

Town of Apex, North Carolina

Petty Cash Fund and Cash Change Fund

Operating Procedures

The Town Council by Ordinance, dated January 9, 2024, authorized the Petty Cash Fund and certain Cash Change Funds and established procedures related to the use of those funds.

This statement is subject to and consistent with the Town Council established procedures. It provides guidance relating to purchasing items and receiving reimbursement for such purchases from the Petty Cash Fund and direction relating to the use of Cash Change Funds for providing change to citizens and customers paying for taxes and services. This procedure describes the authorized use of and restrictions on use of the Petty Cash Fund and any Cash Change Funds.

Cash Change Funds

Cash Change Funds are authorized only for the purpose of providing change to citizens and customers when they are paying for taxes or services and specifically are not authorized for use by the Town to reimburse employees for small dollar purchases or for personal check cashing and loans to employees.

The Cash Change Funds must be counted and balanced daily.

Petty Cash Fund

All money in the Petty Cash Fund must always be kept separate from all other cash receipts and from all Cash Change Funds. **The Official Custodian can designate Petty Cash Fund custodians within the departments of the Town.** The Petty Cash Fund must be in the control of the custodian who is responsible for the cash. Only the custodian should be allowed access to the fund. The cash must be safeguarded and kept in the custodian's locked drawer, file cabinet, or other secure area.

Allowable Transactions

Allowable transactions from the Petty Cash Fund are those reimbursing employees for small dollar purchases for which the goods were received at the time of purchase. No single Petty Cash Fund transaction should exceed \$100.00. Reimbursement exceeding \$100.00 must be made through the Town's Accounts Payable system.

The following transactions are **not allowed** to be processed from the Petty Cash Fund:

- Items covered by Town purchasing contracts and procedures;
- Personal check cashing and loans;
- Entertainment;
- Travel reimbursements (meals, lodging, taxi, airfare);
- Per diem and fees and other service payments, gifts, awards, prizes which must be made through Accounts Payable to facilitate Form W-2 or Form 1099 reporting of taxable income;
- Memberships;

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- Food, beverages, catering; and
- Any items that are unallowable through the Town's Operating Procedure are also not allowed to be purchased using the Petty Cash Fund.

It is the duty of the custodian to verify that each disbursement is appropriate and is an allowable expense. Request for the custodian to disburse amounts from the Petty Cash Fund must proceed according to the following guidelines. All requests for reimbursement must include original receipts; copies are not adequate. Receipts must include complete documentation including the vendor name, date of purchase, item purchased, business purpose, and total amount requested. Receipts should be signed by the individual reimbursed to indicate receipt of the reimbursement.

Reconciling, Replenishing, and Managing the Petty Cash Fund

The Petty Cash Fund is to be reconciled and reimbursed monthly (unless established for seasonal usage only). The expenditures logged are totaled and the cash on hand is also recorded. **The total expenditures and cash on hand should always equal the total authorized Petty Cash Fund amount.** If there is an overage or shortage, the overage or shortage amount must be properly recorded. Any shortage should be included in the amount replenished and reported to the Finance Officer. Any overage should be deposited in the Town's General Fund bank account and may not be used to increase the size of the Petty Cash Fund. Frequent overages or shortages indicate that the Petty Cash Fund is not properly managed and should be investigated by the Finance Officer.

The Finance Officer or a Deputy Finance Officer should review and sign the Petty Cash Reimbursement Request. After reviewing all expenditures and account coding, a Payment Request is then approved with the payee as the named Petty Cash Fund custodian with "Petty Cash Reimbursement" as the description. A separate account should be used for payments to the custodian so that the payments may not be identified as payments that may be reportable of Form 1099 or included as compensation. The Payment Request is sent to Accounts Payable for processing a check.

If the Petty Cash Fund requires replenishing more frequently than monthly, the Finance Officer should review the activity to determine if there are payments that should have been made through Accounts Payable. The Finance Officer should also review transactions to identify opportunities to consolidate purchases to achieve cost savings or to discover other possible operating efficiencies. If the fund is reimbursed less frequently than quarterly, the Finance Officer should consider the need for the fund or reducing the size of the fund. Repeated violations of petty cash procedures can result in termination of the fund.

Approved: **January 9, 2024**