

State of Rhode Island  
Department of Administration, Office of Accounts and Control  
Best Practices: Imprest/Petty Cash

**Objective**

Departments are responsible for providing adequate security and controls for imprest/petty cash funds entrusted to them.

**Risks**

- Lost, stolen, or misappropriated cash (high degree of inherent risk)
- Concealed errors or irregularities going unchecked

**Best Practices Include:**

Establishment of the fund and transactions should be consistent with the Office of Accounts and Control policy A-15 Imprest Cash Funds. [\[Documentation, Authorization and Approval\]](#)

One employee should be assigned responsibility as Custodian of the fund with a designated back-up. Access to and location of petty cash should be limited and restricted to only designated custodians. [\[Safeguarding of Assets & Segregation of Duties\]](#)

The designated custodian should be responsible for knowing which expenditures are allowable prior to authorizing disbursement of funds. [\[Authorization\]](#)

Petty cash should only be used for small dollar expenditures consistent with the intended use of the fund. [\[Authorization\]](#)

Petty cash should not be used to pay vendors for personal services, employee salaries, or wages. [\[Authorization\]](#)

Petty cash should be maintained in a secure location (*i.e.* locking file cabinet or safe) under the control of the custodian. [\[Safeguarding of Assets\]](#)

Copies of the vendor invoices or petty cash voucher forms are to be attached to all reimbursement vouchers submitted to the Accounts Payable section of the Office of Accounts and Control. A cash reconciliation must be included with each reimbursement voucher, and it must be approved by the disbursing officer on file. Cash on hand plus vendors' invoices must equal the established amount of the fund at all times. [\[Documentation and Approval\]](#)

A supervisor or manager should approve each account reconciliation, and the replenishment request. [\[Monitoring, Segregation of Duties & Approval\]](#)

When reconciling, count cash in a non-public area not easily visible to others. [\[Safeguarding of Assets\]](#)

Agency management should perform unannounced Petty Cash reviews and/or reconciliation. [\[Monitoring, Independent Internal Verification\]](#)

Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. management, Office of Internal Audit, State Controller, law enforcement). [\[Safeguarding of Assets\]](#)

Consideration should be given to closing a petty cash account if there is no longer a need for it. Procurement cards can be used as an alternative. [\[Monitoring & Safeguarding of Assets\]](#)

## **Glossary of Internal Control Principles:**

Internal control consists of all of the related methods and measures adopted within a business to enhance the accuracy and reliability of its accounting records by reducing the risk of errors (unintentional mistakes) and irregularities (intentional mistakes and misrepresentations) in the accounting process.

**Authorization and Approval** – Control is most effective when those responsible for a task are limited to as few employees as possible who are authorized and trained appropriately. In order to have appropriate backup in place, another person should be trained to perform those duties in the event of a planned or unplanned absence.

**Documentation** - Standardizing documents used for financial transactions, such as invoices, internal materials requests, inventory receipts and travel expense reports, can help to maintain consistency in record keeping over time. Using standard document formats can make it easier to review past records when searching for the source of a discrepancy in the system. A lack of standardization can cause items to be overlooked or misinterpreted in such a review.

**Safeguarding of Assets** – Methods and measures adopted to protect assets from employee theft, robbery, and unauthorized use. These controls include physical, mechanical and electronic controls.

**Segregation of Duties** – The work of one employee should provide a reliable basis for evaluating the work of another employee, and the responsibility for record keeping for an asset should be separate from the physical custody of the asset.

**Monitoring** – After internal controls are put in place, their effectiveness should be periodically monitored to ensure that controls continue to be adequate and function properly. Management should also monitor previously identified problems to ensure they are corrected.

**Independent Internal Verification** – Review, comparison, and reconciliation of data prepared by employees performed by an employee independent of the personnel responsible for the information.