

**CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE**  
**STANDARD ACCOUNTING PROCEDURE (S.A.P.)**

S.A.P. # <b>E-4401 (Rev.8)</b>	Issued: <b>September 11, 1998</b>	Effective: <b>September 14, 1998</b>	Supersedes: <b>E-4401 (Rev.7)</b>
<b>Major Classification:</b>	<b>Cash and Related Bank Accounts</b>		
<b>Subject:</b>	<b>Petty Cash Funds</b>		

**I. PURPOSE**

To provide rules and standard procedures for the creation, safekeeping, operation, and dissolution of Petty Cash Funds.

**II. BACKGROUND**

**A. GENERAL AUTHORIZATION**

The creation of petty cash accounts is permitted by City Council ordinance. The ordinance authorizes advances from the General Fund for the establishment of petty cash funds and it establishes a maximum aggregate amount of such advances outstanding at any one time. The ordinance also prescribes the duties of certain departments relating to petty cash funds.

**B. AMOUNT OF FUNDS**

Since the original petty cash ordinance was passed in 1954, several subsequent ordinances have increased the limit on petty cash funds outstanding. Currently, the limit is **\$400,000** as stated in Bill No. 39 passed by Council on June 6, 1996 and signed by the Mayor on September 10, 1996.

**C. GENERAL DUTIES**

The petty cash ordinance specifically mentions the responsibilities of three departments:

- The **Treasurer's Office** is to advance funds for establishing or supplementing petty cash funds.
- The **Finance Director's Office** is to receive requests for petty cash funds, approve the establishment of these funds and direct the Treasurer's office to advance the funds for the establishment of petty cash funds. Also, the Finance Director's Office is to issue "rules regarding the holding, expenditure of, and accounting for such funds."
- The **City Controller's Office** is to be consulted by the Finance Director's Office regarding the approval of advances and the method of reporting expenditures.

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**III. REVIEW AND SUPERVISION RESPONSIBILITIES**

**A. OFFICE OF THE DIRECTOR OF FINANCE**

**1. Financial Verification Section**

- Record, review, and control transactions and outstanding balances, including petty cash fund reconciliations and suspension of reimbursements.
- Review, verify, and process reimbursement vouchers in accordance with Standard Accounting Procedures.
- Establish and edit vendor numbers and vendor detail as necessary.

**2. Director of Finance**

- Establish and amend the amount of each authorized petty cash fund including, if necessary, the reduction or termination of the fund.
- Promulgate and enforce all operational rules and procedures.
- Provide for a Usage Review, including:
  - ☒ Providing the review technique and the method of recording the review data.
  - ☒ Directing a periodic review of the activity in each fund to determine if the fund is needed and/or adequate for department.
- Review reports of reconciliation shortages.
- Temporarily suspending reimbursements to petty cash custodians due to delinquent fund reconciliations (see VI. C. below) or other problems concerning the fund (e.g. internal control weaknesses mentioned by the City Controller in an audit report).
- Notify the City Controller's Office of any shortages in excess of \$50 identified by a fund reconciliation.

**B. AGENCY HEAD**

- Provide final agency approval of all disbursements and requests for reimbursements.
- Provide adequate supervision to insure the continued integrity and prudent safekeeping of the agency's petty cash fund(s).
- Appoint a custodian who is to be responsible for the physical custody and operation of the agency's fund(s).

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- Submit an Agency Request for Petty Cash Changes (Exhibit A) :
  - when changes in a fund are necessary;
  - when there is a need to purchase materials and/or services which are beyond the limits specified in Allowable Subobject Expenditures and Spending Limits (Exhibit B);
  - immediately upon discovering any discrepancies (shortages or overages) .

**C. CUSTODIAN**

- Operate and maintain physical custody of the fund.
- Comply with all rules and procedures promulgated by the Director of Finance and the agency head.

**IV. ESTABLISHING PETTY CASH ACCOUNTS**

**A. GENERAL RULES**

Petty cash funds may be established or increased only with the written authorization of the Director of Finance. Money to establish or increase petty cash funds must be advanced from the Treasurer's Office as requested by the Office of the Director of Finance and approved by the City Controller. Petty cash funds ***may not*** be established by withholding revenue receipts or by using personal funds.

