



CSU

ICSUAM

Section 6000

**Financing, Treasury, and
Risk Management**

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6320.00 | Petty Cash Funds and Change Funds

Effective Date: 5/22/2015 | **Revised Date:** 5/22/2015

POLICY OBJECTIVE

It is the policy of the CSU that funds established (1) to support change-making activity (Change Funds) and (2) for the reimbursement of small dollar University business related expenses (Petty Cash Funds) shall be protected from loss. Each campus shall prepare written procedures to implement this policy.

POLICY STATEMENT

100 PURPOSE AND ESTABLISHMENT

Petty Cash Funds and Change Funds (PCC Fund) are provided as a service to operating units that require such operating funds. PCC Funds are established by the campus CFO or his/her delegate at approved locations with requests and authorization of PCC Funds documented in writing. Each PCC Fund shall be used strictly in accordance with the purpose for which it was authorized.

200 PCC FUND CUSTODIAN

Custody of a PCC Fund shall be assigned to a single individual and cannot be independently transferred to another individual. That individual is the PCC Fund Custodian.

The PCC Fund Custodian is responsible for the amount advanced and shall be appropriately trained for the role of PCC Fund Custodian before fulfilling it. Evidence that the PCC Fund Custodian has received appropriate training shall be documented.

300 PCC FUND REPLENISHMENT

To replenish a PCC Fund, a disbursement voucher shall be submitted to Accounts Payable where the appropriate original transaction receipts are verified.

400 PCC FUND UNANNOUNCED AND REGULARLY SCHEDULED AUDITS AND RECONCILIATIONS

Unannounced audits of a PCC Fund shall be documented and done by someone other than the PCC Fund Custodian and the PCC Fund Custodian's supervisor. Unannounced audits shall be done conjointly by at least two CSU personnel at a minimum frequency as shown below. Results of unannounced audits are reported to the PCC Fund Custodian's supervisor or someone determined by the campus CFO or his designee.

Regularly scheduled audits and reconciliations of a PCC Fund shall be documented and done conjointly by the PCC Fund Custodian and at least one other CSU personnel who is not the PCC Fund Custodian's supervisor. The minimum frequency of regularly scheduled audits and reconciliations are shown below. Results of regularly scheduled audits and reconciliations are reported to the PCC Fund Custodian's supervisor or someone determined by the campus CFO or his designee.

The following table shows the minimum frequency for audits (regularly scheduled and unannounced) and reconciliations. An unannounced audit will satisfy the requirement of a regularly scheduled audit for that specific timeframe.

PCC Fund Size	Frequency
\$200.00 or less	Annually
\$200.01 to \$500.00	Quarterly
\$500.01 and more	Monthly

500 PCC FUND SECURITY

When not in use, a PCC Fund's cash shall be placed in a safe or locked receptacle in a properly secured area with access by only authorized personnel.

Petty Cash Funds and Change Funds shall be separately maintained and not commingled. The integrity of a PCC Fund shall be maintained at all times.

When a PCC Fund is no longer needed or upon separation or transfer of its PCC Fund Custodian, the PCC Fund shall be closed out, reconciled, and its cash re-deposited at the cashiering office. Transfer of a PCC Fund to another person is not authorized. A new documented request is required to re-establish a closed PCC Fund.

600 PCC FUND TRANSACTION RESTRICTIONS

601 Petty Cash Fund Transaction Restrictions

Expenses that cannot be paid from a Petty Cash Fund include but are not limited to:

- invoices from vendors
- payments for services to employees or independent contractors
- loans and advances
- travel expenses (Except for mileage and/or parking expenses less than \$50.00 with no overnight stay.)

Petty cash purchases, per payee per day, may not exceed a documented amount determined appropriate by the campus CFO or his/her delegate. Splitting a transaction into multiple purchases so that each purchase amount is less than or equal to the documented maximum amount is not allowed. When a petty cash purchase is made, a receipt shall be obtained which contains the following:

- Date
- Name of vendor or payee
- Amount paid
- Positive evidence that a payment was made, i.e., a cash register receipt or a hand written receipt on which the word "paid" appears
- Description of the supplies or services purchased
- Signature indicating receipt of the supplies or services

602 Change Fund Transaction Restrictions

Cash handlers shall not exchange checks for currency to make change for each other's Change Fund. All change-making shall be done by a PCC Fund Custodian from the Change Fund's reserve.

