Effective Date: March 1, 2007
Revision Date(s):

I. PURPOSE:

The City of San Antonio's ("City") petty cash process provides a means for departments to make small dollar purchases on an emergency or non-routine basis, when it is not feasible or practical to submit a purchase requisition, request for payment, or use a procurement card. Under certain circumstances, a department may need readily accessible cash and the following Administrative Directive (A.D.) sets forth the official citywide guidelines for establishment, use, and maintenance of petty cash funds.

II. POLICY:

Petty cash funds may be established at the discretion of the Director of Finance for small purchases on the basis of demonstrated need and proper business protocol. These funds are to be used only for the acquisition of those unanticipated items or services that require an immediate cash payment and shall not be used as a means to circumvent established purchasing procedures.

III. DEFINITIONS:

A. **Approving Authority:** A departmental designee, but not the Petty Cash Custodian, who approves all purchases made with petty cash and ensures all transactions meet the requirements set forth in this policy. This approving authority should be an individual at a level within the department who has the authority and level of knowledge to make purchases on behalf of the department.

B. **Employee/Purchaser:** The person making the petty cash purchase.

C. **Mitigating Control:** Compensating measure implemented to identify irregularities after-the-fact, as opposed to primary controls that are intended to prevent fraud or detect human error at the point of its origination (i.e. supervisor reviews a batch of cash receipts at the end of a shift versus approving each transaction as it occurs at the point of sale or cash intake).

D. **Petty Cash Advance Form**: A form used to record information when an employee is advanced Petty Cash funds to make a purchase. (See Attachment A)

E. **Petty Cash Custodian:** The individual exclusively assigned the possession, maintenance, replenishment, and safekeeping of the petty cash fund, sales tax exemption forms and related documents and receipts.

F. **Petty Cash Fund:** A fund used within an office to make small office purchases of $100.00 or less.

G. **Petty Cash Journal Report:** A SAP generated form used to record all petty cash transactions for the month, which must be presented to the Finance Department Collections Section for reimbursement of cash to the fund.

H. **Purchase Receipt:** Original source document (photocopies are not acceptable unless approved by Finance Director, or designee for extraordinary events) evidencing a purchase of merchandise or service, which normally details the merchant name, amount

due and/or paid, date of the purchase, description of item(s) purchased or service rendered, and other pertinent information.

I. **Sales Tax Exemption Form:** Form that is presented to merchants when making an official purchase on behalf of the City of San Antonio. City purchases are exempt from sales tax. An original form may be obtained from each Departments respective Petty Cash Custodian.

IV. POLICY GUIDELINES:

Petty Cash funds are public funds entrusted to the department for which the fund is established. Purchases made with petty cash are limited to $100.00 or less and are incidental and unexpected, yet required to conduct official City business. Petty cash should not be used to purchase items or services that can be readily obtained through the City's standard procurement channels.

Purchases made with petty cash must be carefully monitored and controlled, since these purchases bypass the standard purchasing and accounts payable controls. An acknowledgement form is required to be completed/signed by each employee requesting/using petty cash to ensure they have a full understanding of this policy (see Attachment B). Violation of these policy guidelines may result in the cancellation of the petty cash fund.

Refer to A.D. 8.1 Cash Handling and Administrative Directive and A.D. 8.2 Criminal History Background Checks for Cash Handling Positions for additional guidelines regarding employee background checks, training requirements, and performance expectations/standards and related discipline.

V. RESPONSIBILITIES:

A. Finance Department – Director's Office

1. Approve the establishment or changes in Petty Cash Fund balances.
2. Authorize the issuance of a check or cash for the establishment or increase of a Petty Cash Fund.
3. Cancel the Petty Cash Fund of any department in violation of this Administrative Directive.
4. Under special circumstances the Finance Director or Designee may authorize departmental purchases in excess of $100.00 dollars.
5. Assist individual departments with establishing procedures to ensure compliance with this Administrative Directive.
6. Receive communications from Department Directors on petty cash irregularities and assist in resolving outstanding issues as required.
7. Contact the San Antonio Police Department and/or Office of Municipal Integrity when a department has communicated a suspicion of theft or dishonest act by a City employee (i.e. missing or stolen funds). This determination will be dependent upon

the dollar amount involved and the need for further investigation and/or law enforcement follow up.

