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THE PETTY CASH FUND

This resource contains information on:

- Establishing Petty Cash Policies and Procedures and Administering the Fund
- Sample Petty Cash Summary and Instructions for Completion
- Sample Procedures for Making Purchases and Using Petty Cash Vouchers

Most of the expenses incurred by a child care centre will be paid for through the accounts payable system. Periodically, centre staff may need to purchase small items (e.g., food, program supplies, bus tickets, etc.) that require cash and/or a quick turn around time. To meet these needs, the organization may wish to establish a petty cash fund.

Establishing Petty Cash Policies and Procedures and Administering the Fund

To establish a petty cash fund, the board and staff should determine what their needs are for miscellaneous expenses for a given period of time (e.g., 2 weeks or a month). For example, if it is determined that staff will need approximately \$100 to cover miscellaneous expenses during a given period of time, the petty cash fund will be set at \$100. In addition to assessing the need and amount, the board should also consider how to safeguard the petty cash box.

The Board and staff should establish petty cash policies and procedures which address the following questions:

- How can the petty cash fund be utilized?
- What is the dollar limit for each purchase?
- Who is responsible for administering the fund?
- Who will have access to the funds?
- How will the fund be safeguarded?
- What record keeping procedures are required?

- Will written approval be required before staff make purchases for the centre with their own money **or** can staff access an advance from the fund to make a purchase?
- What will the procedures be for issuing a payment, preparing petty cash vouchers (see sample voucher on page 7), receiving change and requesting a reimbursement cheque?

Sample Policy

Petty cash funds will be distributed to employees who are designated as petty cash custodians. Amounts will be approved by the Board and the motion recorded in the minutes. The Society authorizes staff in the following positions to maintain petty cash funds in the following amounts:

- \$200 for the executive director
- \$100 for the senior child care supervisor (in each program).

Employees who are responsible for petty cash funds (petty cash custodians) will acknowledge in writing that they will abide by the petty cash procedures of the Society.

Sample Procedures

The petty cash funds will be kept by each petty cash custodian in a cash box which will be stored in a locked cabinet. Access to this cabinet is limited to the petty cash custodians.

Petty cash funds will only be utilized for small expenditures which are included in the Society/centre's budget, and for which cash and/or a fast turn around time is required. Approval of the senior child care supervisor will be required before staff make purchases for the centre.

The petty cash custodians will have sole access to the petty cash funds and will be responsible for general fund administration. Specifically, the petty cash custodians will:

- issue payment for purchases and advances
- receive change and receipts when funds are provided in advance of purchases
- ensure petty cash vouchers are completed properly (in ink) and the receipts are attached
- total the receipts, vouchers and funds remaining on a weekly basis to ensure the sum of the petty cash fund equals \$100 (senior child care supervisor) or \$200 (executive director) respectively
- review and reconcile the petty cash summary form, on which all of the purchases are summarized, before a replenishment cheque is issued

- reimburse the fund when necessary (e.g., when there is approximately \$25 remaining) and provide appropriate supporting documentation through the petty cash summary form (see attached sample on page 4). A copy of the petty cash summary form will be filed in the cash box to indicate a reimbursement cheque has been requested. The copy will be removed when the cheque is received
- cancel vouchers and supporting receipts after they are received and recorded to prevent re-use
- ensure that cash receipts are not used to replenish the petty cash fund
- ensure that the petty cash reimbursement cheque is processed and issued according to the policies and procedures established for all bills paid by cheque through the Society's accounts payable system
- ensure that the petty cash funds are not utilized to cash any personal or other cheques, loans or advances
- request immediate assistance from the executive director or bookkeeper if petty cash discrepancies arise.

The bookkeeper will:

- review the petty cash purchases
- confirm all totals recorded on the petty cash summary, including cash on hand
- ensure that all petty cash funds will immediately be reconciled and any remaining money returned to the Society if the petty cash custodian is leaving the position, and/or the child care centre.

