

Prepared by the Disbursing Office  
This replaces Administrative Procedure No. A8.812  
dated May 1988

A8.812  
July 1996

---

A8.800 Disbursing/Accounts Payable and Payroll

---

p 1 of 10

A8.812 Procedures to Establish, Decrease, Close, Increase a Petty Cash Fund

1. Purpose

To provide Petty Cash Fund procedures related to:

- a. establishment of a fund,
- b. decreasing the fund,
- c. closing the fund,
- d. permanently increasing the fund, and
- e. temporarily increasing the fund.

The "Request for Petty Cash Fund" form, Form PC-1 (Attachment 1) is used to initiate the required action.

2. Responsibilities

- a. Each Campus/Department Office that requires the above mentioned action on a petty cash fund is responsible for submitting the original Request for Petty Cash Fund form to the Disbursing Office.
- b. The Disbursing Office is responsible for coordinating action requests internally within the University organization as well as externally with the Department of Accounting and General Services.
- c. The Internal Auditor's Office will update records for proper execution of responsibilities.

3. Guidelines

a. Authorized Fund Amount

The Authorized Fund Amount of a petty cash fund should be

sufficient to sustain petty cash operations for 21 working days based on an average bi-weekly (every two weeks) replenishment schedule.

The petty cash fund disbursement records are examined periodically to determine whether a permanent increase or decrease of the Authorized Fund Amount is appropriate. The situation must be carefully considered to distinguish steady, continual requirements from seasonal requirements. The formula reflected in Attachment 1 is generally used to guide permanent funding levels. In situations where fund activity is very low, consideration should be given to the closing of the fund based on the assumption that it may be possible to make arrangements with a related department to cover the minimal petty cash disbursement needs.

High level seasonal requirements are to be accommodated through temporary increases to the fund. These needs are to be anticipated, and requests for temporary increases submitted prior to the peak periods. The temporary increases are to be returned upon resumption of normal activity. The Treasury and Logistical Operations Office coordinates all registration-related (General fund) temporary increases for imprest check accounts and change funds but not petty cash funds as these funds are not normally affected by registration.

The Disbursing Office will instruct a campus/department unit to increase, decrease, or close a petty cash fund based on the annual review of disbursement activity. The Internal Auditor's Office will also make recommendations based on findings from field audits.

b. Appointment of the Custodian and Alternate

The petty cash custodian and the petty cash alternate should be regular, full time University employees. In many situations, the custodians and alternates are clerks, account clerks, etc., who can provide a safeguard (separation of duties) for petty cash operations.

The duties of the custodian/alternate and the approving authority must be strictly segregated. Additionally, neither the Fiscal Officer nor the Campus/Department Head may be the custodian or the alternate. Where staff limitations make this separation of duties impossible, arrangements should be made with another University organization to provide for it. Designating a Fiscal

Officer as a custodian will be considered as a last resort measure, and allowed only if the Fiscal Officer does not authorize purchases and payments. Internal control against improprieties are strengthened by the separation of duties.

c. Authorization of Request for Action

All petty cash fund requests for action must be approved by the Campus/Department Head (Dean/Director/Provost/Chancellor/Vice-President) and the Fiscal Officer. The Fiscal Officer assumes responsibility for the proper execution of administrative duties while the Campus/Department Head is ultimately responsible for the proper administration of the Petty Cash Fund and will be held accountable.

4. Procedures

a. Establishment Procedures

1) Campus/Department Office:

- a) Campus/Department Offices seeking to establish a petty cash fund must submit the original Request for Petty Cash Fund form to the Disbursing Office for review at least one month in advance of expected fund usage.
- b) If a non-general fund account is to be charged for the advance, the account code must be indicated and Authorization for Payment (AFP) document (FMIS-2) must be submitted with the request form to process the advance payment.
- c) The requested authorized fund amount should be based on the guideline of adequately sustaining activity for 21 working days. A justification for the fund and an explanation of the basis for determination of the authorized fund amount are required. (Refer to section 3.a of this procedure for details.)
- d) The appointed custodian and the alternate are to be identified on the form with signature specimens provided. These appointments must be consistent with the guidelines for selection and separation of duties as specified in section 3.b of this procedure.

