Accounting Unit completes the steps necessary to set

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up the petty cash account in Cardinal, which includes setting up a unique Petty Cash Business Unit for the agency. As part of this process, the Cardinal Project staff will contact the agency regarding banking information for the new petty cash account.

3. After the Petty Cash Business Unit is established in Cardinal, the agency will need to process a payment voucher under their standard agency business unit code payable to themselves as the vendor. Receipt of a physical check will be necessary in order to fund the petty cash account. To obtain this, access the payments tab of the voucher in the accounts payable module and change the method field to “check” prior to final approval of the voucher. The notification of approval to establish a petty cash account from DOA should be maintained with this voucher as supporting documentation.



The screenshot shows the 'Payments' tab in the Cardinal software. The 'Invoice Information' section includes fields for Business Unit (15100), Voucher ID (NEXT), Voucher Style (Regular Voucher), Total Amount (250.00), and Vendor Name ((MRS) JOHN A SPONAUGLE). The 'Payment Information' section shows Payment (1), Remit to (0000052424), Location (MAIN), and Address ((MRS) JOHN A SPONAUGLE, HCR 2 BOX 142, DOE HILL, VA 24433). The 'Payment Options' section has the 'Method' field set to 'CHK' (Check), which is highlighted with a red box. Other options include Bank (1100), Account (TR01), and Handling (Regular). The 'Schedule Payment' section shows the Action set to 'Schedule Payment'.

4. Upon receipt of the physical check, the agency will take it to the bank and deposit it into their newly established petty cash account following standard deposit procedures. The agency will record the

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deposit in Cardinal under the petty cash business unit code. Refer to CAPP – Cardinal Topic No. 20205, *Deposits*, for more information about recording the deposit.

- Once the petty cash account is established at the bank and funded, the Commonwealth Vendor Group should be contacted in order to request that the EDI location be set up in Cardinal for this account (cvg@doa.virginia.gov).

How to Increase a Petty Cash Fund

Make a Request to DOA

To increase a petty cash fund, a request signed by the Agency Head or Fiscal Officer must be made to the Director, General Accounting at DOA. The following documentation needs to be included with a request to increase the Petty Cash fund amount:


- A memorandum including the purpose and sufficient justification for the increase;
- Copies of each petty cash reimbursement voucher processed for the past six months to show supporting evidence of the need for the increased fund level; and,
- A schedule for the past six months showing balances of the petty cash fund which are not normally reimbursable, such as change funds.

The agency will be notified of the approval or denial of the request.

Process Voucher

If the request to increase the petty cash fund is approved, the agency will need to process a voucher under the main agency business unit payable to themselves as the vendor. Unlike when the account is initially established, the **petty cash location** is selected on the invoice information tab and the method is NOT changed to check on the payments tab. This will allow the increase to be processed via EDI. Notification of approval for increase in the petty cash account received from DOA should be maintained with the voucher as supporting documentation.

Upon notification from RediVirginia that the EDI has processed, the agency will record the deposit in the Accounts Receivable-Funds Receipt module in Cardinal under the petty cash business unit code.

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How to Reduce or Dissolve a Petty Cash Fund

Periodic Reviews DOA periodically reviews petty cash funds to ensure that funds are used for the proper purposes, only the necessary funding level is maintained in each account, and sufficient justification exists to continue to operate a petty cash fund.

Reducing the Fund If an agency or DOA determines that the amount of the agency's petty cash fund should be reduced, the agency deposits the amount of the reduction to the credit of the Treasurer of Virginia using a Deposit Ticket.


Dissolving the Fund If an agency determines it no longer has sufficient justification to maintain a petty cash fund, a deposit to the credit of the Treasurer of Virginia for the full amount advanced dissolves the fund.

How to Properly Utilize Petty Cash Funds

Introduction This subsection describes the authorized purposes for which disbursements may be made from petty cash and maximum dollar limits. No other disbursements shall be made from petty cash funds. Agencies may supplement these policies where appropriate. However, these policy limits shall not be exceeded.

Fund Uses Petty cash funds must not be used to circumvent the State purchasing requirements or as a substitute for the normal processing of vendor payments.


The funds are to be used only for emergency purchases or services, or for immediate payments—where goods or services will not be provided without immediate payment.

