

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

No./Title: F525 – PETTY CASH	Resp. Office: FINANCE	Effective Date: 07/01/2016
Category: Compliance	Last Review: 10/01/2019	Next Review: 10/01/2021
Contact: Byron Porter, Bursar	☎ 901-448-4848	bporter3@uthsc.edu
Forms: PETTY CASH EXPENSE (FORM T-4) PETTY CASH REIMBURSEMENT REQUEST FORM (T-44) PETTY CASH SECURITY REVIEW FORM (ATTACHMENT B)		
Related Policies: FI0525 - Petty Cash FI0131 - Cash Shortages and Property Losses		

PURPOSE

To provide guidance on establishing, maintaining, and reimbursing petty cash funds.

BACKGROUND

University Fiscal Policy **FI0525 - Petty Cash** sets forth in detail the procedures and guidelines to be followed with respect to petty cash and should be utilized as the official reference with the exception of the items noted herein as specific to the Health Science Center (HSC).

At the HSC, the preferred mechanism for acquisition of minor items is through the University Procurement Card; however, the Bursar's Office maintains petty cash funds for expediting frequent cash purchases of minor items (small office supplies, emergency items, etc.) and to provide for immediate payment or advance payment for specifically approved items. (See UT Fiscal Policy **FI0530 - Procurement Cards**.)

While the use of a University Procurement Card should significantly reduce the need for departmental petty cash funds, the Bursar's Office may advance a department funds to establish a "departmental petty cash fund" with appropriate justification and approvals. The procedures and requirements set forth herein and in Fiscal Policy FI0530 apply both to the petty cash funds maintained by the Bursar's Office and Departmental Petty Cash Funds.

At the HSC, administrative oversight responsibility for all petty cash funds is assigned to the Bursar.

PROCEDURE

Requesting a Petty Cash Fund

1. Departments whose operations require frequent cash purchases of minor items may request a petty cash fund. A written request for establishing a petty cash fund must be sent to Finance and

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

Operations and provide justification for establishing the fund, a general description of the items to be purchased, the amount requested, the department, and the individual who will serve as custodian of the fund. The T-2 Form can be used to provide this information.

Petty Cash Bank Accounts

- When the size of the fund warrants, a petty cash bank account may be established with the treasurer's approval. The bank account must be designated as "The University of Tennessee _____ Department Petty Cash Account." Additional requirements are as follows:
 - All checks must be pre-numbered.
 - Bank statements should be reconciled monthly.
 - Voided checks should be maintained on file, voided in ink, with the signature space torn off.
 - Blank checks should be properly safeguarded.
 - Checks should not be written to "cash," "currency," or "bearer."

Increases or Decreases in Petty Cash Fund

- If the amount of a petty cash fund becomes insufficient to meet departmental needs, an increase may be granted provided documented evidence warrants the increase. A request to increase the amount must follow the same guidelines as in requesting a petty cash fund. The Chief Financial Officer may decrease the amount if it is determined to be excessive.

Responsibility for Petty Cash Fund

- The department head is ultimately accountable for the fiscal and physical control of the petty cash fund.

Custody of Petty Cash Fund

- The department head may serve as custodian of the petty cash fund or may designate another employee to act in this capacity. The petty cash custodian is responsible for all activities involving the fund, including safekeeping of the fund, obtaining proper documentation for expenditures, and preparing requests for reimbursement.

The Bursar's Office must be notified in writing when a different person assumes the position of department head or petty cash custodian. This notification must provide the name of the previous department head or custodian, the amount of the fund, the name and title of the new department head or custodian, and be signed both by the individual explaining the change and the new department head or custodian.

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

Safekeeping Facilities

- Facilities must be available to secure the cash on hand and expenditure receipts. The size of the fund will determine the type of safekeeping facilities needed.
- Any petty cash shortages need to be reported in accordance with Fiscal Policy **FI0131 - Cash Shortages and Property Losses**.

Separation of Petty Cash

- Petty cash funds must be kept separate from all other funds such as those for coffee or postage.

Reconcilement of Petty Cash Fund

- Petty cash funds should be reconciled frequently to ensure that the cash on hand and expenditure receipts equal the amount of the petty cash fund. In addition, the fund must be reconciled at the end of each fiscal year. Departments will receive reconcilement forms and instructions at each year end. Petty cash funds are subject to audit by university and state auditors.
- In addition, the Bursar's Office is responsible for reconciling the petty cash account issued to the department with the amounts recorded in the accounting system. They are also responsible for verifying the amounts annually with the departments and obtaining reconciliation forms for each petty cash account. **This is accomplished by:**
 - Comparing the total in the accounting system for petty cash on hand (fund A17xxx and G/L code 101000) with the amount listed on the subsidiary report "Petty Cash Custodians" that is maintained in the Bursar's Office. Any differences should be reviewed in detail and resolved. This reconciliation should occur for balances at June 30 each year and documentation of this reconciliation should be retained for six years.
 - The Bursar's Office will also send a Report of Petty Cash Fund (See Forms Section of this Policy) to each petty cash custodian requiring them to reconcile their petty cash account as of June 30. This report and copies of any June bank statements must be returned to the Bursar's Office. A failure to provide these documents in a timely manner may result in the account being cancelled. The Bursar's Office is responsible for retaining these returned documents for six years.
 - Petty cash funds are subject to audit by university and state auditors.

Type of Purchases

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

11. Petty cash funds should be used for emergency and miscellaneous purchases of supplies and materials from sources outside the university. These funds should **not** be used for purchases from central supply stores, university bookstores, or any other university department. Purchases from sources within the university are charged to departments by internal transfer. Additionally, payment to individuals for personal services should not be handled through petty cash. A T-27 form or invoice from the individual should be processed for these type payments in accordance with **FISCAL POLICY FI0515**.