700 PCC FUND THEFT

In the event of theft, Campus Police shall be notified immediately. A request should be submitted requesting reimbursement of a PCC Fund including at minimum the following:

- Date and time of theft;
- Amount of theft;
- Circumstances involved;
- Copy of police report; and
- Prevention measures taken to mitigate future occurrences of theft.

**Office of the Executive Vice Chancellor
Business and Finance
Approved: May 22, 2015**

CSU POLICY

Section: TREASURY
Policy Number: 6330.00
Policy Title: Cash and Checks Handling
Policy Effective Date: 09/30/2017

OBJECTIVE

The primary purpose of this document is to provide general policies to the California State University (CSU) relating to accepting, depositing, recording, safekeeping, reconciling all cash, and cash equivalents in a timely, internally controlled, and cost-effective manner.

STATEMENT

The Chief Financial Officer (CFO) of each campus or his/her designee is to institute controls and procedures to ensure the physical security of cash and cash equivalents, maximize the use of funds, accurately record receipts, ensure the reliability of financial data, and authorize employees to handle incoming cash and cash equivalents.

DEFINITIONS

For purposes of this policy, terms are defined as follows.

- A. **Cash** – Currency and coin are the most liquid of assets and must immediately and at all times be protected against loss.
- B. **Cash Equivalents** –
 - a. **Cashier's Check** – Any check which is drawn on a depository institution, signed by an officer or employee of such depository institution; and is a direct obligation of the depository institution.
 - b. **Certified Check** – Any check certified by a depository institution as to; the signature on the check being genuine; and the depository institution having set aside funds which are equal to the amount of the check; and will be used only to pay that check.
 - c. **Checks** – Negotiable demand draft drawn on or payable through an office of a depository institution that is a qualified member of the Federal Reserve System.
 - d. **Money Order** – Financial instruments issued by a bank or other financial institution allowing the individual named on the order to receive a specified amount of cash on demand.
 - e. **Travelers Check** – Preprinted, fixed-amount checks designed to allow the person signing to make an unconditional payment to someone else as a result of having paid the issuer (usually a bank) for that privilege.
- C. **Cash Handling Unit** –
 - a. **Main Cashier/Bursar's Office** – The primary cash handling unit has the responsibility to collect, control, and maintain records for campus funds. Collections are deposited directly to an approved depository bank account.
 - b. **Satellite Cashier** – Cashiering unit which generally performs cashiering activities as a primary function. Typically, collections are deposited with Main Cashier or may deposit directly to an approved depository bank account.
 - c. **Departmental Cashier Department** – Department which performs minimal cashiering activities. For example, petty cash fund intended for minor departmental business expenses. Collections are deposited with Main Cashier.
- D. **Excess Cash** – Currency and coin in surplus of the authorized cash limit amount in the cash register or lockable receptacle/vault/safe.
- E. **Cash Receipt** – A written acknowledgment for a sum of cash equivalent has been received; the paper that provides the audit trail (e.g., cancelled check, electronic receipt, or pre-numbered cash receipt).

- F. **Sensitive Position** – Positions designated by the CSU as requiring heightened scrutiny of individuals holding the position based on a heightened risk of financial loss to CSU.
- G. **Security Systems** – Control/prevent unauthorized access and physical protection for employees, cash, and cash equivalents (e.g., alarms, panic buttons, motion detectors, security cameras, and software).

100	RESPONSIBILITIES
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Accountability

- A. The campus’s CFO or his/her designee is responsible for all campus cash and cash equivalents handling activities in accordance with policies outlined in this document and for developing written procedures. Treasury Operations, a unit of the Office of the Chancellor, is available for consultation and review of handling procedures.