2) Disbursing Office:

- a) Upon approval by the Director of Financial Operations, a request will be processed to obtain a check for the initial operating cash.
- b) A transmittal memo will be sent to Campus/Department Head with the check and a copy of the approved Request for Petty Cash Fund form. The transmittal memo must be certified by the Campus/Department Head for receipt of funds and returned to the Disbursing Office. A copy of the Request for Petty Cash Fund form with the custodian's signature specimen will be sent to the First Hawaiian Bank - University Branch to establish an authorization file. It is suggested that Manoa Campus custodians cash their advance and replenishment checks at this institution while other campus custodians should deal with First Hawaiian Bank branches and have them contact the University branch for signature verification if required.
- c) The Disbursing Office will assign a vendor code to the custodian for designation in the fiscal system. Disbursing Office records are updated to include the newly established petty cash fund.

3) Internal Auditor's Office:

The Internal Auditor's Office updates records for the scheduling of audits.

b. Decrease/Close Procedures

1) Campus/Department Office:

- a) Campus/Department Offices requesting a decrease or the closing of a petty cash fund must submit an original Request for Petty Cash Fund form to the Disbursing Office. The Authorized Fund Amount should be reviewed periodically through careful examination of petty cash disbursement records. Steady, continually reduced requirements must be distinguished from seasonally reduced requirements to determine the necessary action.
- b) Request for permanent action to decrease or close

the petty cash fund must be justified with an explanation of the situation and a quantitative analysis to support the requested change unless the action was dictated by the Disbursing Office. (Refer to section 3.a of this procedure for details.)

- c) A final cash count must be performed by the custodian and verified by the alternate prior to the closing of a petty cash fund and a copy of the Cash Count Sheet (Form PC-4) is to be attached to the request to close the account (Refer to A8.819 - Cash Counts of the Petty Cash Fund).
- d) Campus/Department units are to await receipt of the approved decrease/close requests from the Disbursing Office before depositing the funds. All units are to deposit the cash through the Cashier's Office with the approved request form as a supporting document. The cash will be deposited into a suspense account before being submitted to the State (General Fund advance) or into the operating account form which the advance originated (Non-General Fund advance) (Refer to A8.701 - Receipting and Depositing of Funds Received by the University). A copy of the UH Treasury Deposit slip is to be submitted to the Disbursing Office for verification of deposit.

2) Disbursing Office:

- a) Upon approval of fund decrease/closing by the Director of Financial Operations, a copy of the approved Request for Petty Cash Fund form will be transmitted to the requesting campus/department office.
- b) The campus/department unit will initiate steps to deposit the funds (Refer to section 4.b.1)d) of this procedure for details).

3) Internal Auditor's Office:

The Internal Auditor's Office will update records for proper execution of responsibilities.

c. Permanent and Temporary Increase Procedures

1) Campus/Department Office:

- a) Campus/Department Offices requesting permanent and temporary increases to the petty cash fund must submit the original Request for Petty Cash Fund form to the Disbursing Office for review at least one month in advance of the expected funding requirement. The Authorized Fund Amount should be reviewed periodically based on careful examination of petty cash fund disbursement records. Steady, continual requirements must be distinguished from seasonal requirements to determine the necessary action.
- b) Both permanent and temporary increases must be justified with an explanation of the situation and a quantitative analysis to support the requested change (Refer to section 3.a of this procedure for details). The return date for temporary increases must be indicated. Campus/Department Offices are responsible for prompt return of temporary increase funds. The return of funds is executed in the same manner as described in section 4.b.1)d) of this procedure.
- c) If a non-general fund account is to be charged, an AFP must be submitted with the request for a permanent or temporary increase in funding to process the advance.

2) Disbursing Office:

- a) Upon approval by the Director of Financial Operations, fund increases will be accommodated through the processing of a request to obtain a check.
- b) A transmittal memo will be sent to the Campus/Department Head with the check and a copy of the approved Request for Petty Cash form. The transmittal memo must be certified by the Campus/Department Head for receipt of funds and returned to the Disbursing Office.

3) Internal Auditor's Office:

The Internal Auditor's Office will update records for proper execution of responsibilities.