B. Finance Department – Collections Section

1. Approve and process requests for the replenishment of petty cash funds.
2. Deny the reimbursement of non-allowable expenditures.
3. Verify the accounting coding on an ad hoc basis. Departments are ultimately responsible for the appropriateness of the accounting coding.
4. Maintain a master list of all petty cash funds, along with responsible departments and custodians. Review petty cash transactional report for reasonableness of purchases and appropriateness of authorized signatures.

C. Finance Department – Accounts Payable Section

1. Distribute original Sales Tax Exemption Forms to City Departments upon request.
2. Maintain a master list of Sales Tax Exemption Forms provided to City Departments including number of forms provided and corresponding control numbers.

D. Department Directors or Designee

1. Request the establishment/increase of a Petty Cash Fund.
2. Designate an Approving Authority (and an alternate who will serve when the primary Approving Authority is unavailable) to authorize petty cash requests and a Petty Cash Custodian to handle the fund.
3. Provide a statement to the designated Petty Cash Custodian, alternate Petty Cash Custodian if applicable, and to the Finance Department containing the signature of the Approving Authority.
4. Authenticate petty cash requests approved by their department. This includes reviewing petty cash daily, monthly, and annual reports for irregularities and taking the appropriate corrective measure(s) where deemed necessary.
5. Communicate any petty cash irregularities, issues, suspicion of theft or dishonest act involving petty cash to the Finance Director.
6. Administer the appropriate disciplinary action against an employee based on provisions as set forth in Administrative Directive 8.1 Cash Handling.
7. Approve the reimbursement with petty cash funds in the event a receipt has been lost and the purchase price of the item can be verified.
8. Approve the reimbursement of sales tax with petty cash funds due to extraordinary or special circumstances.
9. Submit a *"Cash Handling Database Change Form"* to the Finance Director when a change of the Petty Cash Custodian has occurred.
10. Ensure the Petty Cash Fund is intact and properly accounted for at all times.

E. Petty Cash Custodian

1. Ensure the ongoing maintenance, safekeeping, and replenishment of the petty cash fund, sales tax exemption forms and required documents and receipts.
2. Issue and maintain Petty Cash Advance Forms and Sales Tax Exemption Forms.
3. Maintain a record of the Petty Cash Fund's most recent financial status.
4. Sign for the receipt of funds from the Finance Department.
5. Enter the amount of reimbursement into the Department's SAP Cash Journal and run the clearing transaction to match the amount(s) spent to the amount reimbursed upon receipt of funds from Finance Department.
6. Contact employees and document the event, if funds are advanced to the employee/purchaser and receipts are not submitted by the end of the employee's next working day. Such documentation shall be retained with the Petty Cash files.
7. Document the verification and reconciliation of the fund on a weekly basis. Departments that routinely use petty cash should reconcile on a daily and shift basis (where applicable).
8. Notify the Approving Authority and immediate supervisor (if other than the Approving Authority), if all or part of the fund is missing and theft is suspected. After the Department Director is informed and if no action is taken by the department, notify the Finance Department.
9. Prepare a document outlining the facts and circumstances of the loss of all or part of the fund.
10. Ensure the Petty Cash Fund is not commingled with any other funds.
11. Ensure expenditures are properly documented and approved by the Approving Authority.
12. Post all petty cash transactions into SAP by the close of the business day when petty cash is used.
13. Prepare the Petty Cash Journal Report and submit to the Finance Department Collections Section for the replenishment of petty cash funds on at least a monthly basis.
14. Petty cash should also be reconciled and replenished at year-end to reflect expenditures in the appropriate accounting period.
15. Ensure checks are not cashed from petty cash funds.

F. Approving Authority

1. Ensure all petty cash transactions meet the requirements as set forth in this policy.
2. Verify that all items purchased with petty cash funds were actually received and used by the department.

3. Verify there are no unusual transactions such as frequent purchases of the same item or frequent purchases from the same vendor. Unusual transactions should be brought to the attention of the supervisor.
4. Authorize, by signature, all Petty Cash Advance forms. This includes verifying that the appropriate accounting coding has been documented.
5. Ensure Petty Cash funds are not used for the purchase of alcohol or other improper items.
6. Purchases of food should be approved by the Departmental Director and restricted to official City business.
7. Disallow purchases greater than $100.00 based on the total of the purchase receipt.
8. Ensure purchases are not split; do not break up purchases into smaller multiple purchases to avoid the maximum $100.00 limit.
9. Check to see if the item(s) to be purchased can be bought on a City contract. If so, deny the use of Petty Cash funds and direct the individual to use the standard procurement process.
10. Determine if the item(s) to be purchased can be bought using a procurement card. If so, deny the use of Petty Cash funds and direct the individual to use an authorized departmental procurement card.
11. Restrict the use of Petty Cash funds to official City business only. Petty Cash funds can never be used for non-City business, cashing of checks, or personal loans.
12. Ensure the purchase price of an item does not include sales tax. Refunds of sales tax will not be provided if it is included in the purchase price. Exceptions for reimbursement of sales tax are required to be approved by the Departmental Director or Assistant Director for extraordinary circumstances. Contact the Departmental Petty Cash Custodian to obtain the Sales Tax Exemption Form and number.
13. Notify the Department Director if all or part of the petty cash fund is missing and theft is suspected. If no action is taken, notify the Finance Department.

