

General Order

Houston Police Department



ISSUE DATE:

June 22, 2016

NO.

200-40

REFERENCE: Supersedes all prior conflicting Circulars and Directives, and General Order 200-40, dated March 24, 2009

SUBJECT: PETTY CASH FUNDS

POLICY

All *petty cash fund* transactions shall be governed by City of Houston Administrative Procedure, **Petty Cash** (A.P. No. 5-3) and this General Order.

Petty cash funds are for the purpose of providing ready cash for incidental or emergency expenditures and may be used to purchase any item or service approved by the Mayor or an ordinance of the City of Houston, or not prohibited by this General Order or any other procedure.

Petty cash funds shall not be used to bypass the department's existing accounts payable, purchasing, or reimbursement systems. Abuse or misuse of petty cash funds is a serious offense and violations shall be subject to disciplinary action.

This General Order applies to all employees.

DEFINITIONS

Approving Authority. The individual responsible for authorizing the establishment of a petty cash fund within the department, increasing the fund, designating and replacing the *petty cash fund custodian*, reconciling the fund, and closing out a petty cash fund. The term "approving authority" refers to the Chief of Police or any employee specifically designated by the Chief of Police to act as *approving authority* for petty cash funds.

Back-up Petty Cash Fund Custodian. An employee designated to substitute for the *petty cash fund custodian* in case of absence.

Cash Receipts and Disbursements Journal. A journal that must be maintained in tandem with each fund. It is used to record all petty cash transactions and the *Journal* should either agree or reconcile to the petty cash fund balance. In essence, it serves as a control over and a history of all petty cash transactions.

Disbursements Authority. The employees designated by the concerned Executive Staff member to authorize disbursements from petty cash. The *disbursements authority* must be a lieutenant or higher or a civilian supervisor/manager with a pay grade of 26 or higher. This individual must be someone other than the *requests authority*.

Petty Cash Fund. Money issued by the City of Houston to a designated fund custodian. A petty cash fund shall be used for payments of City business-related expenditures that do not exceed the petty cash limit of \$100 (as established by the Mayor). Also referred to herein as "fund."

Petty Cash Fund Custodian (Fund Custodian). An individual designated by the *approving authority* to administer and control the petty cash fund.

Quarterly Verification of Fund Balance. At established quarterly intervals, personnel within the Inspections Division witness and attest to the accuracy of the petty cash fund balance. Inspections Division shall report the results of its review through the Chief of Police to the City of Houston Controller.

Requests Authority. The employees designated by the concerned Executive Staff member to authorize requests for petty cash use. The *requests authority* approving such a request shall be in the requesting

employee's chain of command and must be a sergeant or higher or a civilian with a pay grade of 22 or higher. This individual must be someone other than the *disbursements authority*.

Signature. The original signed endorsement of a document by a person named on the *Petty Cash Signature Authorization* form. Signature stamps, facsimiles, or the signing for other persons on any petty cash form are strictly prohibited.

1 FORM AVAILABILITY

The below listed forms needed for petty cash funds are available on the department's Intranet Portal or from HPD's Office of Budget and Finance (B&F).

- a. *Petty Cash Fund Signature Authorization*
- b. *Request for Petty Cash Funds (PC-1)*
- c. *Petty Cash Fund Reconciliation (PC-2)*
- d. *Acknowledgment of Receipt of Petty Cash Funds (PC-3)*
- e. *Acknowledgment of Receipt of Administrative Procedure No. 5-3 and General Order 200-40 (PC-4)*
- f. *Change of the Petty Cash Fund Custodian (PC-5)*
- g. *Petty Cash Verification (PC-6)*
- h. *Petty Cash Advance/Reimbursement Transaction (PC-7)*
- i. *Request to Close Petty Cash Fund (PC-8)*

2 SPECIFIC RESPONSIBILITIES

Responsibilities regarding petty cash funds are outlined in the following subsections.

Chief of Police

- a. Review and approve or deny requests to establish or increase petty cash funds.
- b. Assign employees to investigate, report, or correct any discrepancies concerning petty cash funds.
- c. Review and approve all PC-6 forms and forward them to the City Controller's Office.