Petty Cash Summary

Sample

Notes: Instructions for Completion

- 1) Record the date the summary is prepared and the period that it covers (e.g., Jan 1 - Jan 15, 2004).
- 2) Record the name of the person who prepared the summary and the name of the person who reviewed it. The person who reviewed the summary will normally accept responsibility for the summary by signing it.
- 3) Non-profit societies are eligible for a 50% rebate of GST paid on purchases if:
 - a) they are registered with Canada Customs and Revenue Agency as a charity, **or**
 - b) they receive more than 40% of their revenue from government funding (not including child care subsidies).Those societies applying for the rebate should separate out 50% of the GST paid on purchases. Those societies who do not claim the GST rebate will include the GST in the cost of their purchases. (For a more complete discussion on this topic, refer to the Westcoast Child Care Resource Centre resource titled "Forming a Registered Charity" and "Goods and Services Tax (GST)".
- 4) The petty cash expenses should be sorted by account code to make it easier to enter the information into a computer or manual accounting system.
- 5) Record the actual account number according to your chart of accounts for each program expense category - Program, Food or Office. Purchases that do not fall under Program, Food or Office expense will be recorded under "Other".
- 6) List the petty cash expenses.
- 7) Total each column. The account columns (Office, Food, etc.) added to the GST column will equal the Total column (A). The Total column is equal to the amount paid.
- 8) Count the cash on hand in the cash box and record the amount.
- 9) Add the amount of cash receipts (A) and the amount of cash on hand (8). The total will normally equal the total of the petty cash fund (11).
- 10) Periodically the cash on hand plus the total receipts will not equal the petty cash fund amount. This difference may have occurred if for example change was incorrectly given out. If the total receipts plus the cash on hand is less than the petty cash fund amount, the fund has a cash shortage. Record this amount as a positive amount. If the total receipts plus the cash on hand is more than the fund amount, the fund has a cash overage. Record the overage on the summary as a negative amount in brackets. In the manual or computer accounting system the petty cash discrepancy can be recorded as a miscellaneous expense item.
- 11) Adding the total receipts, the cash on hand and the cash shortage (or else the cash overage) adjustment will equal the petty cash fund amount (e.g., \$100). Where there is no adjustment necessary line no. 9 will equal line no. 11.
- 12) The petty cash reimbursement cheque will bring the cash in the fund up to the total amount of the fund (e.g., \$100). The amount of the reimbursement cheque added to the cash on hand will equal the total amount of the fund.

Sample Procedure for Making Purchases and Using Petty Cash Vouchers

In addition to establishing policies and procedures for limiting, administering and safeguarding the petty cash fund, the Society should prepare a step-by-step procedure for making purchases.

Sample Purchases Procedure

The Board has voted to establish a petty cash fund of \$100. The petty cash custodian will be the senior child care supervisor who will be responsible for safeguarding the cash and ensuring that all procedures concerning petty cash are followed.

The two methods of purchases that can be made are:

1. Payment in advance:

- When an authorized staff member needs to make a small purchase for the child care program (e.g., art supplies), the petty cash custodian will give out money in advance according to the petty cash procedures. When the money is given out, a petty cash voucher is signed by the staff member who takes responsibility for the money received (see page 7).
- The petty cash voucher is put into the cash box and replaces the money given out.
- After the purchase is made, the staff member will present the change and receipt to the petty cash custodian. The receipt is attached to the petty cash voucher and information on the amount of the purchase, the amount of change received, the expense category (or accounting expense code), and the purchase description is written on the voucher.
- To prevent the receipt from being used for reimbursement a second time, the receipt will be stamped "**cancelled**".
- The petty cash custodian will add the receipts, vouchers and cash in the cash box after each transaction (e.g., each time the money is given out or change is received) to ensure that the total equals the amount of the fund. If there is a significant discrepancy (e.g., over \$30), the petty cash custodian will request that the executive director or bookkeeper review the fund immediately.

2. Reimbursement of a staff purchase:

- If an authorized staff member purchases something with his/her own money, he/she will require reimbursement. The staff member will present the receipt to the petty cash custodian who will reimburse the staff member with an amount equal to the receipt. The receipt is then attached to a petty cash voucher. The petty cash voucher is filled in and signed by the staff member who acknowledges receipt of money for reimbursement of the purchase.

- As above, information about the purchase is written on the voucher and the receipt is stamped “**cancelled**”. The petty cash custodian will check to ensure that the cash, receipts and vouchers add to the appropriate amount. Where there is a significant discrepancy (e.g., \$30), the executive director or bookkeeper will be notified.

SAMPLE PETTY CASH VOUCHER			
Amount \$	_____	Acct#	_____
		Date	_____
For the purpose of _____			

Cash advance	\$ _____	Signature	_____
Receipt amount	\$ _____		
Balance	\$ _____	Approved	_____

This information is presented as a resource for licensed non-profit child care facilities. Westcoast Child Care Resource Centre does not assume responsibility for actions taken based on information provided.