G. Office of Municipal Integrity

1. Investigate the loss of funds as directed by the City Manager's Office
2. Provide written reports of internal investigations to the Finance Department.

H. Employee/Purchaser

1. Complete a Petty Cash Advance Form indicating the amount of money granted from the Petty Cash Fund and the goods/services to be purchased.
2. Prior to purchase, obtain a Sales Tax Exemption Form from the Petty Cash Custodian and provide to the vendor upon purchase.
3. Obtain receipts for all related purchases and provide them to the Petty Cash Custodian (receipts should not include sales tax).

4. Submit receipts of purchases by the end of the employee's next working day to the Petty Cash Custodian.

VI. CONTROLS:

A. Background Checks

Employees administering petty cash will be subject to a background check Pursuant to A.D. 8.2 Criminal History Background Check for Cash Handling Positions. Interval background checks will be conducted on an on-going basis for those employees in cash handling positions, with timing determined by an assigned risk factor for the position.

B. Establishment/Increase of the Petty Cash Fund

1. Establishment of a petty cash fund or changes to an existing petty cash fund should be requested by the Department Director through an interoffice memorandum to the Finance Director. The request should include the following:
   a. Name of the department that will assume responsibility for the expenditures
   b. Amount of request
   c. Purpose, including justification, of the fund or increase to an existing fund
   d. Name of the custodian (also include name of alternate custodian, if relevant) who will be responsible for safeguarding and dispensing fund cash
   e. Name of the Approving Authority who will pre-approve petty cash expenditures (this person must not be the custodian, except in special circumstances acknowledged by the Finance Department)
   f. The physical address where the fund will be kept
   g. Security procedures to safeguard the cash
   h. Anticipated frequency of reimbursement
2. If approved, the Finance Department will process the request and authorize a check to be prepared in the name of the designated Petty Cash Custodian. In some cases, cash will be provided to the custodian versus a check. The custodian will have to sign a receipt for the funds in the case of either check or cash received.

C. Use of the Petty Cash Fund

1. All expenditures advanced or reimbursed with petty cash funds are to be approved by the Approving Authority. An original receipt to verify the purchase and payment must support expenditures from the fund. In the event a receipt has been lost, only the Department Director or his/her designee can approve the reimbursement. The Director shall detail in a memorandum to the Finance Director why the receipt is unavailable.
2. The Approving Authority should be separate and apart from the Petty Cash Custodian. No individual may approve his/her own transaction(s), including the Approving Authority.

3. Where this preventive control is not feasible, mitigating controls must be implemented (i.e. those controls that do not prevent fraud or identify human error prospectively, but controls that identify irregularities after-the-fact). Departments should ask for assistance from Finance when establishing mitigating controls.
4. At the time the expenditure or reimbursement is made, an original sales slip or other proof of the purchase, such as an original cash register receipt must identify the following:
   a. Date
   b. Name of Vendor
   c. Amount paid
   d. A description of the goods purchased (entered by the vendor if a handwritten receipt is obtained or by the purchaser if a cash register tape is issued) and the purpose for the purchase
   e. Signature of purchaser (employee)
   f. Accounting Code(s)
5. Employees may receive an advance of petty cash to make a purchase. A Petty Cash Advance (PCA) Form must be used to evidence the funds that were advanced to the employee containing the following: (see Attachment A)
   a. Date of advancement
   b. Name, signature and date of the employee requesting the advance
   c. Petty Cash Custodian's signature and date
   d. Approving Authority's signature and date documenting approval of the expenditure
   e. A description of each item to be purchased and the purpose for the purchase
   f. The reason for the request
   g. Amount advanced to the employee
   h. General Ledger coding (i.e. department, division, cost center, internal order)
6. Petty Cash advances shall not be made as personal loans.
7. The Petty Cash Custodian will contact the employee if the outstanding receipt and any monies due to the City are not submitted by the end of the employee's next work day. This fact should be documented and the Department Director notified immediately. Such report shall also be forwarded to the Finance Department for immediate resolution.