City Controller

- a. Process requests for establishing, increasing, replenishing, and closing petty cash funds.
- b. Conduct both announced and unannounced audits of petty cash funds in order to ensure compliance with policies and procedures.

Deputy Director of Office of Budget and Finance

- a. Make recommendations on the approval or disapproval of establishing petty cash funds and the initial amount in each fund.
- b. Approve formats and petty cash journals for accounting transactions.
- c. Approve or deny increases or decreases in any petty cash fund.
- d. Arbitrate any conflict between parties over the approval or disapproval of any specific transaction.
- e. Request or conduct unannounced petty cash counts of any petty cash fund.

Executive Staff

- a. Review and forward to B&F all requests for the establishment of and amounts for petty cash funds under their command.

- b. Designate the *requests authority* and the *disbursements authority* under their command.
- c. Ensure controls and guidelines are in place for the petty cash funds under their command.
- b. Prepare reports of verification findings on a PC-6 form and forward it to the Chief of Police for submission to the City of Houston Controller's Office.
- c. Serve as the independent party assigned to audit the fund.

Division Commander

- a. May request the establishment of and amounts for needed petty cash funds.
- b. Designate a petty cash fund custodian and a back-up petty cash fund custodian to handle fund transactions.
- c. Ensure the petty cash funds are secure by restricting access to the location where the funds are kept. Only the petty cash fund custodian and back-up petty cash fund custodian shall have direct access to the cash box.
- d. Ensure proper procedures are in place and followed for maintaining, securing, and closing petty cash funds.
- e. Request or conduct any unannounced petty cash counts and initiate investigations for any discrepancies found.
- f. Ensure funds are budgeted in the correct accounts for petty cash expenditures.
- g. Cooperate with Inspections Division personnel in verifying the accuracy of the petty cash fund.

Inspections Division

- a. Conduct announced and unannounced verifications of petty cash funds to determine their accuracy. These verifications shall be conducted in accordance with A.P. No. 5-3 and the standard operating procedures (SOPs) approved by Inspections Division's assistant chief.

Requests Authority

- a. Sign the PC-7 form when approving a petty cash advance.
- b. May give verbal approval for a purchase when an advance is not needed.
- c. Sign the PC-7 form when approving a petty cash reimbursement when a cash advance was not given.

Disbursements Authority

- a. Sign the PC-7 form when approving an advance disbursement from the petty cash fund.
- b. Sign the PC-7 form when approving a petty cash reimbursement for a purchase when no cash advance was given.

Petty Cash Fund Custodian

- a. Maintain security over and limited access to the petty cash fund at all times. The petty cash fund is not to be removed from its designated location and under no circumstances is it to be taken home by the fund custodian or any other employee.
- b. Keep original cash receipts with the PC-7 form until properly submitted to the Office of Budget and Finance, Accounts Payable Section.
- c. Maintain the *Cash Receipts and Disbursements Journal* accurately.
- d. Process authorized disbursements.

- e. Maintain files and records as required by this General Order, the division's SOPs, A.P. No. 5-3, and any other relevant City policy.
- f. Initiate requests to replenish the petty cash fund not more than once each quarter.
- g. Explain any discrepancies and report any losses or thefts to both the Chief of Police and the Deputy Director of the Office of Budget and Finance via the chain of command. The fund custodian is responsible for replacing any shortages not reported in an incident report or resolved through disciplinary action against another employee.
- h. Maintain signature log or equivalent of approving or authorizing signatures.

Petty Cash Fund Custodian Supervisor

The fund custodian supervisor is responsible for ensuring each fund custodian and back-up fund custodian has received the appropriate training to responsibly maintain the assigned fund and has read and acknowledged A.P. No. 5-3 and this General Order.

Office of Budget and Finance, Accounts Payable Section

- a. Prepare and approve vouchers for establishing or increasing petty cash funds.
- b. Prepare vouchers for reimbursement. Copy and file all supporting receipts, payment vouchers, and PC-2 forms. Forward all original documents to the Operations Section of the Controller's Office.
- c. Review all petty cash transactions for accuracy and permissible purchases.
- d. Receive and make a copy of each cash warrant. Have the fund custodian sign

and date the copy of the warrant indicating receipt of the original warrant.