**B. SPECIFIC PROCEDURES**

**1. Agency Request**

The agency head will submit an Agency Request for Petty Cash Changes (Exhibit A) to the Director of Finance.

**2. Review & Approval by the Office of the Director of Finance**

The Director of Finance will evaluate each request received and approve or reject the application (based on the facts presented) and approve all custodians named by agency heads.

a. Approval of Application

- The Director of Finance will approve the application and prepare a voucher payable to the custodian named.
- The Director of Finance will send a copy of the approved application to the agency head and distribute copies to the Custodian (along with the initial check to establish the fund) the Financial Verification Section, and the City Controller's Office.

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b. Rejection of Application

The Director of Finance will notify the agency head of the disapproval by letter and give the reasons for rejection.

**3. Agency Receipt of Funds**

- The custodian will receive the initial check and start operation of fund by cashing the check and operating with the full amount in the cash box, or depositing the check if a checking account has been authorized.

**C. ESTABLISHING A CHECKING ACCOUNT IF REQUIRED**

The following are examples of the special circumstances which warrant the use of a petty cash checking account:

- if a large petty cash fund is required.
- if adequate security facilities are not available to protect cash.
- if frequent mail order purchases are required.

Fill out the appropriate part of Agency Request for Petty Cash Changes (Exhibit A) for approval if a checking account is needed. Purchases from petty cash checking accounts are subject to the same conditions required for cash purchases. In addition, the following Standard Accounting Procedures apply:

- E- 4511 - Agency Bank Accounts
- E- 4501 - Reconciliation of Bank Accounts (a copy of the Bank Reconciliation must accompany the monthly Petty Cash Fund reconciliation).

NOTE: The City Treasurer must be designated as an alternate signer of the account.

**D. ESTABLISHING SUBSIDIARY PETTY CASH ACCOUNT(S)**

A custodian may need to establish one or more sub-funds when an agency's operations are widespread and efficiency of operations requires such action. A sub-fund may be established without authorization from the Director of Finance only if no new bank accounts are opened.

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**1. Establishing a Sub-Fund Without a New Bank Account**

- The sub-fund is subject to all the requirements of this S.A.P.
- The sub-fund must be replenished from the main fund; reimbursement will only be made to the custodian of the main fund.
- The main custodian will be responsible for preparing a reconciliation for the total authorized amount shown on the application for petty cash fund. In order to complete this reconciliation, the main custodian may need to obtain a reconciliation of each sub-fund from the sub-custodians. *Only the reconciliation of the main fund should be submitted to the Financial Verification Section.*
- The sub-fund ***may not*** establish a checking account. If a checking account is required, follow the steps below.

**2. Establishing a Sub-Fund With a New Bank Account**

If a department wants to split an authorized fund AND open another bank account, then the new bank account must have a separate authorization amount from the Director of Finance and the original authorized amount will be reduced by that same amount. ***Only one bank account is permitted for each authorized fund.*** For example:

*Department X has a single fund with an authorized amount of \$5,000. It wants to set up a second petty cash account by having the custodian of the authorized (original) fund make out a check for \$1,000 to the custodian of the new fund and have the custodian of this new fund open a bank account with that money. The department MUST request that the Director of Finance authorize this new fund for \$1,000 and request that the original fund's authorized amount be reduced by \$1,000 to \$4,000. A new vendor number must be established and a separate fund reconciliation must be submitted for the new \$1,000 fund.*

**V. USE OF PETTY CASH FUNDS**

**A. INTERNAL CONTROL REQUIREMENTS**

**1. Security of Cash Box**

Cash and undeposited or uncashed reimbursement checks must be kept in a metal cash box equipped with a lock so the box is only unlocked when the custodian is making a disbursement or when complying with other parts of this procedure. When not in use, the cash box should be stored in a safe, in a locked compartment of a safe cabinet, or a locked cabinet if neither a safe nor a safe cabinet is available. Under no circumstances may the petty cash box be stored in an unlocked cabinet or desk.

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**2. Exclusiveness of Petty Cash Duties**

The custodian must be independent of cashiers for other funds and handle no other cash receipts.