Campuses are responsible for training designated employees in cash and cash equivalents handling policies and procedures. To ensure employee accountability, the manager of each Cash Handling Unit must know who has authorization to cash and cash equivalents, why he/she has access, where cash and cash equivalents is at all times, and what has occurred from beginning to the end of the handling transaction cycle.

- B. **Segregation of Duties**

The campus is responsible for establishing procedures that ensures that no single individual is responsible for the collection, handling, depositing and accounting for cash and cash equivalents received by the unit. At least two authorized individuals must be assigned to carry out key duties of the handling process.

- C. **Physical Security and Data Transmission Security**

The campus is responsible for establishing procedures ensuring that at all times:

- a. Individuals who handle cash and cash equivalents are protected from physical harm.
- b. Cash and cash equivalents in the custody of the Cash Handling Unit are protected from theft or loss.
- c. Technology resources involved in processing cash and cash equivalents (i.e. hardware and confidential personal information) are protected from loss, corruption, cyber threat, or compromise to confidentiality.

- D. **Reconciliation of Accounts**

Campuses are responsible for establishing procedures to ensure that:

- a. Cash and cash equivalents collected and reported as deposited are deposited to an approved depository bank account.
- b. General ledger recordings/transactions are accurate.

- E. **Safekeeping of Funds**

Cash and cash equivalents should be physically protected through the use of security systems, lockable receptacles, vaults, or safes. It is the responsibility of each campus to make whatever provisions are necessary to properly safeguard cash and employees in their area.

200	HANDLING
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- A. **Managing Bank Accounts**

Treasury Operations establish all the CSU banking arrangements. Sub-depository bank accounts may be established by campuses under the direction of Treasury Operations.

The use of personal banking accounts or any other non-authorized bank accounts by CSU employees for the depositing of and/or safekeeping of CSU funds is strictly prohibited.

B. Cash Handling Location

The establishment of any Cash Handling Unit or activity must be approved by the campus's CFO or his/her designee.

C. Cash Handling Employees

Employees with direct access to, and or control over cash and cash equivalents are considered to hold a sensitive position and are subject to background checks in accordance with HR 2015-08 or its successor policy.

Each Cash Handling Unit head must determine that all authorized employees with direct cash and cash equivalents handling duties, including temporary, casual, and student employees, have a background check and characteristics to accept responsibility/accountability. If electronic systems are used, a unique user ID, login, and password must be provided to each employee.

D. Handling Cash & Cash Equivalents

Cash and cash equivalents must be protected against loss upon receipt and at all points thereafter. It is important that cash and cash equivalent employees immediately establish a record of receipt. An official CSU cash receipt shall be recorded for each transaction and a copy be provided to payers.

Excess cash must be removed from the cash register drawer during the business day and transferred to a secure lockable receptacle or vault. Excess cash limit is defined by the each Cash Handling Unit head. At the close of business, all cash must be secured per the physical security section.

Cash equivalents (i.e. checks drawn on U.S. banks and issued in U.S. dollar values) must have a payee that is: "California State University", "The Trustees of California State University", a campus name (e.g., San Diego State University), or a bank-acceptable variation. Cash equivalents not written to a payee per this policy must be appropriately safeguarded and returned to the presenter no later than 30 days after receipt.

Cash Handling Unit may only accept and record cash equivalents under the following criteria:

- a. Dating no earlier than 180 days prior to the date of acceptance (unless a shorter time period is clearly marked on the face of the instrument) and no later than the date of acceptance.
- b. Legible and consistent amount, both numeric and written.
- c. Proper account holder signature.
- d. Cash equivalents stamped or otherwise identified as "Payable/Paid in Full" are not to be accepted and must be appropriately safeguarded, and returned to the presenter no later than 30 days after receipt.
- e. Payee cannot be blank.
- f. Post-dated cash equivalents are not to be accepted.

Reductions of cash and cash equivalents must have supporting documentation. Approval in writing by the Cash Handling Unit head is required at the time of occurrence when practical, but no later than close of business on the day of occurrence. All voided receipts must be retained.