5. Detailed Instructions for Completing the "Request for Petty Cash Fund" form (Form PC-1)

- a. Requesting UH Campus/Dept.: Enter the appropriate campus or department (e.g. Agr-Bio Chem; Honolulu CC).
- b. Date: Enter the month, day, and year on which the form is being submitted (e.g. 03/31/96).
- c. Action Requested: Check the appropriate block.
- d. Source of Funds for Advance: Check either the "General" fund block or the "Other" fund block. If "Other" fund is selected, enter the type of fund -- Federal, Special, Revolving, Trust, or Agency.
- e. Specify Account code if "Other" Funds: If "Other" fund is selected, enter the appropriate 6 digit account number that the advance will be assessed against (e.g. 326867).
- f. Amount-Currently Authorized: Indicate the existing level of funding.
- g. Amount-Requested Increase/<Decrease>: Indicate the requested amount of funding increase or decrease. Decrease requests are to be reflected as negative numbers (e.g. <500.00>). For closing of fund requests, the negative amount in this section completely negates the amount reflected in "Amount-Currently Authorized". For establishment requests, enter the initial amount requested.
- h. Explanation/Justification for Request/Basis for Amount/Physical Security: Provide an explanation/justification for the request. Describe the situation and provide the quantitative analysis in determination of the requested initial amount or change in amount. (Refer to section 3.a of this procedure for guidelines.) Describe the physical security measures that will be instituted to safeguard the petty cash fund (e.g. storage of cash in a safe with limited access, safety glass or a deadbolt installed in building, etc.).

Attach a separate page if additional space is required.

- i. Return date for temporary increase: Enter the month, day, and year of the date return for the temporary increase (e.g. 06/30/96). This section is completed only for

temporary increase requests.

- j. Location of Fund - Bldg/Room #: Enter the name or number of the building and the room number in which the petty cash funds are kept.
- k. Custodian/Alternate - Signature Specimen and Name: The custodian and alternate signature specimens and names are required only for request to establish a petty cash fund.
- l. The Dean/Director/Provost/Chancellor/Vice-President and the Fiscal Officer are to sign and date the completed form to certify approval of the request and to certify provision for separation of duties and custodian/alternate familiarity with petty cash procedures. Indicate the Name/Title of the above signature, the Fiscal Officer's code and telephone number.

Note: Do not fill in the bottom portion of the form. Central Office approval signatures will be reflected in this section.

6. Availability of Forms

The request for Petty Cash Fund form (Form PC-1) should be reproduced as required.



## UNIVERSITY OF HAWAII Request for Petty Cash Fund

Requesting UH Campus/Dept.: _____		Date: ____/____/____	
Action Requested:			
<input type="checkbox"/> Establishment	<input type="checkbox"/> Permanent Increase		
<input type="checkbox"/> Decrease/Close	<input type="checkbox"/> Temporary Increase		
Source of Funds for Advance:		Specify Account Code if "Other"	
<input type="checkbox"/> General	Funds: _____		
<input type="checkbox"/> Other: _____			
Amount-Currently Authorized: _____		Amount-Requested Increase/(Decrease): _____	
Explanation/Justification for Request/Basis for Amount/Physical Security :			
Return date for temporary increase: ____/____/____		Location of Fund Bldg./Room #: _____	
<b>COMPLETE FOR ESTABLISHMENT REQUEST ONLY</b>			
Custodian Signature _____		Alternate Signature _____	
Date _____		Date _____	
Custodian Name/Title (Print or Type) _____		Alternate Name/Title (Print or Type) _____	
<p>I certify that provisions have been made for the separation of duties and that the custodian and the alternate are completely familiar with petty cash procedures.                  I certify approval of the requested action.</p>			
Signature-Dean/Director/Provost/Chancellor/Vice-Pres. _____		Fiscal Officer Signature _____	
Date _____		Date _____	
Name/Title (Print or Type) _____		F. O. Code _____	Phone # _____
<b>DISBURSING OFFICE USE ONLY</b>			
Vendor Code: <u>X</u> _____		Pre-Audit Clerk: _____ Reviewed by: _____	
Established Fund Account No.: _____		Director of Disbursing _____ Date _____	
		Approved by: _____ Dir. of Financial Operations _____ Date _____	
<p><b>General Instructions:</b> Submit the original document to the Disbursing Office. The Cash Count Sheet (Form PC-4) to document the closing of a fund must also be submitted to the Disbursing Office upon approval of the request to close a fund.</p>			

**RECOMMENDED PETTY CASH/IMPREST CHECK**

**AUTHORIZED FUND AMOUNT**

The recommended petty cash/imprest check Authorized Fund Amount is based on an average bi-weekly (every two weeks) replenishment cycle which requires sufficient cash to sustain operation for 21 working days. The recommended Authorized Fund Amount level imposes a 100% turnover rate and therefore equals the average monthly disbursement:

$$\begin{array}{r} \text{Authorized Fund} \\ \text{Amount} \end{array} = \frac{\text{Total Disbursements}}{\text{Number of Months of Disbursement}}$$

Note: The formula should preferably be computed over a one year period to account for seasonal fluctuations.