**3. Commingling of Funds Prohibited**

Under no circumstances may a custodian cash personal checks from a fund. Also, money may not be received to establish, replenish or increase a fund by withholding revenue receipts or special non-revenue receipts or by using personal funds of any employee.

**4. Advances and Loans**

Advances or loans for personal reasons are prohibited. However, money may be advanced to make necessary purchases on Requisition of Petty Cash Purchases (Exhibit H).

**B. DISBURSEMENTS**

**1. Supervisory Approval**

All cash or check payments must bear the prior approval of a supervisory employee. The level of supervision required is determined by the agency head.

**2. Allowable Sub-Object Expenditures, Total Spending Limitations and Travel Reimbursement Limits**

- See Exhibit B for the classes of materials and/or services that are allowable for routine petty cash purchases.
- The petty cash spending limit for each purchase is \$500 as set in a 6/22/92 memo from the Director of Finance. Purchases must not be split in an effort to evade the \$500 limitation.
- Reimbursements to employees for travel expenses previously incurred are allowable out of petty cash up to \$100 within the allowable expenditure classes. If the expenses incurred by an employee exceed \$100, the employee shall not receive any reimbursement through petty cash but shall be reimbursed for the full amount through the submission of an employee reimbursement form. Expenses shall not be divided in an attempt to circumvent the \$100 limit.
- Any use of such funds other than those mentioned above is strictly prohibited unless prior approval is obtained from the Director of Finance by submitting Agency Request for Petty Cash Changes (Exhibit A).

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**3. Immediate Disbursements**

- a. Signed copies of any of the following forms are required for disbursing petty cash funds:
 

Reimbursable Expense Voucher	-----	Form Number 71-73 (Exhibit G)
Reimbursable Expense List	-----	Form Number 71-S-56 (Exhibit F)
Petty Cash Receipt	-----	Form Number 71-51 (Exhibit E)
Petty Cash Requisition	-----	Form Number 71-S-192 (Exhibit H)
  
- b. Before making payment, the custodian must verify that payee has the proper identification and check the document for each of the following:
  - Supervisory approval noted in V. B. 1. above
  - Mathematical accuracy
  - Proper account code(s)
  - A signature and delivery date on any vendor's invoice confirming the materials and/or services were received.
  
- c. Assign a sequential petty cash receipt number to each transaction paid in cash. If paid by check, record the check number on both copies of documents being retained and use the check number as the sequential number. Make a copy of the check.
  
- d. Retain original and file copies of paid documents in a secure place.

**4. Delayed Disbursements**

Mail order or extenuating circumstances often require payment delays. If so, the following is required:

- a. The custodian must be notified in advance so that adequate funds are kept segregated within the fund to cover the purchase when it is received at a later time.
  
- b. If applicable, instruct vendors to include two (2) copies of their invoice which must be available when material is delivered and/or services rendered.
  
- c. Upon receipt of materials and/or services, process documents as described in V. B. 3. above, and disburse funds from segregated funds noted above.

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**C. REIMBURSEMENTS TO CUSTODIAN**

The available cash in a fund must be maintained at a level which is adequate for the daily needs of the agency. Therefore, vouchers to replenish the fund must be submitted as often as is necessary while allowing ten (10) workdays to receive the reimbursement check. Note that reimbursements to the custodian will be suspended if the fund reconciliations are not submitted on a timely basis. (See VI. C. below.)

**1. Steps Required to Complete a Reimbursement Voucher (Exhibit D)**

- Separate the two (2) copies of each paid receipt in the cash box
  - ☒ Original Copy - Sort in Index Code sequence. Total each sub-object within each index code.
  - ☒ File Copy - Keep in order by receipt number (or check number if applicable).
- List required details in receipt number sequence onto Form 71-39A, Petty Cash Transactions (Exhibit D, 2 of 2) from the file copies above. Show a detail line for each sub-object used.
- Enter the detail totals from the original receipt onto Form 71-39, Petty Cash Reimbursement Voucher (Exhibit D, 1 of 2) together with the respective Index Codes.
- Staple original copies of paid receipts to the original copy of Form 71-39A. Custodian and agency head are to sign the Finance and Controller copies of Form 71-39.
- Send the Original Copies of the receipts and Forms 71-39 and 71-39A to:
 

Accounting Bureau  
Financial Verification Section  
Room 1330 MSB
- Staple copy of paid receipts to the department copy of form 71-39 and keep in the cash box until the reimbursement check has been received.