D. SAP Transactions

1. The City uses the SAP system to manage petty cash transactions. This provides the respective department and the Finance Department the data to systematically track all transactions for auditing purposes.

2. The Petty Cash Custodian is required to post all transactions into SAP, enter the amount of reimbursement into the Department's SAP Cash Journal and run the clearing transaction to match the amount(s) spent to the amount reimbursed upon receipt of funds from Finance Department.
3. Those departments that do not have access to SAP are also responsible for following all guidelines of this policy.

E. Replenishing of Petty Cash Funds

1. City petty cash funds may be reimbursed as frequently as required and must be replenished at month-end and fiscal year-end, charging expenditures to the proper accounting period.
2. The Petty Cash Custodian must prepare a Petty Cash Journal Report. All original supporting documentation (i.e. sales slips, cash register receipts) must be attached to the Petty Cash Journal Report when submitted to the Finance Department for reimbursement.
3. Following approval, cash will be provided to the Petty Cash Custodian. In some cases, a check will be issued to the Petty Cash Custodian versus cash. The Petty Cash Custodian will have to sign a receipt for the funds in the case of either check or cash received.

F. Cash Overage/Shortage Issues

1. If a department encounters an unexplained overage when balancing the petty cash fund, this overage amount should be deposited by the end of the next business day and monies credited to the proper general ledger account.
2. If a department experiences a shortage when balancing the petty cash fund, this amount should be included with the remittance voucher for reimbursement, along with an explanation stating the reasons for the shortage. The department should charge the shortage to the proper general ledger account.
3. The Petty Cash Custodian will be regularly monitored by their supervisor for overages and shortages and the appropriate disciplinary measures should be administered as determined by the Department Director, in conjunction with the Department of Human Resources acting in an oversight capacity. Statistics/records shall be maintained of all overages/shortages for each Petty Cash Custodian.
4. At any given time, cash on hand plus receipt documents and Petty Cash Advance Forms must equal the authorized amount of the fund. It is the responsibility of the Petty Cash Custodian to maintain a current record of the fund's financial status (manually or electronically). The following is an example of such a record:

Date	Description	Purchased	Reimbursed	Balance
08/02/06	Beginning Balance			$100.00
08/10/06	Name of Vendor	$10.00		$ 90.00

08/15/06	Name of Vendor	$25.00	$ 65.00
08/17/06	Name of Employee	$11.25	$ 53.75
08/25/06	Name of Vendor	$21.18	$ 32.57
08/30/06	Reimbursement	$67.43	$100.00

G. Safeguarding Petty Cash Funds

1. Petty cash funds and related supporting documentation (receipts, Petty Cash Advance forms and Sales Tax Exemption Forms) must be kept in a safe location at all times (i.e. locked up in a safe, vault, or desk drawer) and must not be commingled with any other funds.
2. There should be limited access to petty cash funds.
3. These funds should be verified and reconciled on at least a weekly basis. Departments that routinely use petty cash should verify and reconcile on a daily and shift basis (where applicable). The Finance Department must be notified immediately if the fund is missing and theft is suspected. The Finance Department will in turn contact the San Antonio Police Department depending on the amount of money involved and the need for investigative or law enforcement follow-up. The Petty Cash Custodian must prepare a document outlining the facts and circumstances of the loss. All suspected thefts are to be treated confidentially while under investigation.

H. Audits/Reviews

1. Petty cash funds are subject to unannounced audits/reviews/investigations at random times throughout the year by the City Auditor, Municipal Integrity, or the Finance Department. The responsible department is required to authorize individuals to perform internal counts and unannounced audits. Persons declaring themselves as authorized to conduct an audit/review must be identified before funds or records are relinquished.
2. The Petty Cash Custodian should remain with the auditors/reviewers at all times to observe the counting of funds and examination of records. Each Petty Cash Custodian will be requested by letter to confirm the amount for the fund in his/her possession. Each department will be responsible for ensuring the fund is intact and properly accounted for at all times.