E. Depositing Cash and Checks

All Cash Handling Units that accept cash equivalents must be provided with an official campus endorsement stamp, or its mechanical equivalent, that identifies the employee and the Cash Handling Unit. Immediately upon receipt, cash equivalents must be restrictively endorsed (endorsement stamp or its mechanical equivalent) with the phrase "for deposit only".

The Main Cashier shall deposit at the bank no later than the next business day of receipt. Cash and/or cash equivalents are to be deposited, either physically and/or electronically. All other Cash Handling Units must deposit to the Main Cashier or bank in a timely manner, and at least within five (5) business days of receipt. Certain Cash Handling Units may require a more restrictive policy based on security, and cash/cash equivalents composition. A single cash equivalent in excess of \$10,000 or more must be deposited more frequently.

Cash Handling Units shall deposit to the Main Cashier and/or bank, whenever excess cash exceeds \$1,000 or cash and cash equivalents accumulatively exceeds \$5,000. Deposits meeting or exceeding these thresholds require a campus police escort or armored car.

Receipt of cash and cash equivalents should be verified, processed, and document conjointly by at least two (2) employees before a bank deposit is finalized or change in custodian.

F. Counterfeit Currency

Cash Handling Units are responsible for exercising reasonable care in screening cash transactions for counterfeit currency. If a questionable bill is received, the unit should retain possession of the bill and contact campus police immediately.

G. Foreign Cash

Campuses shall accept only U.S. currency. No campus shall accept foreign currency.

H. Foreign Checks

Any check not drawn on a U.S. bank or which does not have a U.S. clearing bank listed on the face of the check shall be considered a foreign check, even if the check is payable in U.S. funds. Checks drawn on foreign bank accounts are not acceptable at their face value and must be sent to the depository bank for collection. Foreign checks must be sent to the depository bank for collection within 30 days after receipt.

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Operational Controls

- A.** These controls are intended to provide a framework and the major control points. The campus procedures must ensure that proper internal controls are established to safeguard their employees and assets, or define mitigating controls as approved by the campus's CFO or his/her designee.
- a. Employees assigned cash and cash equivalent related duties shall be trained and must accept their responsibilities.
 - b. Supervision of cash and cash equivalent activities shall be strictly and continually administered.
 - c. Access to the Main Cashier and Satellite Cashier Units should be limited to those authorized employees designated to have access.
 - d. The accessibility to funds and fund records shall be restricted to only authorized employees and shall be administratively controlled.

- e. All types of payments should be input into an electronic device, such as a cash register or computer terminal, or tracked manually to ensure that all payments are fully documented, and there is an undisputable audit trail, which include employee identifiers.
- f. Sequential numbered forms shall be used to document cash related transactions to enhance reconciliation and accountability.
- g. Cash and cash equivalent related transactions shall be recorded promptly during each step of the cash handling function.
- h. Change in custody of cash and cash equivalent must be documented (e.g. a receipt acknowledging the transfer that is signed and dated by both parties) when the responsibility transfers from one individual to another.
- i. Documents used in cash related transactions shall be safeguarded against reuse, tampering, or unauthorized disposal.
- j. A record of overages and shortages is maintained and should be fully explainable.
- k. The approval of adjustments to cash and cash equivalent related transactions shall be administratively controlled.
- l. Cash and cash equivalent related accounts shall be frequently reviewed and reconciled with subsidiary records.
- m. Cash equivalents received either in person or by mail shall be endorsed upon receipt and safeguarded until deposit is accomplished.
- n. Cash held outside the Cash Handling Unit shall be maintained at the minimum amount needed to cover current transactions.
- o. Ensure the safety of employees transporting deposits between Cash Handling Units or to the bank.
- p. Cash Handling Unit shall have a back-up policy in case of absence of key employees.
- q. Safe and/or vault combinations and keys to cash registers and receptacles is given to authorized employees.
- r. Documentation must be maintained showing authorized employees who have access to combinations and/or keys, including his/her date assigned.
- s. Combinations must be changed when an employee leaves the Cash Handling Unit or on a three year cycle and documented.
- t. Unidentified Checks shall be immediately deposited and recorded as 'un-cleared'. The Cash Handling Unit should put forth a reasonable effort to verify whether or not the check relates to their campus or shall return funds to the payee within 60 days of receipt.