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As a general rule, petty cash funds may be used to make payments for the following reasons and are limited as follows:

No.	Authorized Purpose	Comment	Dollar Limit
1	Immediate Payments to Vendors	When delayed payment (where goods or services will not be provided without immediate payment) is unacceptable. Agencies are strongly encouraged to obtain Small Purchase Charge Cards to use for immediate payments to vendors.	Not to exceed \$200 in cash/coin and \$750 by check, except in emergency situations.
2	Emergency Situation	When an <u>emergency</u> situation occurs and immediate payment is required. All purchasing requirements must be followed.	Not to exceed \$200 in cash/coin and \$3,000 by check.

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No.	Authorized Purpose	Comment	Dollar Limit
3	Travel Expenses	Reimbursement for occasional travel expenses for non-employees only (i.e. Board Members, etc.). Refer to CAPP – Cardinal Topic Nos. 20335, <i>State Travel Regulations</i> , and 20336, <i>Agency Travel Processing</i> , for more information.	Limited to \$100 per trip per traveler.
4	Change Funds	To establish change funds.	No limit established.
5	Employee's First Paycheck	Occasional emergency payments for the first paycheck to new employee—allowed only when a next workday check cannot accommodate the employee. This circumstance would only be used during a true emergency and the employee would have to be set up as a one-time vendor for this payment to occur.	Amount not to exceed the calculated net pay.

Approved Exceptions

Any other type of payment, loan or advance to any person from petty cash funds is not permitted without an approved exception.

The agency head or fiscal officer must put all requests for exceptions in writing to the Director, General Accounting or for payroll related exceptions to the Director, Payroll Operations, at DOA for review and approval.

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How to Properly Utilize Petty Cash Funds, Continued

Maintain Documentation

Proper documentation must be maintained for all disbursements made from petty cash.

Any emergency situation must be documented on the reimbursement voucher.

The petty cash custodian shall have the required documentation approved by the authorized management within the agency or institution.

Petty Cash Restrictions & Exceptions

Restrictions

There are some uses of petty cash that are strictly prohibited and these are as follows:


- Expenditures for payments to the agency or institution's employees. These expenditures should be processed through the Travel and Expenses module in Cardinal.
- All expenditures for capital outlay projects;
- Contractual payments (e.g., for maintenance, service, and consultants); and,
- Installment purchases (e.g., buying an item and paying for it through a series of payments from the petty cash fund) that are in excess of the amounts listed under Fund Uses.

Exceptions

However, during an emergency situation, an exception may be requested by the Agency Head or designee from the Director, General Accounting, at DOA.

Petty cash funds may also be used for immediate payment for emergency purchases which are defined as purchases of materials, supplies, equipment, and services to meet a need requiring immediate action that will not permit the time involved in routine payment procedures.

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How to Properly Utilize Petty Cash Funds, Continued

Immediate Payments to Vendors


Petty cash funds should be reserved for small purchases usually from local vendors on a non-recurring basis for the following situations:

- (1) When vendors are reluctant to honor small purchase orders and
- (2) When provisions for delayed billing/payment arrangements by vendors are impractical.

When the petty cash fund is used for vendor purchases, it must not be used as a means of bypassing the established purchasing procedures in order to avoid State contract items or to avoid bid procedures. Centralized purchasing is mandatory under the *Code of Virginia*.

Procurement of goods and services must be done through the normal channels of purchase as directed by law and regulation. Agencies should also consult the Directives of the Director of the Department of General Services, Division of Purchases and Supply, in effect at that time. When the normal channels of purchase are used, the Commonwealth of Virginia secures a discount from the vendor, a lower price is secured through competitive bidding and no State sales tax is paid on purchases.

A *Sales and Use Tax Certificate of Exemption* Form ST-12 must be given to vendors so the agency will not have to pay sales tax on purchases from these vendors. Exemption forms may be obtained from the Sales and Use Tax Division, Department of Taxation.

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How to Properly Utilize Petty Cash Funds, Continued

Travel Reimbursement

Petty cash funds may be used to reimburse **non-employees** for approved travel expenses incurred up to \$100 per trip per traveler. Agencies must use the Accounts Payable module in Cardinal and pay the traveler as a vendor.

