

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 24, 2015**

Item 8, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 24, 2015.

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**8**                            **TREASURY POLICIES – CASH BASED TRANSACTIONS**

**The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Financial Services/Deputy Treasurer, dated March 9, 2015:**

**Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Financial Services/Deputy Treasurer, in consultation with the Director of Internal Audit, recommend:

1. That Council approve the Draft Cash Handling Policy, Attachment 1;
2. That Council approve the Draft Cash Float Policy, Attachment 2; and
3. That Council approve the Draft Petty Cash Policy, Attachment 3.

**Contribution to Sustainability**

These new City policies help develop an environment under which staff and programs can fulfill their responsibilities while simultaneously maintaining effective management and strong controls over the handling and safe-guarding of the City's funds. Protecting city assets and resources is a primary goal of ensuring sustainability.

**Economic Impact**

There are no economic impacts associated with implementing these policies with the possible exception of space modifications to provide secure cash storage facilities. The possible costs associated with the purchase, installation and maintenance of safes and other security devices have not been determined.

**Communications Plan**

Upon approval, the Cash Handling, Cash Float and Petty Cash Policies will be incorporated with the City's Policy Manual.

The policies and procedures guidelines have been communicated and shared with program representatives from across the organization to gather and incorporate feedback. Once the policies are approved, training and awareness sessions will be conducted for affected staff, supervisors and managers.

**Purpose**

To obtain Council's approval of new City of Vaughan Treasury Policies including a Cash Handling Policy, Cash Float Policy and Petty Cash Policy. The City of Vaughan has procedures to disburse funds and control cash in their areas but there is a need to standardize practices.

The City follows a number of practices and formal policies will help to mitigate risks associated with inconsistent cash disbursement and cash handling processes that currently exist throughout the corporation.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 24, 2015

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#### **Background - Analysis and Options**

Staff findings and audit recommendations identified the need to formalize policies around the disbursement and handling of City funds. Recognizing this need, staff developed several policies.

Analysis was conducted by scanning the municipal landscape to gather and review similar documents currently in use in other governmental organizations. Further, the Municipal Finance Officers Association of Ontario (MFOA) policy library was consulted to identify best practices in policy development. These information sources provided the basis for these new Vaughn-specific policies.

These policies support legislation contained in the Municipal Act 2001. Specifically the Treasurer, or delegate, is to collect, issue receipts and deposit money received on behalf of the City. Further, the Treasurer, or delegate, is to pay authorized debts and expenditures, maintain accurate records and provide Council with financial information when requested.

The benefits associated with these policies include:

- Safeguarding and protecting city assets;
- Consistency of application; and
- Improve monitoring and awareness.

Formalized policies and practices are industry best practices that will help support the City of Vaughan's progressive culture.

#### **Forms**

Forms have been developed to support these policies and may be changed from time to time with the written approval of the Commissioner of Finance.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

The above recommendations are consistent with the City's goal of organization excellence, and more specifically, to ensure financial sustainability in the effective management and safeguarding of the City's funds.

#### **Regional Implications**

Not applicable

#### **Conclusion**

The objective of this report is to provide staff guidance on the consistent handling and disbursement of City funds. The second objective is to ensure appropriate and adequate control measures are in place. The final objective is to ensure compliance with legislation as contained within the Municipal Act 2001.

In order to achieve these objectives, three (3) new policies have been developed.

#### **Attachments**

1. Draft Cash Handling Policy
2. Draft Cash Float Policy
3. Draft Petty Cash Policy

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 24, 2015**

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**Report prepared by:**

Sean Skinkle  
Manager, Special Projects  
Ext. 8401

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

**TREASURY POLICIES – CASH BASED TRANSACTIONS**

**Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Financial Services/Deputy Treasurer, in consultation with the Director of Internal Audit, recommend:

1. That Council approve the Draft Cash Handling Policy, Attachment 1;
2. That Council approve the Draft Cash Float Policy, Attachment 2; and
3. That Council approve the Draft Petty Cash Policy, Attachment 3.

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These new City policies help develop an environment under which staff and programs can fulfill their responsibilities while simultaneously maintaining effective management and strong controls over the handling and safe-guarding of the City's funds. Protecting city assets and resources is a primary goal of ensuring sustainability.

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Upon approval, the Cash Handling, Cash Float and Petty Cash Policies will be incorporated with the City's Policy Manual.

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The City follows a number of practices and formal policies will help to mitigate risks associated with inconsistent cash disbursement and cash handling processes that currently exist throughout the corporation.

**Background - Analysis and Options**

Staff findings and audit recommendations identified the need to formalize policies around the disbursement and handling of City funds. Recognizing this need, staff developed several policies.

Analysis was conducted by scanning the municipal landscape to gather and review similar documents currently in use in other governmental organizations. Further, the Municipal Finance Officers

Association of Ontario (MFOA) policy library was consulted to identify best practices in policy development. These information sources provided the basis for these new Vaughn-specific policies.

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**Report prepared by:**

Sean Skinkle  
Manager, Special Projects  
Ext. 8401

Respectfully submitted,

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John Henry, CPA, CMA  
Commissioner of Finance & City Treasurer

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Dean Ferraro, CPA, CA  
Director of Financial Services & Deputy Treasurer

**DRAFT CASH HANDLING POLICY****1. PURPOSE**

This policy ensures that cash and cash equivalents are handled appropriately, are physically safeguarded, and are accurately recorded in the financial system. This policy establishes responsibilities and guidelines for cash handling. This policy does not deal with petty cash funds nor cash float funds as these policies are outlined in the Petty Cash and Cash Float Fund Policies. (Ref *Petty Cash Policy* and *Cash Float Policy*)

This policy is designed to avoid fraudulent activity in the handling of City of Vaughan cash, achieve appropriate financial control of the City's cash and to promote proper and consistent cash handling practices across the organization.