I. Change of Custodian

1. The Department Director will submit a "*Cash Handling Database Change Form*" to the Finance Director when a new employee is to be assigned as a Petty Cash Custodian of an existing petty cash fund on a temporary or permanent basis. The present Petty Cash Custodian must ensure the fund is replenished or at the appropriate balance before the fund is turned over to a new custodian. The Petty Cash Custodian's immediate supervisor will perform an audit/review before the fund is released to the new Petty Cash Custodian.

2. Unauthorized transfer of custody between employees is not permitted and may result in the cancellation of the petty cash fund.

J. Closeout of the Petty Cash Fund

When the fund is no longer needed, the following procedures must be followed by the Petty Cash Custodian:

1. Notify the Finance Director in writing.
2. Prepare the Petty Cash Journal Report for all remaining receipts and submit to the Finance Department.
3. Deposit or return the entire amount of the petty cash fund using the normal deposit process to the Finance Department, ensuring that this amount is identified as a petty cash closeout.

K. Disciplinary Action

1. Civilian Employees:

   Failure to comply with this Administrative Directive may result in disciplinary action in accordance with the Municipal Civil Service Rules of the City of San Antonio, Rule XVII, Section 2. Discipline will be evaluated and based upon the number of violations and severity of the incident. The Human Resources Department must be consulted by a department when assessing the appropriate level of disciplinary action.

2. Uniformed Employees:

   Failure to comply with this Administrative Directive may result in disciplinary action in accordance with Collective Bargaining Agreements between the City and uniformed personnel. Internal procedures adopted for uniformed personnel of the Police and Fire Departments must conform to the provisions of this Directive

3. Individuals engaged in fraud (i.e. theft) will be subject to immediate dismissal.

Effective Date: March 1, 2007
Revision Date(s):

This directive supersedes all previous correspondence on this subject. Information and/or clarification may be obtained by contacting the Finance Department at 207-8634.

Ben Gorzell, Jr. CPA
Director, Finance Department

1/23/07
Date

Approved by:

Pat DiGiovanni
Deputy City Manager

1/23/07
Date

Approved by:

Sheryl L. Sculley
City Manager

1-24-07
Date

CITY OF SAN ANTONIO

PETTY CASH ADVANCE FORM

Department:	Division:
Cost Center No.:	General Ledger Account:
Name of Employee:	Internal Order:
Amount of Advance: $	Date of Advancement:

Description of Items to be Purchased:

Reason for Request:

I certify that I am requesting this advance of Petty Cash funds for the purpose of making an authorized purchase. I understand that I am required to submit proper receipts by the end of my next working day. Failure to do so is grounds for disciplinary action up to and including a suspension or termination of employment

Signature of Employee:	Date:

I certify that I am making this advance of Petty Cash for the purpose set forth above and that I am not aware of any other purpose for which this request is being made. I understand that making an advance of Petty Cash for an unauthorized purpose is grounds for disciplinary action up to and including a suspension or termination of employment.

Signature of Petty Cash Custodian:	Date:
Signature of Approving Authority:	Date:

PETTY CASH ADVANCE FORM

Instructions

Department/Division of Employee Requesting Petty Cash Advance:
Provide name of Department and if necessary the name of the Division of the employee requesting the petty cash advance.

Cost Center Number:
The departmental fund number in which the request is being charged.

General Ledger Account Number:
Indicate the general ledger account number.

Requesting Employee's Name:
Print the full name of employee requesting the petty cash advance.

Internal Order Number:
Indicate the internal order number.

Amount of Advance:
Indicate the dollar amount of the petty cash request.

Date of Advance:
Date the request is made to the Petty Cash Custodian/Approving Authority.

Description of Items to be Purchased:
In accordance with A.D. 8.5 Petty Cash Policy, all items are to be identified for purchase.

Reason for Request:
Provide a brief description for the reason. Attach additional sheets if necessary.

Signatures
Request will not be considered if not signed and dated by the requesting employee, and Petty Cash Custodian.

Departmental Approving Authority will review the request for approval. A copy of this form will be maintained within the department for processing and filing.

Any questions concerning the completion of this form should be directed to the Finance Department at 207-8634.

CITY OF SAN ANTONIO

EMPLOYEE ACKNOWLEDGMENT FORM
FOR

ADMINISTRATIVE DIRECTIVE 8.5
Petty Cash

Employee:

I acknowledge that on _____, 20____, I received a copy of Administrative Directive 8.5, Petty Cash. I understand if I should have any questions I should contact my Human Resources Generalist.

_____	_____
Employee Name (Print)	Department
_____	_____
Employee Signature	SAP ID #