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**2. Steps Required to Complete a Reimbursement Request Through FAMIS**

a. Submission of the Electronic Document

Complete the following steps to submit a Petty Cash Reimbursement voucher through the RIMS process in FAMIS:

- From the FAMIS Main Menu (Screen FAML0000) select F3 for Financial Processing.
- Type “CP” as the DOCUMENT TYPE to process petty cash documents from the department level. Press ENTER.
- Select an ORIGINAL RIMS SHELL by pressing TAB to move your cursor to the left of the RIMS code you want to use. Press F2 to select the desired RIMS code. You will be linked to the RIMS document header screen (FAML4015).
- To copy the RIMS SHELL, press F12 to access the additional functions. Press F3 for the copy command. Enter the New RIMS Code and hit F3 to continue. (**Note:** Copy the original RIMS SHELL every time you process a petty cash entry.)
- Press TAB to move to any fields where information needs to be entered or modified. Required header information data consists of :

- Document Prefix (use default)*
- Appr Type (use default)*
- Input period (defaults to the month and year the shell was created and needs to be changed to the current calendar month and year)*
- Vendor Number (use default)*
- Due Date (today’s date)*
- Document Amount*
- Number of Lines*

- Press F10 to save the header.
  - Press F6 to move to the detail screen. (FAML4255) is the detail screen used with RIMS petty cash vouchers. Required data on this screen consists of:
    - Transaction Description (any 50 characters except the characters ‘ # ’ and ‘ \* ’)*
    - Transaction Amount*
    - Index*
    - Subobject*
- Document Reference* is an optional field for use by the preparer - it is not required.

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- Press F10 to save the detail line.
- Press F5 to go to the next detail line.  
  
(**Note:** Once in the detail screen, you can go to any detail line by typing in the desired line number and pressing ENTER or by pressing F5 to get to the next line and F4 to get to the previous line.)
- Complete all the detail lines, pressing F10 to save the detail for each line.
- Press CLEAR to move back to the document header once all the detail lines are completed.
- Press F7 to view the document summary screen (FAML4760). This screen provides a summary of the detail lines entered for any document. It is also an easy way to locate errors on document detail lines. To correct a line in error (indicated by a ‘Y’ in the far right column under the heading ERR) press TAB to move to the line in question and Press F2 to link to that detail screen.
- Press CLEAR when you have finished reviewing the detail summary to move back to the document header.
- Screen print the document header.
- Press F8 to submit the document for posting or approval.  
  
  - ☒ If the document has errors, a message will appear at the bottom left stating, “DOCUMENT NOT POSTED, EDIT ERRORS FOUND”. Error codes will appear in the POSTING/EDIT ERRORS field. To see an explanation of each error code , Press F11.
  - ☒ If the document does not have errors, a message will appear at the bottom left of the screen stating “APPROVAL PATH FOUND AND SUCCESSFULLY BUILT FOR DOCUMENT PCXX\*\*\*\*\* (this voucher number is generated by FAMIS).
- Press F3 twice to delete the RIMS shell copy that you created to process the petty cash voucher.
- Press CLEAR twice to move back to the main menu screen.

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b. Submission of Supporting Documentation

Once the electronic document has been submitted through FAMIS, documentation must be sent to the Accounting Verification Unit. Two screen prints of the document header screen are required (instead of Form 71-39) along with a screen print of FAMIS screen 4765 (or a copy of Form 71-39-A).

**3. Financial Verification Section Review**

Certification Steps for RIMS and Non-RIMS Petty Cash Reimbursements

a. General Guidelines

Financial Verification will review and verify the reimbursement voucher and supporting detail for accuracy and compliance with Standard Accounting Procedures. If satisfactory, approval will be given for reimbursement to the authorized custodian.

