

Process steps

Title:	Internal Control of Petty Cash
Related to:	DHS OHA-040-017-04
Effective date:	02/02/2020

Purpose

This document provides a step-by-step explanation on auditing, fiscal year-end reconciliations, fund balance reviews and internal controls for petty cash fund within the programs of Department of Human Services and Oregon Health Authority.

Process steps

1. The program manager ensures proper controls and safeguarding are in place for the petty cash fund.
 - a. Warrants must be cashed within five business days from staff receiving it.
 - b. When cashing the warrant, the custodian endorses it at a bank where the program routinely conducts state business.
 - c. The cash is transported to the business location in a tamper-resistant locking money bag.
 - d. Petty cash must be stored in a locked box within a safe or locked filing cabinet at all times to prevent access by unauthorized individuals.
 - e. Access to and administration of the funds are restricted to the primary and alternate petty cash custodians.
 - f. Petty cash cannot be co-mingled with other cash.
 - g. Proper controls are to be followed as outlined in DHS|OHA-040-017-03.
2. The petty cash fund should be fully replenished for fiscal year-end each year to ensure that expenditures are recorded in the proper fiscal year and that the fiscal year-end cash balances are accurately stated in the financial reports.
 - a. The petty cash custodians and managers will follow the reconciliation and replenishment process DHS|OHA-040-17-03.
 - b. The signed ledger is to be received by the Office of Financial Services (OFS) no later than 15 business days after June 30.
3. The OFS Accounts Payable Unit may conduct a review of all petty cash funds at fiscal year end.
 - a. The assessment will include:
 - A. The effectiveness of the internal controls used to manage the fund in the program.
 - B. The frequency of purchases, amounts, and items purchased.
 - C. The documentation supporting advances, reimbursements, and purchases, including original sales receipts, pre-approvals, appropriate use, and timely reporting.
 - D. The cash shortages or overages reported.

- E. The reasonableness of the petty cash allotted in relation to operating needs. This will be determined using the average monthly disbursements for the previous 12 months along with the appropriateness of the transactions in relation to the petty cash policy.
 - b. The OFS Accounts Payable Manager will confer with the Controller to determine whether the petty cash balance shall be maintained, reduced or closed.
 - c. OFS will notify the business manager of the decision within 30 business days after the assessment begins.
4. The program manager or designee who is not the custodian or alternate custodian will inspect all funds within his or her area of responsibility on an annual basis.
- a. The primary custodian will be on-site during the inspection.
 - b. The manager and custodian ensure that the fund is balanced and available for any announced or unannounced audit by OFS or an auditor at all times.

References

[ORS 293.180](#) Agency Petty Cash Fund

[ORS 297.120](#) Division of Audits investigation of state agency loss of public funds or property

[OAM 10.20.00.PO](#) Internal Control - Cash

Forms referenced

[MSC 0184](#) Petty Cash Advance Request

[MSC 0185](#) Petty Cash Reimbursement Request

[MSC 0186](#) Change of Petty Cash Custodian

[MSC 0187](#) Request to Establish Petty Cash Fund

[MSC 0187b](#) Receipt of Petty Cash Funds

[MSC 0188](#) Petty Cash Ledger

[MSC 0286](#) Delegated Signature Authorization

Related policies

[DHS|OHA-040-010](#) Delegation of Expenditure Decision Authority

[DHS|OHA-040-010-01](#) Exercising Expenditure Decision Authority

[DHS|OHA-040-010-02](#) Inappropriate Actions

[DHS|OHA 040-013](#) Receipting of Checks and Other Negotiable Instruments

[DHS|OHA 040-017](#) Petty Cash Funds Policy

[DHS|OHA-040-017-01](#) Establishment or Changes to Petty Cash Fund

[DHS|OHA-040-017-02](#) Documentation of Petty Cash Fund

[DHS|OHA-040-017-03](#) Reconciliation and Replenishment of Petty Cash

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