Amount of Purchases

12. Petty cash purchases may be made up to \$9,999.99 for a single-item purchase provided sensitive minor equipment is not purchased. Sensitive minor equipment may not be purchased with petty cash funds. This amount corresponds to the limits in **FISCAL POLICY 410**. Purchases of \$10,000 or greater are generally required to be procured in a competitive manner and in accordance with **FISCAL POLICY FI0405 - Procurement**.

Sales Tax Requirements

13. When payment is made by a petty cash check, sales tax should not be paid. As a state institution, the university is exempt from paying Tennessee sales tax. Vendors should be advised of the university's exempt status and asked to omit sales tax charges from all purchases billed to the university. A sales and service tax exemption certificate should be given to vendors when such purchases are made. This certificate is listed in the Tax section of the [UT Controller's Office](#) website.
14. When petty cash purchases are made with cash, vendors may add sales tax to the purchase price. This tax can be included when requesting reimbursement for expenditures and replenishing the petty cash fund.

Restrictions

15. Petty cash funds cannot be used for check cashing, loans or salary advances to employees, or for personal purchases. However, [campus or unit business offices](#) are exempt from the restriction on check cashing.

Required Receipts

16. One of the following types of receipts is required to support petty cash purchases. In order of preference, these receipts are (1) vendor's invoice, (2) detailed cash register or other vendor receipt, (3) undetailed cash register or other vendor receipt accompanied by completed **PETTY CASH EXPENSE (FORM T-4)** without vendor's signature, and (4) completed **FORM T-4** with vendor's signature. **FORM T-4** may be completed online.

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

Note: Employees should first attempt to obtain either a vendor's invoice or receipt before submitting only the FORM T-4 to support these purchases. Also, employees should take FORM T-4s when making purchases in case invoices or receipts are unavailable.

1. Vendor's invoice (see **SAMPLE INVOICE**) must be dated and include
 - Proof of payment
 - Stamped "paid" with an official vendor's stamp, or
 - Marked "paid" and signed or initialed by the vendor, or
 - Processed through the vendor's cash register to indicate a "cash sale"
 - Complete list and description of materials purchased or services provided
 - Cost center/WBS element to be charged and general ledger (G/L) account for expenditures
2. Detailed cash register or other vendor receipt must be dated and include:
 - Itemized description and price of each item purchased
 - Vendor's name imprinted on receipt
 - Department name, cost center/WBS element, and G/L account
3. Undetailed cash register or other vendor receipt, with date and vendor's imprint, which also requires a completed **PETTY CASH EXPENSE FORM (T-4)** without vendor's signature.
4. **PETTY CASH EXPENSE FORM (T-4)** alone which must include:
 - Vendor's name
 - Signature of vendor or payee
 - Date of purchase
 - General description and price of each item purchased
 - Total amount of the purchase
 - Cost center/WBS element and G/L account to be charged

Note: All invoices and cash register receipts must be originals. Scanned receipts submitted through the accounting system are considered originals. Receipts that appear to be altered will not be accepted or processed.

Requesting Reimbursement

17. To improve efficiencies, record retention, and to reduce costs, departments and campuses are highly encouraged to process petty cash reimbursements directly in the accounting system. Consult with your campus/unit business office to determine if they allow reimbursements in this manner.

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

To process a reimbursement request in the accounting system, the departmental custodian or other responsible party should enter all required petty cash items in the accounting system via the transaction ZAP_MISC_REIMB. A line item must be entered for each receipt that is being reimbursed. All receipts must be scanned in the order they are entered in the document and attached to the document as one entry. The itemized receipts must contain all of the information described above.

The following vendor numbers must be used depending on the type of reimbursement:

- To replenish petty cash accounts, a vendor number beginning with a “1” must be used. The payee is normally the petty cash custodian.
- To reimburse an employee or non-employee for a purchase made with personal funds, a vendor number beginning with a “4” must be used.
- If there is not a “4” vendor number, the vendor “travel” should be used. The person’s name and address should then be entered on the pop-up screen.

If campuses do not permit electronic reimbursement, departments need to complete the **Petty Cash Reimbursement Request Form (T-44)**. Each request should be accompanied by itemized receipts as described above.

Approvals for Reimbursement

18. Reimbursement request submitted through the accounting system will be routed electronically to the department head and then to the appropriate business office for processing. For campuses using the T-44, the same approvals are required but they must be obtained on the paper form and then the hard copy must be forwarded to the appropriate business office for review and processing.

Record Retention

19. In accordance with the University’s **Record Retention Policy - FI0120**, departments are required to retain petty cash receipts, T-4s and T-44s for six years. Receipts scanned and processed through the accounting system would be considered originals and paper copies would only be required to be retained for one-year. Campuses who continue to process paper T-44s should ensure that all paper documents are retained for six years.
20. All records associated with petty cash bank accounts are required to be retained for six years. These records include bank statements, canceled checks, check registers, and deposit documents.

Closing a Petty Cash Account

21. The petty cash custodian must approve and sign requests to the Bursar's Office for reimbursement of petty cash expenditures (**FORM T-44**). However, if the custodian is a non-

UT Health Science Center: FI0525-H Petty Cash	
Version 1	Publication Date: 05/26/2022

exempt employee, the department head (or another individual authorized to approve departmental expenditures) must approve and sign the request.

22. After the deposit is processed, a copy of the deposit document and a memo requesting the account to be closed must be sent to the Bursar's Office.