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STARS MANUAL

PETTY CASH

PETTY CASH – WHAT IS IT?

Petty cash is an amount of cash withdrawn from either an agency's rotary fund or operating fund to meet the minor cash needs of an agency. The petty cash is an amount established within an authorized limit for an agency to provide immediate disbursement. Petty cash is generally a small amount and must be reconciled daily to the established amount and also periodically verified by an independent person

Petty Cash is established in one of two ways:

1. Writing a sight draft on your agency's rotary fund made payable to a disbursing officer
2. Writing a state warrant on your agency's operating fund made payable to a disbursing officer.

Regardless how it is established, the disbursing officer is responsible for the petty cash.

PETTY CASH – UNDERSTANDING THE BASICS

Refer to the [Petty Cash](#) policy in the Statewide Fiscal Policy Advisory Committee (FPAC) manual. In summary, it says:

Petty cash shall be established at the discretion and approval of the agency management. Petty cash shall be established from either the agency's rotary account or from an agency operating fund. Petty cash shall not be established from incoming cash receipts.

The rotary account disbursing officer or the officer's delegate shall be responsible for all petty cash activity, including money transferred from the rotary account or the agency operating fund to petty cash. If the agency has no rotary account disbursing officer, a petty cash disbursing officer must be assigned.

Under no circumstances should petty cash be used for the following:

1. Extending cash advances to employees for personal use.
2. Cashing personal checks for employees.
3. Purchasing unnecessary items for the benefit of employees.
4. Purchasing materials, supplies or services that should be purchased using a regular expenditure transaction and paid for by state warrant.

PETTY CASH AND OPERATING FUND

TO ESTABLISH OR INCREASE PETTY CASH FROM AN OPERATING FUND

1. Notify SCO to establish or increase petty cash from an operating fund. Identify a subsidiary number to track the amount of the petty cash within the operating fund. Use TC726 with a Subsidiary Number to create the petty cash.
2. TC726 creates a state warrant. This state warrant should be drawn on the agency's operating fund, payable to the petty cash disbursing officer. SCO is required to release the batch containing the TC726.
3. State warrants payable to “petty cash” or “cash” will not be honored by the State Treasurer.
4. The disbursing officer should cash the sight draft.

TO REPLENISH PETTY CASH FROM AN OPERATING FUND

1. Assemble and attach all receipts from petty cash expenditures to a Petty Cash Reimbursement Input form.
2. Record each disbursement using either a TC282 or a TC230:
 - Use TC282 and enter the petty cash disbursing officer as the vendor. 1099 reportable expenditures will have to be adjusted off this vendor with a TC270 and onto the actual Vendor Number by using a TC27B.
 - Use TC230 and enter the petty cash disbursing officer as the vendor. 1099 reportable expenditures will have to be adjusted off this vendor with a TC27A and onto the actual Vendor number by using a TC27B. To protect the petty cash disbursing officer's social security number, set up the petty cash disbursing officer in the STARS Vendor File using the following format:
 - a) Vendor Number - AAAxxxxxx-00. The first three characters could be the abbreviation for the vendor. The six remaining characters are determined by the agency.
 - b) Vendor Type - I for individual.
 - c) Sort Sequence – Follow the normal conventions as found in [Vendor Chapter](#) of the STARS Manual.
 - d) Remaining fields would be set usual following the instructions found in [Vendor Chapter](#) of the STARS Manual.
3. Disbursing officer cashes the state warrant and replenishes petty cash with the proceeds.
4. The total of cash plus receipts should always equal the total of the authorized petty cash.

CLOSING PETTY CASH INTO AN OPERATING FUND

1. Follow steps 1 through 2 above.
2. Verify that the total cash equals the authorized amount of the petty cash.
3. Deposit all cash into the originating operating fund in a J batch, using TC727 and the original subsidiary number.
4. Notify STO to release the J batch.

PETTY CASH AND ROTARY ACCOUNTS

TO ESTABLISH OR INCREASE PETTY CASH FROM A ROTARY ACCOUNT

1. Draw a rotary account sight draft on the agency's rotary account, payable to the petty cash disbursing officer.
2. Sight drafts payable to "petty cash" or "cash" will not be honored by the State Treasurer.
3. The disbursing officer cashes the sight draft.

TO REPLENISH PETTY CASH FROM A ROTARY ACCOUNT

1. Assemble and attach all receipts from petty cash expenditures to a Rotary Account Reimbursement Input form.
2. Reimburse the Petty Cash fund and issue a sight draft payable to the petty cash disbursing officer.
3. Disbursing officer cashes the sight draft and replenishes petty cash with the proceeds.
4. The total of cash plus receipts should always equal the total of the authorized petty cash.

CLOSING PETTY CASH INTO A ROTARY ACCOUNT

1. Reimburse any outstanding items.
2. Do not issue a sight draft to replenish the petty cash drawer.
3. Deposit any remaining cash balance into the originating rotary fund.