



City of Laredo

ACCOUNTS PAYABLE DIVISION

P.O. Box 210 Laredo, Texas 78042 (956) 791-732



RECEIVED

JAN 24 2011

City Manager's Office

INTEROFFICE MEMORANDUM

To: Carlos Villarreal - City Manager
From: Jorge Jolly - Accounts Payable Supervisor *[Signature]*
Thru: Rosario Cabello - Finance Director *A. C. Cabello*
Subject: Petty Cash Policy Amendment Request
Date: 1/20/2012

Request to amend the City of Laredo's Petty Cash Policy on travel reimbursements less than \$2.00 to be increased to \$ 10.00 under roman numeral VII. Uses of Petty Cash. This change will lessen the amount of checks that are currently printed for travel reimbursements less than \$ 2.00.

Your approval is requested in order to acknowledge the change to the Petty Cash Policy. If you have any questions, please call me at ext.#7328.

Thank you.

Approved: *[Signature]* Not Approved: _____
Date Date

Cc: Cynthia Collazo - Deputy City Manager
Cc: Jesus Olivares - Assistant City Manager
Cc: Horacio De Leon - Assistant City Manager

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

Date Revised: May 7, 2002	Initiated By: Finance Department
Source: Rosario Cabello, Finance Director	Approved By: Larry Dovalina, City Manager

SUBJECT: Accounting for Petty Cash Funds

OBJECTIVE: The objective of this section is to establish policies and procedures to be followed in the accounting and administration of Petty Cash Funds in the City of Laredo.

BACKGROUND: Petty cash funds are established to provide a convenient source of funds for the payment of minor miscellaneous expenses such as small purchases of supplies, small tools, freight, and others. The primary purposes of this fund is to:

- 1) Eliminate the need to issue purchase orders and checks for small amounts.
- 2) Facilitate essential minor disbursements.
- 3) Allow minor disbursement at the departmental level.

POLICY:

Petty cash funds will be accounted for according to the following policies and procedures.

I. Responsibilities

1. The fiscal responsibility for all purchases made by each department lies with the Department Director and Supervisory Personnel. These individuals are authorized to delegate this responsibility and authority to selected personnel to make purchases from petty cash funds.
2. A petty cash custodian is responsible for preparing petty cash vouchers and other paperwork involved in these purchases. Custodians in charge of petty cash are accountable to the Finance Department for the total amount of all funds in their custody.

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

3. A custodian's statement of responsibility will be signed and kept on file with the Finance Department for the amount of each fund in the possession of the custodian. The amounts will be verified at a minimum annually by the department and the Custodian's Statement of Responsibility form will be revised annually by the Accounts Payable Division.

4. Transfer of a petty cash fund from one person to another is not allowed. Petty cash must be returned to Finance when the authorized custodian is no longer responsible. The closing out of petty cash is done by processing a deposit and establishing a new petty cash under a different custodian.

5. When an overage in the petty cash fund occurs, the amount of the overage must be deposited next business day. In the case of a shortage, it must be reported to the immediate supervisor or department director. The petty cash custodian must replenish the amount of the shortage. If continued shortages or material amounts are missing a Police report may be filed were a copy is submitted to the Finance and City Manager's Department. If more than fifty percent of the petty cash is missing, the amount must be reported to the Accounts Payable Division, then the Finance Department will notify the Internal Audit Division.

II. Securing of Petty Cash Funds

All petty cash funds must be kept in a metal box equipped with a lock. The petty cash box will be kept overnight in a vault, safe, or in any secure locked area.

III. Approval

1. The Finance Director must approve the initial set up of Petty Cash funds. Department Directors are required to submit a formal written request in the form of a request for Account Payable Check along with a signed Custodian's Statement of Responsibility. (See Attachments A & B)

2. Upon approval, by the Finance Director, funds will be released to the Petty Cash Custodian.

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

IV. Custodian

1. Petty cash funds are the direct responsibility of the custodian. A Custodian must be the only person who has access to the funds. Each Custodian must complete a Custodian's Statement of Responsibility prior to the receipt of petty cash funds. (Attachment A)
2. Any shortages in the Petty Cash Fund, including unjustified sales tax exempt expenses will be at the liability of the Petty Cash custodian to attain the funds from the person making the actual purchase.

V. Establishment of Petty Cash Funds

The amount of the petty cash funds will be established according to the needs and usage of the Department. Petty cash funds begin with a minimum balance of \$50 and range in amount depending on departmental needs.

VI. Dollar limit of petty cash uses

1. Petty cash will be restricted to a \$35.00 limit per petty cash purchase. The total purchase to one particular vendor should not exceed \$35.00. A petty cash purchase is defined as a use of petty cash for the purpose of buying an item allowable under the purchasing policies.
2. The \$35 limit per vendor will be monitored by the Finance Department. Failure to comply with this procedure will result in a violation of the City's Purchasing Policies and with potential elimination of the Petty Cash Fund.