A. Security and Transportation

Campuses must establish procedures to ensure the physical safety, security of campus employees, cash, and cash equivalents, at all times. All forms of cash and cash equivalents shall be physically secured through the use of Security Systems, lockable receptacles, vaults, or safes. Generally, any amount of cash that exceeds \$1,000 must be maintained in a vault or safe. Amounts under \$1,000 should be maintained in a lockable receptacle. Cash and cash equivalents held by the Main Cashiering or Satellite Cashiering Unit must not be retained in desk drawers or standard file cabinets since they are easily accessible and provide no security or safeguarding of funds.

B. Physical Security Standards:

- a. Up to \$1,000 in a lockable receptacle.
- b. \$1,001 to \$2,500 in a safe.
- c. \$2,501 to \$25,000 in a steel-door safe, with a door thickness of not less than 1 inch and wall thickness of not less than ½ inch.
- d. \$25,001 to \$250,000 in a class TL-15 composite safe or better.
- e. Over \$250,000 in a class TL-30 steel or better safe.

If more than \$2,500 in cash and cash equivalents are regularly on hand, a manual robbery Security System or other appropriate measure must be installed for use during business hours to alert campus police or local law enforcement in the event of a robbery or other irregularity. If more than \$25,000 in cash and cash equivalents are stored overnight, an automated security system is required to alert campus police or local law enforcement if the storage area is entered after business hours.

C. Transportation Standards:

Transportation of deposits must always be a high priority and should not conform to any regular schedule. Transporting deposits between Cash Handling Units or to the bank will be accomplished in a secure manner to protect the individuals, cash, and cash equivalents involved. Cash deposits must be hand-carried by authorized campus employee to the Main Cashier, or in special circumstances, campus police or armored car may be contacted to escort large cash and cash equivalents deposits. If a large portion of cumulative receipts is comprised of cash, deposits should be made more frequently.

500	Special Event, Gifts, Donations
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When possible, cash and cash equivalents should be delivered to the Main Cashier along with any related correspondence within five business days for deposit.

600	IRS Reporting Over \$10,000 -
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Campuses shall report to the IRS all cash transactions exceeding \$10,000 (single transaction or accumulated multiple transactions) received in the course of a trade or business from the same person (individual, company, corporation, partnership, association, trust, estate) within a 12-month period as per IRS Publication 1544.

Office of the Executive Vice Chancellor
Business and Finance

Approved:
8/30/2017

CO Manager
Ronald Flatt @co

Subject Expert

Content Editor
MAPO

Revision History

Useful Guidelines:

Related Principles

Sound Business Practices

Lost Cash Receipt: If the original receipt is lost, destroyed or otherwise unavailable, campus procedures may authorize substitution of a duplicate receipt that contains all of the elements of the original receipt and is clearly marked "duplicate", "copy" or some other designation that indicating that this item is not the original document.

Laws, State Codes, Regulations and Mandates:

IRS Publication 1544, Reporting Cash Payments of over \$10,000. The Internal Revenue Service (IRS) requires tax-exempt education organizations to report cash transactions exceeding \$10,000 (single transaction or accumulated by multiple transactions) received in the course of a trade or business, even if the income is not subject to the unrelated business income tax. The reporting requirement applies only to cash transactions. A campus receiving a cash transaction for more than \$10,000 must complete and file IRS form 8300, Report of Cash Payments over \$10,000 Received in Trade or Business, with the IRS on or before the 15th day after the date of the cash transaction, or two or more related business transactions that occur within a 15-day period.

- CSU Executive Order 1031 - Systemwide Records/Information Retention and Disposition Schedules Implementation
- HR 2016-08 - Background Check Policy Requirements and Checking Practices