Specific requirements to be verified regarding documentation include:

- If the original invoice is not submitted, certification is required on all documentation (copies, notices, sales orders, remittance advices, past due and final notices) in order to reduce the possibility of duplicate payments. Payments can not be made from vendor statements. Charges brought forward to a current billing can not be paid without attaching the unpaid invoice
- Invoices must be accompanied by a copy of the appropriate check or money order.
- Receipts should be stapled, in order of appearance on Form 71-39A, and attached to prevent possible loss during mailing or handling.
- Receipts for transportation, parking and tolls must be attached to the meeting agenda to substantiate the need for the expense.
- In the absence of a receipt or invoice, a copy of the check or a signed petty cash receipt must be provided to substantiate the amount of the expense and the payment.
- Reimbursement vouchers being processed through Petty Cash (less than \$100.00) require a second employee signature indicating that the employee was reimbursed and replenishment to the Petty Cash Account is justified. If a signature is not available (check was forwarded to a field point), then a copy of the check must be provided with the reference "copy of check attached" in the signature area.

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- If cash is dispensed prior to receiving receipt or invoice, then the individual receiving the monies must sign the Petty Cash receipt and assume responsibility of returning either the receipts or the monies to the Petty Cash Account.

b. Documentation:

The Financial Verification Section is to receive two (2) copies of Reimbursement Vouchers and one (1) copy of the original Petty Cash payment receipts.

Distribution of Documents:

- Original - City Controller
- Finance copy - File

**4. Agency Receipt of Reimbursement Check**

- a. The custodian will compare the check amount to the file copy of the Reimbursement Voucher in the cash box and compare with the check amount. Reconcile any differences.
- b. The custodian will cash the check and return money to the cash box, or deposit in bank if a checking account is in use.

**VI. RECONCILIATION OF FUND**

**A. NECESSITY OF RECONCILIATIONS**

Reconciling the fund on a regular basis is a strong internal control and contributes to the accountability of the custodian for the fund. If fund reconciliations are not prepared and submitted on a timely basis, the custodian can not demonstrate that he/she is properly handling the fund. **Without such assurance, the Office of the Director of Finance can not support the continuing operation of the fund and will suspend reimbursements to the fund until a reasonably up-to-date reconciliation is performed, submitted and reviewed. (See Section VI. C. below)**

**B. FREQUENCY OF RECONCILIATIONS**

The custodian shall perform a reconciliation on a monthly basis to account for the total authorized amount of the fund. The following items should add to the authorized amount:

- receipts not yet submitted for reimbursement (for main fund and any sub-funds)
- vouchers submitted but not yet reimbursed (for main fund and any sub-funds)

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- cash or checks on-hand (for main fund and any sub-funds)
- the balance in any bank account as determined by a bank reconciliation prepared as of the same date as the fund reconciliation (for main fund only -see Section III. D. above)

The reconciliation shall be recorded on Form 71-S-193 Petty Cash Reconciliation (Exhibit C) and submitted to the Financial Verification Section:

**1. At the close of each calendar month**

Retain the Petty Cash Reconciliation Form 71-S-193 (Exhibit C) for each month until the City Controller's annual audit has been completed. If a checking account is in use, attach a copy of the bank reconciliation.

*Note that preparing a bank reconciliation for a checking account (as required by S.A.P. E-4501) is only one part of the fund reconciliation process. Preparing a bank reconciliation does not by itself satisfy the requirement to reconcile the petty cash fund.*

**2. At the close of each fiscal year**

Distribute copies of the June 30th reconciliation (Exhibit C) to each of the following no later than July 20th for funds without bank accounts, no later than August 20th for funds with bank accounts:

- Original - Accounting Bureau, Accounting Verification Division
- Duplicate - City Controller
- Triplicate - File

**C. LATE SUBMISSION OF FUND RECONCILIATIONS**

**1. Suspension of Reimbursements**

As noted above, timely reconciliation of the funds is required. If, at the beginning of a month, the Financial Verification Section has not received a reconciliation through at least the end of the fourth previous month (e.g. as of May 1, the fund has not been reconciled at least through January 31), no further reimbursements will be processed.

