

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: Fiscal Affairs**

**NUMBER: 03.A.07**

**AREA: General**

**SUBJECT: Petty Cash Procedures**

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1. PURPOSE

This administrative memorandum establishes custodial, accounting and control policies associated with the operation of petty cash funds for the University of Houston System.

2. POLICY

- 2.1. The petty cash fund is established with a designated amount from which payments and reimbursements for small dollar expenses may be made. At all times, the cash on hand plus the dollar amount of expenses supported by paid receipts should equal the designated amount of the petty cash fund.
- 2.2. Cash advances are inherently risky and should be minimized. Cash should be advanced only to System and component university employees or students and only in emergency situations.
- 2.3. The maximum amount of petty cash to be expended, reimbursed, and/or advanced per transaction (one item or multiple items at a single point in time) is \$100. Reimbursements greater than \$100 should be processed through Accounts Payable.
- 2.4. A receipt properly documenting the purpose of each expenditure is required for any reimbursement and/or payment.
- 2.5. All expenditures should conform within the System expenditure guidelines, as well as state and federal regulations. The following transactions are prohibited as petty cash reimbursements on any ledger except where noted:
  - a. Entertainment and travel reimbursements, as well as registration expenses are specifically excluded from authorized petty cash disbursements (exception: police officers required to transport prisoners out of town on short notice)
  - b. Sales tax is not an authorized reimbursable expense from sponsored project funds
  - c. Consulting fees

- d. Reimbursements for meals; for alcoholic beverages; or tickets to social, cultural or athletic events
  - e. Payments to individuals or other non-corporate entities for personal services
  - f. Transactions for which original invoice is not available (copy certified by college/division administrator may be processed through Accounts Payable on a voucher)
  - g. Expenses of any kind charged to a credit card
- 2.6. The chief financial officer or designee at each component university is responsible for administration of component university petty cash funds.
- 2.7. When a separate petty cash fund is established, the department head requesting the fund, or a designee assigned by the chief financial officer, will be the custodian of that fund. The department head may assign custodial duties regarding the operation and maintenance of the fund to another component university employee, but the responsibility of proper custodianship remains with the fund's custodian.
- 2.8. The chief financial officer and the department head will determine the designated amount of cash in a departmental fund, which shall not exceed \$500.
- 2.9. The fund custodian shall be responsible for the following matters relating to the operation of the fund:
- a. Safe and secure storage
  - b. Keeping the petty cash fund separate from all other funds
  - c. Ensuring that each transaction is for the established purpose of the fund
  - d. Providing proper documentation to support each expenditure
  - e. Replenishing the fund in a timely manner
  - f. Notifying the appropriate chief financial officer or designee when establishing a separate fund, changing the amount, changing a custodian, changing the location of the fund, changing the physical security of the fund or closing the fund
  - g. Balancing the fund each time a disbursement is made or a minimum of once a month if no disbursements have been made

- h. Reporting non-balance of the fund in a timely manner to the chief financial officer or designee
  - i. Reporting theft from the fund to the chief financial officer or designee and component university police department (UH Victoria, local law enforcement officials)
- 2.10. The fund custodian will be required to take online petty cash training annually and sign a statement indicating responsibility for the petty cash cost center. (Go to <http://www.uh.edu/finance/pages/forms.htm> for a sample “Acknowledgment of Receipt of Funds and/or Cash Policies and Procedures” form.)
- 2.11. A properly completed voucher and acceptable documentation, as defined by the component university, is required for cash reimbursement.
- 2.12. The reimbursement request must be supported by proper receipts. The following types of receipts are acceptable:
- a. Original, numbered receipts with the company name and address imprinted on the receipt, which includes an itemized listing or description of items purchased.  
  
Copies of receipts mentioned above are acceptable but must be certified by the department head as a valid receipt, which has not been previously reimbursed.
  - b. Numbered or non-numbered receipts that do not have a company’s or individual’s name imprinted on the receipt, provided the name and address of individual or company is included by person seeking reimbursement.
  - c. COD charge lists are acceptable only if they are marked paid and signed by the individual delivering the items, or stamped paid with a company stamp and signed by the individual delivering the items.
  - d. Register tape from cash registers that have the company’s name and date of purchase at the top of the tape, and all items are circled and described by individual seeking reimbursement.
  - e. Price tags taken from various items which contain a computerized or other type numbering system, and name of company is supplied.
  - f. Hand written paper receipts which contain a full name, address and telephone number of person from whom purchased, and is signed by this person (provided they are verified by the department head, and a full description is made as to why no other type of receipt mentioned above can be obtained).

- 2.13. The petty cash fund should be replenished by the custodian on or before the last day of each month if the disbursements made since the time of last replenishing exceeds \$50. The fund must be replenished on or before the last day of the fiscal year regardless of the amount of disbursements made.
- 2.14. Requests for replenishment of petty cash funds should be made on a voucher by the fund custodian and submitted to Accounts Payable. The request is to be accompanied by the receipts received during the accounting period. A check from the component university will be issued on behalf of the custodian, payable to the University Cashier. The check may be cashed at the University Cashier's Office and acts as reimbursement to the fund for authorized disbursements of cash.
- 2.15. The following control procedures are in place and will be utilized to safeguard the Petty Cash Fund:
  - a. Petty cash funds are subject to surprise cash counts by the component university's accounting department and the System's Internal Auditing Department.
  - b. The department that maintains the petty cash fund will be responsible for the reconciliation of petty cash with the general ledger. (Reconciliation of any departmental PeopleSoft cost center should never be assigned to the petty cash custodian.).
  - c. Segregation of petty cash funds from other funds should be monitored departmentally.
  - d. Accounts Payable should verify that the proper account is used on the voucher at the time the fund is set up.
  - e. The department should submit the reimbursement voucher payable to the University Cashier with the invoice field referencing the fund custodian's name and type of fund and the invoice date equal to the current date.

Example:

Payable to: University Cashier  
Invoice: John Doe Petty Cash  
07/31/2008

- f. Petty cash shortages should be reported to the chief financial officer or designee who will notify the Chief Audit Executive immediately. Any theft of petty cash funds will be handled in accordance with section 2.9.i. of this document.

2.16. The chief financial officer or designee at each component university is responsible for ensuring that each petty cash fund is audited at least once annually. Departments will **not** be notified in advance. The purpose of the audit is to ensure that the component university funds are properly safeguarded. This would, in turn, enable an effective verification of cash held by the custodian with the official records.

3. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Finance

Review: Every three years, on or before March 1

4. APPROVAL

Approved: Carl P. Carlucci  
Executive Vice Chancellor for Administration and Finance

Renu Khator  
Chancellor

Date: June 9, 2009