



Meeting Date:	March 27, 2023
Submitter:	Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer
Department:	Treasurer's Office
Agenda Item:	Elimination of petty cash and requiring itemized receipts for all expense reimbursements

Summary:

With the City Council's approval, the City is proposing to eliminate all petty cash funds that are currently in the following departments: Treasurer's office, Mayor's office, City Administrator's office, Clerk's office, Police department and the Public Work's department effective April 30, 2023. The Community and Economic Development department has already surrendered its petty cash.

The elimination of the petty cash funds was discussed at a Department Head meeting a few months ago. The City Administrator and Department Heads are aware that this topic would be presented to Council for consideration.

Petty cash is an antiquated practice and unfortunately invites more risks than benefits. Petty cash transactions are not tracked as expenses on the City's financial statements and therefore, this makes it difficult to determine where funds are being spent. Petty cash reimbursements also decrease the City's visibility over where these expenses are incurring.

The use of petty cash funds is a practice that was used in the past when paper cash was preferred over card transactions. The City has many accounts with vendors it routinely purchases from, like Menards and Red Wing Shoes. Purchases that are frequently made, by employees for City purposes, at these various vendors, are directly billed to the City. The City purchases its office supplies online and has a machine at City Hall that supplies postage stamps.

Currently, petty cash is used to reimburse employees for purchases the employees have already made. Most of the reimbursements from the petty cash funds are for overtime meals already paid for by the employee, and the employee is submitting a receipt to be reimbursed from the respective department's petty cash fund.

Overtime meals will be reimbursed at \$8 per meal. The employee will be required to submit a receipt for all overtime meals when he/she is completing a payroll timesheet. Each department will be responsible for maintaining supporting documentation for all overtime meals requested and paid for by the City.

The City does have a credit card in the City's name. In the rare situation there is a need for an emergency purchase on the City's behalf, an employee would request authorization to use the City's credit card for the identified emergency purchase.

Any credit card purchase made on the City's behalf will require a Department Head's approval prior to the purchase being made. Exclusions to obtaining approval prior to using the City's credit card include, but are not limited to, any recurring charges the City has for purchased services. Current examples of recurring credit card charges are for the payment of the City's Comcast services in addition to paying for dog food for the City's Police canine.

Beginning May 1, 2023, all employee reimbursements (with the exception of overtime meals) will be submitted on an employee expense reimbursement form. This form must include the appropriate receipts and documentation and must be signed by the employee's supervisor and the respective Department Head. The expense reimbursement request will be processed through the City's financial software system. This will provide visibility related to what the expense reimbursement is for and will also ensure that the appropriate approvals have occurred prior to the reimbursement.

Currently the City's employee handbook states that the City will *not* reimburse an employee for

- Alcoholic beverages
- Entertainment
- Early check-in or late check-out charges, unless appropriate circumstance exists and are pre-approved by the Department Head
- Parking tickets or traffic tickets
- Pay per view movies
- Expenses incurred by a spouse, dependents and/or additional guests
- Any non-work-related charges

The employee handbook states that an employee must itemize expenses required on the travel and expense report. As there are exclusions to what the City will reimburse an employee for, commencing on May 1, 2023, all employees must include an itemized receipt of what was purchased in order to be reimbursed. The City will no longer accept receipts that have summary totals from vendors without having the itemized receipt detailing what was purchased, and what the employee is requesting to be reimbursed for. An example of this would be to provide an itemized receipt related to a request for reimbursement for a purchase from a restaurant. The itemized receipt would ensure the City is not reimbursing an employee for anything that is prohibited from being reimbursed as stated in the City's employee handbook.

An employee who is submitting for reimbursement related to travel must provide support for the mileage that is requesting to be reimbursed. An example would be a starting destination and ending destination and the mileage calculated for this trip. There are online platforms that would

calculate the total mileage requested for reimbursement that would be used for support for the mileage reimbursement request. The City will reimburse the employee at the current standard mileage rate that is issued by the Internal Revenue Service.

If an employee is requesting reimbursement for tollway expenses, support must be provided. An example would be to include transaction history from an IPASS transponder account. Account information may be redacted from the reimbursement request. If an employee is requesting reimbursement for gas purchased related to City business, the respective receipt for the gas purchase must be included with the request for reimbursement the employee is submitting.

Recommended Council Action:

- Approval to eliminate all petty cash funds
- Require that employees use the employee expense reimbursement process to be reimbursed for any expenses incurred on behalf of the City (excluding overtime meals)
- Require itemized receipts for all employee reimbursement requests

Financial Impact:

Funding Source: N/A

Budgeted Amount: N/A

Cost: N/A

Attachments: Fillable Employee Expense Reimbursement form