Signature approval and supporting documentation requirements must be in accordance with instructions included in CAPP – Cardinal Topic No. 20335, *State Travel Regulations*.

Emergency Pay Checks

Emergency payroll payments may be made to new permanent employees and weekly, daily, part-time or temporary employees. Each category is discussed below.

For New Permanent Employees


Agencies are discouraged from making salary payments to new employees out of petty cash because procedures are available for adding permanent employees to the agency payroll without delay. In an emergency, the agency head has the authority to provide a payroll payment up to the amount of the new employee's first net paycheck, or up to the maximum available in the petty cash fund. The payroll payment must be repaid when the employee receives his/her first salary check.

For Administrative Delays

Where an administrative delay occurs due to late notification of VSDP approval or a release of a court ordered withholding **and** there is insufficient time to accommodate such payment through the payroll system, petty cash can be used to make whole the employee's net pay. Petty cash is **not** to be used for lost or stolen checks as the employee has the option to enroll in direct deposit or debit card.

For Weekly, Daily, Part-time or Temporary Employees

A limited number of State agencies have been granted petty cash funds for the specific purpose of issuing payment of wages for weekly, daily, part-time, or temporary employees. Any such use must have the written approval of the Director, General Accounting, at DOA.

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Maintenance of Change Funds Change funds are only to be used where necessary and required. The number of change funds may vary with the number of cash registers or with the number of locations at which cash sales are made or collections are made on account. Change funds should require no replenishment. The amount of each change fund remains constant and that amount is withheld at the close of each day from the total cash accumulated in the register or drawer.

Cashing Checks from Petty Cash Funds As a general rule the practice of cashing checks out of petty cash funds for any reason and by any person is not permitted.

However, the agency head or fiscal officer may request an exemption by submitting a written request to the Director, General Accounting at DOA, for review and approval.

Checks that may be cashed must be presented to a bank for payment promptly and the cash returned to the petty cash fund.


Bad Checks Bad checks are those that have been received by a State agency and deposited to a State bank account and later have been rejected by the bank for such reasons as—

- Insufficient funds
- Stopped payment
- No account
- Account closed

There are two ways to purchase and acquire bad checks from the bank as follows:

1. Petty Cash
2. Process a regular voucher through the agency main accounts payable business unit and obtain a check payable to the bank.

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How to Properly Utilize Petty Cash Funds, Continued


Bad checks should be charged back immediately to the person from whom received or, if it is found that the reason for nonpayment has been eliminated, should be re-deposited without delay.

When cash is collected from the maker of a bad check, which was originally purchased back from the bank with petty cash funds, deposit the cash into the petty cash fund to replenish the fund. Each agency should take action to collect on bad checks using its own internal resources. (See CAPP – Cardinal Topic No. 20505, *Accounts Receivable*)

Each agency should use all leverage and recourse actions it has available if the check is not made good. After reasonable efforts to collect from the party who wrote the bad check have failed, and if petty cash funds were used, a reimbursement must be processed to the petty cash fund for the "written off" bad checks. The original bad check must be attached to the reimbursement voucher. When coding the reimbursement for bad checks, be sure they are coded consistently with the original deposit.

Even after bad checks have been "written off" and petty cash has been reimbursed, each agency should continue efforts to collect from the one who wrote the check. When a recovery is made on a "written off" bad check, be sure to credit the same account that was debited when the bad check was written off.

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How to Properly Utilize Petty Cash Funds, Continued

Year-End Requirements Petty cash must be accounted for as of the close of business June 30th of each fiscal year.


Refer to DOA's special Year-End Closing Procedures which are issued in May of each year for specific information concerning the Petty Cash Verification.

How to Process Petty Cash Transactions in Cardinal

Cardinal Voucher Form The requirement to authorize, record, and control disbursement transactions is mandatory. Vouchers are used to record all disbursements in Cardinal, including those paid from the Petty Cash bank account. While the use of the **Cardinal Voucher Form** on the Cardinal website, as the Voucher for Petty Cash transactions indicates adherence to Statewide requirements, its use is optional and substitute forms and procedures by individual agencies are allowed.