- e. Maintain files and records as required by this General Order, applicable department SOPs, and any other relevant City policy.

Office of Budget and Finance, Accounting Section

B&F's Accounting Section shall provide technical assistance to the Inspections Division regarding financial compliance audits.

3 PROHIBITED PETTY CASH PURCHASES

Petty cash shall not be used for any purchase prohibited by the *approving authority* or for any of the following reasons:

- a. Cashing personal checks.
- b. Loans to employees or others.
- c. Personal expenditures (e.g., plants, office decorations).
- d. Payroll advances to employees.
- e. Reimbursement of state sales tax. This does not apply to hotel and rental car taxes.
- f. Making change for transactions involving cash sales or when cash is received.
- g. Items purchased on a routine, repetitive basis by the requesting party unless authorized by the *approving authority*.
- h. Food or beverages of any kind. (Exception: Police and SWAT emergency call-ups with proper documentation)
- i. Entertainment of any kind.
- j. Employee travel or wages. The only exceptions are:

1. Emergency travel advances for police officers.
2. Local parking fees.
3. Mileage reimbursement for occasional use of private vehicle. Employees whose job assignments routinely require use of a private vehicle shall maintain a *Travel-Related Log* and request mileage reimbursement by filing a *Travel Expenses Summary Report & Log* form (see General Order 200-17, *Travel Authorization and Reimbursement Procedures*).
- k. Other inappropriate usage as established by the *approving authority*.

4 ESTABLISHING OR INCREASING A PETTY CASH FUND

Division commanders shall obtain written approval from the Chief of Police before establishing petty cash funds or increasing existing funds. Once the number and location of petty cash funds have been approved by the Chief of Police, all of the following shall occur:

- a. The division commander shall designate a petty cash fund custodian and a person to act as a back-up petty cash fund custodian.
- b. The division commander shall designate the *requests authority* and the *disbursements authority* for the petty cash fund.
- c. The petty cash fund custodian shall complete a PC-1 form, obtain the concerned Executive Staff member's signature, and forward the form to B&F's Accounts Payable.
- d. If the petty cash fund is new, the fund custodian, with the assistance of B&F, shall begin a *Cash Receipts and Disbursements Journal*.

- e. Accounts Payable shall prepare a payment voucher in the amount for which the petty cash fund is to be maintained or increased. The voucher shall indicate the person designated as the fund custodian, and shall be forwarded to the Controller's Office.
- f. Accounts Payable shall pick up the cash warrant from the Controller's Office and deliver it to B&F to be copied for delivery to the petty cash fund custodian. The fund custodian shall sign and date the check acknowledging receipt of the original warrant.
- g. The petty cash fund custodian shall complete and sign a PC-3 form and forward it to Accounts Payable, which shall forward it to the Controller's Office.
- h. The petty cash fund custodian shall cash the warrant, place the cash in the fund, and record the transaction in the *Cash Receipts and Disbursements Journal*.
- i. The petty cash fund custodian, the back-up petty cash fund custodian, the *requests authority*, and the *disbursements authority* each shall complete and sign a PC-4 form and forward it to Accounts Payable, which shall forward the forms to the Controller's Office.

5 SUPPORTING DOCUMENTATION FOR PETTY CASH PURCHASES

All petty cash purchases shall be supported by an original receipt, unless an exception is noted in this General Order or in A.P. No. 5-3. The following are exceptions or regulations to the original receipt policy:

- a. For coin telephone expense reimbursement, employees shall state on the PC-7 form the name, city, and telephone number of the person called and the business-related purpose of the call.

- b. For coin parking meter or unattended parking expense reimbursement, employees shall state on the PC-7 the address of the location visited and the approximate location of the meter or unattended parking lot used.
- c. For mileage expense reimbursement, employees shall attach to the PC-7 a copy of the mileage log showing the actual mileage.
- d. If the original receipt is lost, the employee shall obtain a duplicate from the vendor and explain the reason for the loss in writing to the *requests authority*. The duplicate receipt and a photocopy of the explanation letter shall accompany documents forwarded to B&F.

