



MODULE

PETTY CASH

“The community of believers was of one heart and mind, and no one claimed that any of his possessions was his own, but they had everything in common” (Acts 6:32).

Under some circumstances, it may not be practical to make cash disbursements by check. At times, it may be impractical and uneconomical to make payment by a check or it may be difficult to acquire the signature of the pastor/parish director/administrator or trustee. A parish may facilitate certain operations by providing cash to individuals to spend on operations. For example, cash might be advanced to spend on postage stamps, incoming postage, office supplies, or items needed for a parish picnic. This fund of coin and currency is known as petty cash.

Establishing the Petty Cash Fund

One of the best methods of maintaining control over the fund is to establish a fixed amount of money for the petty cash fund. As a rule of thumb, the parish should have enough petty cash to cover two to four weeks of small expenditures. For most parishes \$200 is adequate. However, the amount may vary due to the size of the parish or the time of the year, i.e., parish picnic. A parish should not have anymore than \$750 in petty cash at any one time.

Some parishes ask a secretary to administer the petty cash fund. This person supervises the fund and is held accountable for any discrepancies. To establish petty cash, the parish

issues a check to “Petty Cash – parish name” for the predetermined amount. The only entry required when the fund is established is one to record the issuance of the check, as follows:

Oct. 14	Petty Cash - #110	\$250	
	Checking - #115		\$250
	To establish petty cash fund – Sally Jones, custodian of the fund.		

The proceeds from the check are placed in a petty cash box that has a lock. The petty cash box must be stored in a secure area. The petty cash fund is to be used to pay expenses, *not* to receive miscellaneous income, i.e., 33 cents to purchase a stamp.

Making Disbursements from the Petty Cash Fund

The custodian of the petty cash fund should prepare a petty cash voucher for each expenditure. On each pre-numbered petty cash voucher the custodian enters the date, amount, and purpose of the expenditure. Reference Exhibit 1.1 The voucher is signed by the person receiving the payment and the person disbursing the cash and/or coin.

Exhibit 1.1

Petty Cash Voucher

Date _____	Number 0010
Payee _____	
For _____	
Amount _____	Account No. _____
Approved by: _____	Received by: _____

It is wise to use the vouchers in numbered order and have them fully completed. All payments from the petty cash fund should be supported with petty cash vouchers. Along with various invoices and receipts, petty cash vouchers are used as evidence of disbursements. All receipts should be turned in to the custodian after purchases are made along with any unused funds. The receipt, if any, should be attached to the voucher with the returned cash noted on the voucher.

Reimbursing the Petty Cash Fund

After a specified time or when the petty cash fund becomes low, it is replenished by a check issued to “Petty Cash – parish name.” From time to time there may be minor discrepancies in the amount of cash left in the fund at the time of reimbursement. In these cases, the amount of the discrepancy should be recorded in #995 – Miscellaneous Expense as a debit if short or as a credit to #495 – Other Revenue if over.

For the sake of example, assume that after three weeks the petty cash fund established as described above had a cash balance of \$14.27 and petty cash vouchers as follows: postage, \$25.00; office supplies, \$30.55; liturgical flowers, \$30.00; and picnic supplies, \$150. The entry to replenish, or replace the fund is as follows:

Nov. 8	Postage - #860	\$25.00
	Supplies - #855	30.55
	Liturgical flowers - #740	30.00
	Picnic supplies - #433	150.00
	Misc. expense - #995	\$0.18
	Checking - #115	\$235.73
	To replenish petty cash fund	

Assets and expense accounts will be debited each time the fund is replenished. Under this system a petty cash fund is established at a fixed amount and is periodically reimbursed based

on documented expenditures for the exact amount necessary to bring it back to the fixed amount.

Summary

In summary, the necessary steps in setting up and maintaining a petty cash fund are as follows:

1. A check is written for a lump sum amount.
2. The check is cashed and the coin & currency are entrusted to a petty cash custodian.
3. A journal entry is made to record the establishment of the fund.
4. Upon presentation of the necessary documentation, minor disbursements are made from the fund or cash is given in advance for the purchase. In essence, cash is traded from the fund in exchange for a receipt/voucher.
5. The fund is replenished by writing and cashing the amount necessary to bring the fund back to its original balance.
6. At the time the fund is replenished, a journal entry is made to recognize the replenishment and the various expenses.

Internal Controls

Along with storing the petty cash in a secure location, having a trusted custodian, and the use of vouchers, a sporadic check must be made. Petty cash funds must be checked periodically on a surprise basis. The cash in the petty cash fund, plus receipts for payments from the fund, should equal the original total. It should be noted, by signature, that the count was completed. Any discrepancies need to be evaluated and noted.

Petty cash funds help staff members and volunteers access money more readily in order to meet the needs of the parish. However, as with any fund, it requires attention to internal controls in order to safeguard the temporal goods.