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**2. Resumption of Reimbursements**

Reimbursements will be resumed when the fund has been reconciled (and the reconciliation submitted and reviewed) as of the last day of the of the second month prior to the month in which the reconciliation is received by the Financial Verification Section. In the example above, if reimbursements are suspended as of May 1 and the custodian subsequently prepares a reconciliation that is received by Finance in May, the fund would have to be reconciled up to at least March 31. If the reconciliation was not received until June, the fund would have to be reconciled up to at least April 30.

**D. OVERAGES AND SHORTAGES**

The agency head will report any overage or shortage.

**1. Overages**

- a. Less than \$50.00 - Custodian will carry the difference until the final reconciliation for the Fiscal Year.
- b. \$50.00 or more or End of Fiscal Year - Deposit the overage with the Department of Revenue. Then, submit Exhibit A with a copy of the receipt validated by the Department of Revenue.

**2. Shortages**

- a. Agency Head

Submit Agency Request for Petty Cash Changes (Exhibit A). Instructions as to the proper resolution of the shortage will be provided by the Director of Finance after the matter has been investigated.

- b. Director of Finance

- Shortage under \$50.00  
Review the facts and determine if the custodian is responsible for replacing shortage and notify agency head if applicable. If Custodian is not liable, authorize the inclusion of the shortage on the next reimbursement voucher.
- Shortage of \$50.00 or more  
Review and investigate. The Director of Finance and the City Controller will evaluate and determine the Custodian's liability. If it is determined that the Custodian is not liable, authorize the inclusion of the shortage on the next reimbursement voucher.

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<b>Major Classification:</b>	<b>Cash and Related Bank Accounts</b>		
<b>Subject:</b>	<b>Petty Cash Funds</b>		

**VII. CHANGES TO PETTY CASH FUNDS**

**A. INCREASE, DECREASE, OR TERMINATION OF FUND**

**1. Increase**

Agency Head will Submit Exhibit A. As with a request to establish a fund, the Director of Finance will review and evaluate the need for each requested increase.

**2. Decrease**

A reduction may be ordered by the Director of Finance if reduced activity indicates the Fund exceeds current needs. The Director of Finance will notify the Agency Head of the reduction by letter, including instructions for depositing the excess through the Department of Revenue.

**3. Termination**

If necessary, the Director of Finance will order the termination of the fund by notifying the agency head of the reduction by letter. Instructions to close any bank accounts and deposit the Fund total through the Department of Revenue should be included.

**B. CHANGE OF PETTY CASH CUSTODIAN**

- Agency head will fill out Exhibit A and instruct the outgoing custodian to reconcile the Fund in the presence of the replacement.
- Two copies of Exhibit C must be signed by the new custodian acknowledging receipt of the fund as stated. Provide one copy to the outgoing custodian and place the other copy in the petty cash box.
- The Financial Verification Section will adjust the vendor number and/or vendor detail information in FAMIS.

**C. ESTABLISHING A CHECKING ACCOUNT IF REQUIRED**

If an existing fund without a checking account wishes to open one, the procedures in Section IV. C. above must be followed.

**VIII. ACCOUNTING CONTROL REQUIREMENTS**

- Each fund authorized by the Director of Finance will have a unique subsidiary account in the general ledger under account No. 102 - Petty Cash and Change Funds.

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- For each authorized fund, there must be a single, unique vendor established in FAMIS. All vendor numbers for petty cash custodian will have the following format:
  - ☒ The first 8 characters of the vendor number will be P E T T Y C A S
  - ☒ The last two characters of the main vendor number will be the number of the department using the fund (e.g. 01 for City Council, 05 for Mayor's Office , etc.)
  - ☒ The vendor suffix will denote the specific fund within the department. Each authorized fund must have its own vendor suffix. The payee associated with each vendor suffix (i.e. the custodian) must be unique to that vendor suffix and no other. This is necessary to prevent one custodian from handling receipts for more than one fund in compliance with Section V. A. 2. above.
- The above requirements will allow for :
  - ☒ analysis of the activity of each authorized amount described in section III. A. 2. above by simply checking payments to a specific vendor and
  - ☒ linking delinquent fund reconciliations, which will be identified with a single authorized amount, to a specific vendor in cases where reimbursements need to be suspended.