6 PROCEDURES FOR DISBURSING FROM THE PETTY CASH FUND

Advances

To obtain petty cash fund money for a purchase in advance, an employee shall do all of the following:

- a. Complete a PC-7 form indicating the amount requested.
- b. Obtain the signatures of the *requests authority* and the *disbursements authority* on the PC-7. The same person shall not sign as the *requests authority* and the *disbursements authority* on the same PC-7.
- c. Submit the signed PC-7 in person to the petty cash fund custodian and obtain the cash advance.
- d. Purchase the goods or services and obtain a receipt.
- e. Return the original purchase receipt to the fund custodian within three business days after receiving the advance. Return

any excess money or obtain a reimbursement if necessary.

Reimbursements

When practical, an employee shall obtain verbal approval from the *requests authority* before purchasing goods or services that are to be reimbursed from petty cash. Once the employee has purchased the goods or services and obtained an original receipt, the employee shall do all of the following in order to obtain reimbursement:

- a. Complete a PC-7 form indicating the amount requested.
- b. Obtain the signatures of the *requests authority* and the *disbursements authority* on the PC-7. The same person shall not sign as the *requests authority* and the *disbursements authority* on the same PC-7.
- c. Present the signed PC-7 in person along with original supporting receipts to the fund custodian and receive reimbursement.

The fund custodian shall verify the approving signatures and if the request is in order, the fund custodian shall do all of the following:

- d. Disburse the cash.
- e. Stamp the receipts as paid.
- f. Record the date paid on the receipts.
- g. Record all disbursements in the *Cash Receipts and Disbursements Journal*.

7 PETTY CASH FUND VERIFICATIONS

Inspections Division personnel shall verify the accuracy of the petty cash funds on a quarterly basis per A.P. No. 5-3 and in accordance with Inspections Division's SOPs.

Inspections Division personnel shall also conduct occasional unannounced verification audits.

Each time Inspections Division personnel conduct a verification audit, a PC-6 form shall be completed and forwarded with all original forms to the Chief of Police for review. The Chief of Police shall then forward the forms to the General Accounting Section of the Controller's Office no later than 15 business days after the end of the quarter. Inspections Division personnel shall send electronic copies to the petty cash fund custodian, the fund custodian's division commander, and the Deputy Director of the Office of Budget and Finance.

The Controller's Office will use the forms to reconcile the fund with system records. Any discrepancies are subject to investigation by the City auditor. Any findings and recommendations made by the City auditor are reported to the controller and the Chief of Police.

If discrepancies exist, the Chief of Police shall take all necessary measures to implement the recommendations of the City auditor. The Chief of Police shall notify the Controller's Office of all actions taken.

8 REPLENISHING THE PETTY CASH FUND

The following procedures shall be completed when replenishing a petty cash fund and at the end of each fiscal year so current fiscal year expenses are accounted for in that fiscal year:

- a. The petty cash fund custodian shall complete a PC-2 form and attach the supporting original receipts. The fund custodian shall keep photocopies of this information for audit purposes.
- b. The petty cash fund custodian shall forward the PC-2 and supporting original receipts to B&F's Accounts Payable.

- c. Accounts Payable shall prepare a payment voucher for the total of all purchases made and forward it along with the PC-2 form and supporting receipts to the Operations Section of the City Controller's Office. Accounts Payable shall keep photocopies of all documentation.
- d. Accounts Payable shall pick up the cash warrant from the Controller's Office and deliver it to B&F to be copied for delivery to the petty cash fund custodian. The fund custodian shall sign and date the check acknowledging receipt of the original warrant.
- e. The fund custodian shall cash the warrant, replenish the fund, and record the cash received in the *Cash Receipts and Disbursements Journal*.