Agency Voucher Certification Statement By approving a petty cash expenditure in Cardinal, the agency, department or institution and its employees and agents agree to the following:

Final agency approval for petty cash expenditure transactions rests with the person granted approval authority in Cardinal. The act of approving a transaction in Cardinal means the agency certifies to the Comptroller that the request for disbursement of State funds specified in the approved transaction has been reviewed by appropriate agency staff and is accurate to the best of their knowledge and belief. The amounts itemized are considered to be legitimate and proper charges to the appropriations indicated therein, and are approved for payment. The payment has not been previously authorized.

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Coding Structure Requirements

The minimum coding structure for petty cash expenditure transactions is summarized as follows:

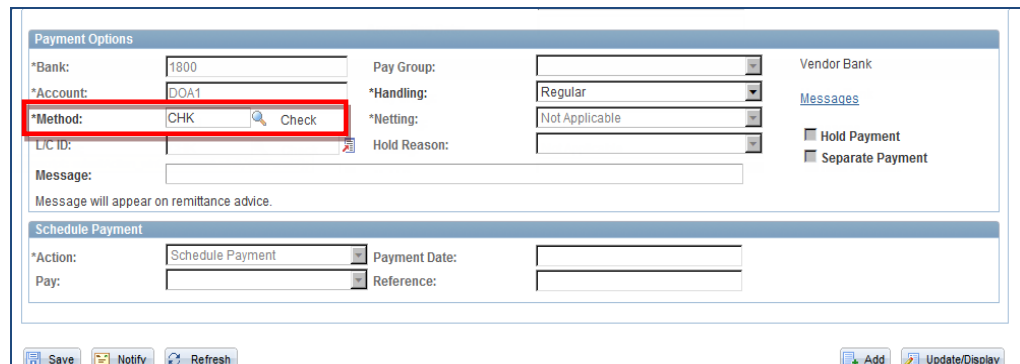
- Petty Cash Business Unit
- Fund
- Account
- Program
- Department

Other classification elements are included in the standard distribution grid. These elements may or may not be included depending on the chartfields the agency elects to utilize. In Cardinal, if a required chartfield is not entered into the system, the transaction will fail combination edit and the error message will notify the user what additional chartfield is necessary.

Entering Transactions in Cardinal

Petty cash disbursements are entered as regular vouchers in the Accounts Payable module in Cardinal. The appropriate Accounts Payable Petty Cash Business Unit is selected to pay through the petty cash bank account. Vendor information, invoice information, and Chartfield coding are entered similarly to any other payment voucher processed through the main Accounts Payable Business Unit. The vendor must exist in the Cardinal statewide vendor database prior to creating a petty cash voucher in Cardinal.

On the Payments tab, the Method field value should be **CHK**.



The screenshot shows the 'Payment Options' section with the following fields:

- *Bank: 1800
- *Account: DOA1
- *Method: **CHK** (highlighted with a red box)
- Pay Group: [Dropdown]
- *Handling: Regular
- *Netting: Not Applicable
- Vendor Bank: [Dropdown]
- Hold Payment: [Checkbox]
- Separate Payment: [Checkbox]

 The 'Schedule Payment' section includes:


- *Action: Schedule Payment
- Payment Date: [Text Field]
- Pay: [Text Field]
- Reference: [Text Field]

 At the bottom, there are buttons for Save, Notify, Refresh, Add, and Update/Display.

Once the voucher has been saved, it is budget checked and routed for any required approvals.

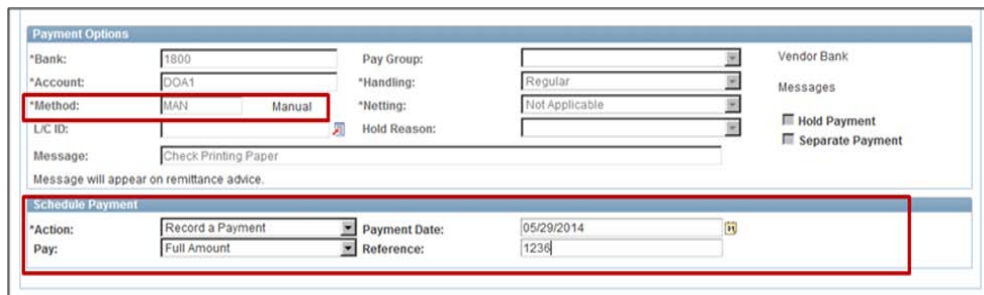
Once the voucher is approved, a check should be created in one of two ways:

- If a Cardinal petty cash check needs to be generated, the agency must use Express Pay to create the check.
- If a manual check needs to be created, the agency writes the check

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then updates the voucher in Cardinal by recording the check information on the voucher. This would include changing the:

- Method field to **MAN**
- Action field to **Record a Payment**
- Pay field to **Full Amount** (if appropriate)
- Payment Date field to date on check
- Reference field to the check number



The screenshot shows the 'Payment Options' section with the following fields: *Bank: 1800, *Account: DOA1, *Method: MAN (highlighted with a red box), *Handling: Regular, *Netting: Not Applicable, L/C ID: [empty], Hold Reason: [empty], Message: Check Printing Paper. The 'Schedule Payment' section has the following fields: *Action: Record a Payment (highlighted with a red box), *Pay: Full Amount (highlighted with a red box), Payment Date: 05/29/2014 (highlighted with a red box), and Reference: 1236 (highlighted with a red box).


How to Prepare Petty Cash Reimbursements

Introduction

A Voucher will be used to obtain reimbursements for the Petty Cash Fund. The reimbursement voucher is created in Cardinal under the main agency Accounts Payable Business Unit so that the petty cash reimbursement will be paid out of the Treasury bank account. Once the petty cash reimbursement voucher is budget checked, approved and paid, the deposit into the petty cash account must be recorded in the Accounts Receivable-Funds Receipts module. Refer to the “Petty Cash Reimbursements” Job Aid for detailed instructions of how to create the payment and deposit. The Job Aid can be found on the Cardinal Project website.

The original petty cash vouchers and acceptable receipts are used to prepare the reimbursement voucher to document the expenses incurred. The ‘Unreimbursed Petty Cash Voucher Report’ generated in Cardinal should also be maintained as support.

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When to Make a Request for Reimbursement

The following “If-Then” table describes when to make a Petty Cash reimbursement request.


If reimbursement is . . .	Then request reimbursement at least . . .
\$25 or more	Once per month.
Less than \$25	Quarterly and always at the end of the fiscal year (June 30).

Financial EDI Payment System Use Required

Agencies having petty cash funds in excess of \$200 are required to process petty cash reimbursements through the Commonwealth of Virginia's Financial EDI payment system. Transmitting payment and payment related information saves both the agency and the Commonwealth the administrative cost of processing and receiving paper checks.

Agencies are responsible for:

- Requesting an EDI location be created for the petty cash bank account through the Commonwealth Vendor Group (cvg@doa.virginia.gov)
- Completing and submitting a Trading Partner Notification of Change Form (available on the EDI page at www.doa.virginia.gov) to DOA when banking or agency information related to petty cash changes (edi@doa.virginia.gov).
- Notifying DOA staff when petty cash is discontinued and requesting the EDI account be deleted (edi@doa.virginia.gov).

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Ensuring Proper Internal Control of Petty Cash Funds

Introduction The agency fiscal officer has the authority to require the use of any forms and procedures considered necessary for proper internal control of petty cash funds.

Separation of Duties The agency must adhere to the following internal controls at a minimum— There shall be at least two people handling petty cash:

- A cashier or custodian who is primarily responsible for the petty cash funds, signs checks, and disburses the actual cash; and,
- An authorized official or employee who reviews and approves payments and disbursement vouchers, but does not have the authority to sign checks or disburse actual cash.


The safeguard benefits of an internal control system can be obtained by a separation of duties so that no one person has solitary control of cash received and/or disbursed out of the petty cash fund.

Petty cash payments must be reconciled manually against the paper bank statement. This process should be performed at least monthly, when the bank statement is received. If practical and feasible, the reconciliation shall be performed by someone who does not sign checks or approve payments. If it is not feasible to have both a custodian and an approving official, the agency head or fiscal officer must document all exceptions in writing and send them to the State Comptroller for review and approval.

