

SECTION 824: PETTY CASH FUNDS -- POLICY

1. General. As defined in Section 3-11-2 of the Rules and Regulations for the Administration and Accountability of Petty Cash Funds, a petty cash fund is a sum of money set aside for the purpose of making small payments for which the regular vouchering system would otherwise have to be used. Because of the excessive costs (in terms of material and time) involved in making such small payments via the regular vouchering system, requirements for the use of petty cash funds have been formulated as prescribed in this section.
2. Expenditures Below \$25.00. It is recognized that there may be peculiar circumstances within a particular agency that, in good judgment, would preclude following an absolute legal requirement for certain expenditures to be made via petty cash funds; therefore, no such absolute requirement has been incorporated in the Rules and Regulations. On a more informal level, however, it is required as a matter of policy that any expenditure less than \$25.00 in amount be made via a petty cash fund, except for those expenditures not authorized to be made from petty cash funds as described in this section. Any agency not following this policy must be prepared to justify to the Comptroller, in writing, the peculiar circumstances within the agency that preclude following the policy.
3. Expenditures Not Authorized. For any payment made via petty cash funds, there is a practical problem of correcting or adjusting the payment subsequently if it was initially made improperly. For that reason, agencies should incorporate in their internal control procedures (as described in Section 3-11-11 of the Rules and Regulations) specific direction as to those expenditures it can positively control with assurance that they will be properly made initially. As a matter of policy, no agency should allow expenditures of the following types to be made via petty cash funds:
 - (a) Any expenditure prescribed to be made via the State's payroll system.
 - (b) Any expenditure for out-of-state travel.
 - (c) Any expenditure for out-service training.
 - (d) Any expenditure for contract or other agreement-type (not including purchase orders) payments.
 - (e) Any expenditure generally held to be questionable because the object of the expenditure is commonly one that officers and employees are expected to pay for from personal funds, or because the expenditure is not business-related in nature (such as meals, coffee refreshments and supplies, leis and flowers, greeting cards, parking citations and towing charges, umbrellas, parking space rentals, briefcases, etc.)

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- (a) Section 3-11-8 of the Rules and Regulations states: "At the end of each quarter, and as often as may be necessary within a quarter, petty cash funds must be replenished by claiming reimbursement of all disbursements made therefrom since the immediately preceding replenishment." The intent of this rule is to assure active utilization of the funds requested since petty cash funds are removed from the interest-earnings capacity of the State Treasury and should not be allowed to become idle. Accordingly, agencies must assure that the justification for obtaining a petty cash fund reflects reasonably frequent replenishment.
- (b) To avoid hampering the pre-audit of petty cash disbursements, and to lessen the number of "red-tag" priority vouchers for petty cash replenishments, agencies experiencing heavy activity must submit replenishment vouchers frequently, on an even-flow basis and in small batches, rather than in large sporadic batches.
- (c) For petty cash replenishments requiring "red-tag" priority treatment, such replenishments must be vouchered separately.

5. Exception Procedure for the Department of Social Services and Housing (DSSH). Section 40-85, HRS, authorizes an exception procedure available to DSSH for making immediate welfare money payments from petty cash funds in those cases where the usual procedure for disbursing funds is not sufficiently prompt.
6. Cash Over and Short. In addition to the requirements concerning "Losses" as described in Section 3-11-13 of the Rules and Regulations for the Administration and Accountability of Petty Cash Funds, reference is made to Section 825 of this Manual concerning the Comptroller's policy and procedure for Cash Over and Short.