9 TRANSFERRING THE PETTY CASH FUND TO THE BACK-UP FUND CUSTODIAN

- a. If the unavailability of the fund custodian is known in advance, the fund custodian shall reconcile the petty cash fund and complete a PC-2 form. The back-up fund custodian shall verify the accuracy of the PC-2 prepared by the fund custodian. If accurate, the back-up fund custodian shall sign the PC-2 and take over the fund and all related records.
- b. If the unavailability of the fund custodian is not known in advance, the division commander shall designate someone to reconcile the petty cash fund and complete a PC-2. The following shall *not* be designated to reconcile the fund:
 1. Fund custodian's supervisor
 2. Back-up fund custodian
 3. *Requests authority*
 4. *Disbursements authority*

The back-up fund custodian shall verify the accuracy of the PC-2. If accurate, the back-up fund custodian shall sign the PC-2 and take over the fund and all related records.

A reconciliation of the petty cash fund and a completed PC-2 including the appropriate verification and signatures are required when the petty cash fund is transferred to the fund custodian from the back-up fund custodian.

10 CHANGING THE PETTY CASH FUND CUSTODIAN

Division commanders shall ensure the following steps are taken when designating a new petty cash fund custodian:

- a. The former petty cash fund custodian shall reconcile the fund and complete a PC-2 and a PC-5.
- b. The new petty cash fund custodian shall verify the accuracy of the completed PC-2. If accurate, the new fund custodian shall forward the PC-2 and the completed PC-5 to B&F's Accounts Payable for processing.
- c. The former fund custodian shall hand over the fund and all related documents to the new fund custodian.

Upon receipt and verification of the PC-2 and PC-5 forms, the Controller's Office shall disburse new replenishment money to the new petty cash fund custodian.

11 CLOSING OUT THE PETTY CASH FUND

When there is no further need for the petty cash fund, the below close-out procedures shall be adhered to.

- a. The petty cash fund custodian shall do all of the following:

1. Reconcile the fund, complete a PC-2 form, and have the concerned *disbursements authority* sign the PC-2.
2. Prepare a PC-8 form and have the *approving authority* sign it.
3. Forward the PC-2 and PC-8 forms to B&F's Accounts Payable.

- b. Accounts Payable shall prepare a voucher with a notation entitled "Return of Petty Cash Fund" and then forward the following documents to the Controller's Office:

1. Payment voucher
2. PC-2 and PC-8 forms
3. Supporting receipts
4. Deposit slip reflecting the deposit of the remaining petty cash funds

The Controller's Office will verify the accuracy of the PC-2 form and supporting documents and close the fund account.

12 PETTY CASH FUND THEFT

When a theft from a petty cash fund is discovered, it shall be reported to the *approving authority*, who shall notify Internal Affairs Division. See General Order 200-03, **Investigation of Employee Misconduct**. The below procedures shall be followed.

- a. The petty cash fund custodian shall complete a PC-2 form, attach the supporting receipts, and give them to the employee designated by the *approving authority* to verify the fund balance. The fund custodian shall keep a duplicate file of all approved PC-2 forms and supporting receipts for monitoring purposes.
- b. The verifying employee shall determine the accuracy of the PC-2 form, review

the *Cash Receipts and Disbursements Journal* for accuracy and completeness, fill out a PC-6 form, and forward the original forms to the *approving authority* for review.

- c. The *approving authority* shall designate an employee other than the fund custodian, back-up fund custodian, *requests authority*, *disbursements authority*, or fund custodian's supervisor to review the internal controls and to report findings and recommendations for improvements to the *approving authority*.
- d. The *approving authority* shall submit a copy of the incident report and a report on the department's internal controls over the fund to the Controller's Office. At a minimum, the department's report shall address the questions included in the internal controls questionnaire attached to A.P. No. 5-3.


The Controller's Office will then review the department's internal controls over the fund

including any improved security protocols implemented as a result of the theft. The findings will be reviewed to determine if internal controls are adequate to replenish the fund or to recommend additional improvements. When the Controller's Office determines adequate internal controls are in place, employees shall replenish the fund by following the procedures outlined in this General Order in section 8, *Replenishing the Petty Cash Fund*.

13 RELATED GENERAL ORDERS AND REFERENCE MATERIAL

- 200-03, **Investigation of Employee Misconduct**
200-12, **Purchasing Process**
200-17, **Travel Authorization and Reimbursement Procedures**
400-15, **Office Supplies and Office Copy Machines**

City of Houston Administrative Procedure, Petty Cash (A.P. No. 5-3)


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