The bank statement should be delivered to the person responsible for reconciliation directly from the bank, unopened, and should remain in his sole control until the reconciliation has been completed. Refer to the “Petty Cash Manual Reconciliation” Job Aid for detailed instructions of how to complete the reconciliation in Cardinal. The Job Aid can be found on the Cardinal Project website.

Additionally, if the payments under review by the authorized official or employee mentioned above include reimbursements to the person conducting the review, then another authorized official or employee should be designated to review and approve the payment voucher. However, the alternative reviewer does not have the authority to sign checks or disburse actual cash.

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Ensuring Proper Internal Control of Petty Cash Funds, Continued

Internal Record Design Each agency should design and use forms that satisfy the specific requirements of the agency’s particular circumstances. The agency’s volume and use of machines and computers will be prime factors in developing forms and procedures.

Control Criteria The following provides criteria for establishing adequate control over cash disbursements. Adherence to these guidelines does not totally fulfill an agency's responsibilities in adequately maintaining internal control over petty cash. Each agency must maintain additional controls to fit its circumstances.

Petty Cash Checking Account Requirements **Agencies with petty cash in excess of \$200.00 must have a petty cash checking account.**

AUTHORITY

The agency head or fiscal officer has the authority to open and establish a local checking account for petty cash funds.


INTEREST-BEARING CHECKING ACCOUNT

If feasible, the checking account should be interest bearing. The interest bearing accounts offered by different financial institutions vary. Generally, differences relate to a combination of minimum balance requirements, frequency of use, costs of services and/or checks, and interest rates offered.

If the agency's cost/benefit analysis of these factors justifies establishing an interest bearing account for petty cash funds, interest earned on the account should be deposited as interest earned to the State Treasurer of Virginia quarterly. (Record to the agency and Fund 01000). Follow the Deposit procedures in CAPP - Cardinal Topic No. 20205, *Deposits*.

AGENCY NAME—NOT TREASURER OF VIRGINIA

The petty cash checking account or accounts shall be in the name of the agency, not the name of the Treasurer of Virginia.

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CHECK NUMBERING & IMPRINTING

All checks must be serially pre-numbered and imprinted with

- *Petty Cash Fund* and
- the name of the agency.

CHECK SIGNING & RECORDATION

Checks should be signed only on presentation of satisfactory documentary evidence that the disbursement is proper. A record must be made of every check disbursement.

BANK SERVICE CHARGES

Bank service charges and other bank related expenses should be submitted on petty cash reimbursement request vouchers.


DEPOSITS

Checks paid in to the petty cash fund must be properly endorsed following the procedures prescribed by the Treasurer of Virginia. (See CAPP – Cardinal Topic No. 20205, *Deposits*.)

OUTSTANDING PETTY CASH CHECKS

Outstanding Petty Cash checks over one (1) year old are considered abandoned and therefore subject to the Unclaimed Property Act (§ 55-210.9 Code of Virginia). Questions regarding the reporting of these items should be submitted to the Division of Unclaimed Property, Department of Treasury.

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Check Register Each agency 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.

Copies of bank statements and accounting records must be kept on file for audit by internal auditors and the Auditor of Public Accounts.

Spoiled checks will be marked "VOID" and the signature line obliterated or mutilated.

Voided checks will be filed in numerical sequence with cancelled checks.

The check register may be headed:

DATE ISSUED	CHECK NO.	PAYEE	AMOUNT	ACCOUNT	CLEARED BANK
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Bad Check Status Record A record must be made of every bad check (checks rejected by the bank) in a listing or register. The record must show the check date, name of maker, amount and status of collection.

The headings on the "Bad Checks" record may be:

CHECK DATE	NAME OF MAKER	AMOUNT	STATUS OF COLLECTION
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An alternative method of recording bad checks would be to make a photocopy of every bad check. The status of collection and ultimate disposition may be written on the photocopy.

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Advance Payment Register

A record must be made of every advance in a listing or register. This record is used in balancing the petty cash fund to the total imprest amount.

The record must show the type of advance (i.e. salary), the date issued, name of payee, amount disbursed and the date the advance was repaid.