VII. Uses of Petty Cash

Petty cash is to be strictly used for City business and operations only. Purchases must conform to the purchasing guidelines established by the Purchasing Division and approved by the City Council. Examples of allowable petty cash for purchases under \$35 are as follows:

- Small quantities of supplies needed: i.e. clips, pencils, binders, paper, graphs, post notes, transparencies, copies at supply store, diskettes, staples and other misc. supplies.
- Postage: stamps
- Food items related to: General Public for emergency unforeseen events, trainings, conferences, workshops.
- Minor tools: i.e. hammer, screwdriver, cutters, spatulas, nails & screws, and other minor tools.
- Janitorial Supplies
- Travel reimbursements less than \$ 10.00 (**Amendment 1**)

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

In an effort to minimize unallowable purchases with petty cash funds, below are not approved uses of petty cash funds:

- Loans or advances to employees or custodians
- Cashing of personal checks
- Co-mingling of petty cash funds with other funds such as daily receipts
- Circumventing the established cash disbursement procedures, generally disbursements not in excess of \$35
- Purchasing inventory items with petty cash funds: i.e. fleet maintenance, water, sewer, and transit inventory items
- Travel advances for meals, gasoline and mileage
- Un-reimbursable sales tax without justification on why a tax exempt form was not used.
- Food for staff meetings with employees

VIII. Disbursement of Petty Cash Fund

The disbursement of petty cash requires the following:

Performed by Employee

1. Employee must sign the Petty Cash voucher in order to obtain petty cash funds. (See attachment C)
2. When a purchase is made, an invoice or receipt must be obtained from the vendor. Please note that the City is a tax-exempt organization, therefore no sales tax should be paid. A vendor may request a Tax Exemption Certificate Form that must be completed by the custodian, or person making the purchase. (See Attached Form D). An exception to this item is made where locations do not accept the tax certificate form however, appropriate documentation must be provided, in a form of a memo signed by the Department Supervisor.
3. Cash and invoice(s) must be returned to the custodian. If the purchase amount is greater than the advance, the employee must notify the custodian in order to be reimbursed for additional funds spent. It should be noted that the additional funds reimbursed must be under \$35 dollars for the total invoice receipt.

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

IX. Replenishing and Verification

1. Petty cash funds are required to be verified and must be replenished at least once a month at the end of each month. The custodian will have 7 working days to submit documentation to the Accounts Payable Division.
2. To replenish petty cash funds, the following steps must be followed:

Performed By: Petty Cash Custodian

1. Custodian must prepare a petty cash voucher for every purchase. The voucher must be complete and include the following:
 - a. Date of Transaction
 - b. Dollar amount advance
 - c. Reason for purchase
 - d. The account number to be charged
 - e. Signature of requisite
 - f. Signature of custodian approving the expense.
2. Custodian must match all petty cash vouchers to all supporting documents turned in by employees.
3. Custodian may disburse the cash from the fund for authorized uses after a voucher has been prepared.
4. Custodian must file the petty cash voucher with the remaining funds until the time for reimbursement. Petty cash funds must be replenished monthly at the end of the month regardless of the dollar amount, unless the purchase is less than \$2.00.
5. Custodian must include all original invoices and vouchers for the period to be reimbursed. **Old invoices and vouchers from previous periods will only be accepted**, if a memo is attached explaining the delay.
6. Verify that line item expenses have sufficient funds to cover reimbursements. If there are insufficient funds, it will be the responsibility of the department to transfer amounts and cover the necessary expense.
7. Custodian must prepare a “Petty Cash Reimbursement Report” (See attachment E) and submit it to the Accounts Payable Division. This report is used to replenish the fund, and must be signed by the Custodian and the Department Supervisor. All supporting documentation must be attached to the request.

City of Laredo, Texas
Accounting Procedures Manual – Petty Cash Funds

Performed by the Accounts Payable Division:

1. Accounts Payable Division will receive all petty cash reimbursement reports from the department custodians.
2. Accounts Payable Division will review all vouchers, supporting documents and Reimbursement Report and ascertain that all purchases adhere to the City's Purchasing Policies and Procedures.
3. Accounts Payable Division will verify that the expense accounts have sufficient funds to cover expenses.
4. Accounts Payable Division will reimburse department custodians for all approved reports.

X. Replenishing and Verification

The City's Internal Auditor Division will and have the authority to audit petty cash vouchers and documents periodically and on a random basis.

XI. Cancellation of Petty Cash

The Finance Department Director has the authority to cancel any petty cash fund if material or frequent shortages and violations to the policy occur.