The headings on the salary advance record may be:

TYPE OF ADVANCE	DATE ISSUED	PAYEE	AMOUNT	DATE REPAID
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An alternative method of recording advances would be to make a copy of the form requesting the advance. The request form should have spaces to record the payment and repayment information.

Required Receipts

Receipts for all disbursements should be obtained and accompany the request for reimbursement.


An acceptable receipt would be the vendor's sales document, such as the original invoice, sales slip or cash register ticket, all of which itemize and identify the items or services purchased, the date, and the amount paid.

If the disbursement was made in cash, the sales document should be signed by the vendor or his agent to acknowledge receipt of payment.

Information Returns Reporting Requirements

Payments made to vendors using petty cash funds may be subject to 1099 reporting. All Accounts Payable Business Units (main and petty cash) for an agency are consolidated and reported under a single agency Reporting Entity for 1099 reporting in Cardinal. Cardinal tracks 1099 reportable payments made through Petty Cash so manual adjustments are not required for petty cash transactions.

Payments that meet or exceed the IRS dollar reporting thresholds must be reported on an Information Return at calendar year-end. (Refer to CAPP – Cardinal Topic No. 20320, *Information Returns Reporting*)

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Cash Frauds and Internal Control

The Agency Fiscal Officer and his agents must be on the alert to detect shortages or irregularities in petty cash or local funds should any exist.


The following list should be considered as a reminder of some of the various types of irregularities that may be encountered. Review the following sample listing and ensure that the necessary controls are established to guard against any type of shortage.

Item	Types of Irregularities
1	Overstating totals of vouchers in petty cash reimbursements.
2	Two payments for the same voucher — one in petty cash and one in regular invoice disbursements.
3	False vouchers or receipts for postage, supplies and other expenditures.
4	Checks included in petty cash change fund on hand with no intention of depositing in the bank.
5	Vouchers, once properly reimbursed, used to support a second reimbursement.
6	Withholding recoveries on charged-off bad checks.
7	Checks drawn in payment of personal expenses charged to business expense.
8	Failure to properly record overpayments on accounts.
9	Padding Payrolls - fictitious names or former employees' names.
10	Failure to deduct absent time of employees in figuring payroll.

Summary

A sound and well-executed plan of internal control reduces shortages and irregularities.

On the other hand, inadequate controls are an open invitation to employees to convert the State's cash to their own use. For this reason, the agency fiscal officer and his agents should develop and require any procedures needed for good control in their specific and particular circumstances.



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Records Retention

Time Period Copies of petty cash reimbursement request vouchers and documentation are to be maintained on file in each agency for 5 years.

Contacts

DOA Contact Director, General Accounting
 (804) 225-2376
 FAX (804) 225-4250
 gacct@doa.virginia.gov


Director, Payroll Operations
 (804) 225-2245
 FAX (804) 225-3499
 payroll@doa.virginia.gov

Taxation Contact Customer Service
 Sales & Use Tax
 (804) 367-8037

Subject Cross References

References CAPP – Cardinal Topic No. 20205, *Deposits*
 CAPP – Cardinal Topic No. 20310, *Expenditures*
 CAPP – Cardinal Topic No. 20320, *Information Returns Reporting*
 CAPP – Cardinal Topic No. 20335, *State Travel Regulation*
 CAPP – Cardinal Topic No. 20336, *Agency Travel Processing*
 CAPP – Cardinal Topic No. 20505, *Accounts Receivable*
 CAPP – Cardinal Topic No. 20355, *Purchasing Charge Card*
 CAPP – Cardinal Topic No. 21005, *Records and Retention*

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>

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**Suggested
Forms and Job
Aids**

The following forms can be found on the Cardinal Website, under Statewide Toolbox – Forms:

Cardinal Voucher Form

Cardinal Petty Cash Stop Payment Signature Authorization Form

Cardinal Stop/Void Payment Authorization Form – Agency Petty Cash

The following can be found on the Cardinal Website, under Statewide Toolbox – Job Aids:

Petty Cash Reimbursements

Petty Cash Manual Reconciliation

Additional job aids and training materials may be available on the Cardinal website.

Please note: The Cardinal job aids, training materials and forms on the Cardinal website are not policy of the Department of Accounts and are not part of the Commonwealth Accounting Policies and Procedures Manual (CAPP).