**2. DEFINITIONS**

- a) "Cash" is defined as coin, currency, cheques, money orders, letter of credit and credit/debit card transactions.
- b) "Cashier" is defined as any employee who performs the function of receiving, transmitting, safeguarding and/or depositing City of Vaughan cash.
- c) "Cash handler" is an individual designated to receive, count, track, record, secure, transport or deposit cash money on behalf of the City of Vaughan.
- d) "Chain of custody" is defined as the paper trail, showing the custody, control and transfer of cash funds.
- e) "City" represents the City of Vaughan.
- f) "Lap" is defined as the fraudulent practice of concealing theft of cash. Lapping occurs when a cashier steals cash from one customer's payment and covers it up by stealing cash from the next customer's payment.
- g) "Misappropriate" means to intentionally take City funds for one's own use or other unauthorized purpose.
- h) "Segregation of Duties" means no single person handles a transaction from beginning to end.
- i) "Skim" is defined as the fraudulent practice of taking money from cash receipts.

**3. SCOPE**

This policy applies to all City of Vaughan departments with employees, staff, volunteers, students, elected officials, contractors, consultants, boards, agencies, commissions and business partners who accept cash on behalf of the City for financial transactions that are captured within the City's financial system.

The principles of this policy include:

- Protection of city assets;

- Consistency of application;
- Ease of controls, (the controls should not exceed the potential loss); and
- Effective monitoring and awareness.

#### 4. ROLES AND RESPONSIBILITIES

Due to the decentralized nature of revenue collection within the City, procedures may vary from location to location. To ensure proper and consistent cash handling practices across the organization:

**4.1 *Department Director (or delegate):*** Responsible to approve written procedures for all areas of their department's cash handling operations.

**4.2 *Department Manager (or delegate) is responsible to:***

4.2.1 In consultation with Financial Services, develop, and have approved, written procedures for all areas of their department's cash handling operations. The procedure must include the ability to ascertain individual accountability and ensure the safeguarding of City funds.

4.2.2 Ensure that procedures in place within their departments comply with this policy and incorporate the City's Department Cash Handling Procedures Guidelines.

4.2.3 Ensure Cash Handlers are properly trained in proper cash handling, processing, robbery and fraud training and counterfeit detection.

4.2.4 Ensure, in the event of a loss, compliance with the procedures as detailed in the City's Robbery/Fraud training.

4.2.5 Consult with Financial Services regarding new cash handling processes before implementation (e.g. credit cards, e-commerce, etc.).

4.2.6 Authorize individuals in their departments to handle cash and provide a list of these names to the Accounting Manager, including any updates or revisions to the list.

**4.3 *Cash Handler is responsible to:***

4.3.1 Demonstrate that they have read and understand the Cash Handling Policy.

4.3.2 Use due diligence in handling City funds so that reasonable protection is provided at all times.



- 4.3.3 Comply with cash handling procedures developed for and implemented in their respective service areas.
- 4.3.4 Report to their Department Manager or the Deputy Treasurer, any instance that contravenes this policy and/or fails to give proper care to City cash, securities or other valuables, whether or not such failure has resulted in a loss.

**4.4 Accounting Manager (or delegate) is responsible to:**

- 4.4.1 Provide cash handling training to employees/departments as required.
- 4.4.2 Maintain the list of employees responsible for cash handling, including petty cash and cash float funds.
- 4.4.3 Perform surprise cash counts.
- 4.4.4 For new cash handlers confirm they have received the required robbery, fraud and counterfeit detection training.
- 4.4.5 Provide management reports to the Commissioner of Finance and Deputy Treasurer to assess cash handling processes, consistency of application and/or unusual activities.
- 4.4.6 Reconcile deposits to bank account statements.

**4.5 Deputy Treasurer is responsible to:**

- 4.5.1 Oversee the proper receipting and safeguarding of City funds.
- 4.5.2 Ensure adequate segregation of duties.
- 4.5.3 Perform reviews of departmental or service area procedures to ensure they align to the Cash Handling Policy.
- 4.5.4 Review documented investigations related to process, including theft and misappropriation of funds. Escalate material issues to the Commissioner of Finance in a timely manner.

**4.6 Internal Audit:** Responsible for completing cash handling reviews of select departmental or service areas on a periodic basis to identify areas for improving and strengthening cash handling controls.

**4.7 Human Resources:** Responsible to provide general orientation and robbery prevention training for any staff member who will be handling city funds. Human Resources will also be responsible for investigating and recommending additional supporting functions as part of the reference checks for new hires (i.e. background checks and/or bonding).

## 5. DIRECTIVES

### 5.1 Cash Handling Function

Cash handling is an integral part of revenue collection. There are multiple business units at the City, and in the pursuit of its core function of program and service delivery, payment for goods and services are a necessary consequence. The City thus has to regulate and streamline receipting, depositing and reconciliation via effective and efficient records and controls that allows for the processing of all cash transactions.

#### 5.1.1 Safeguarding

- During non-business hours and business periods, where access to cash is not required, all funds are required to be stored in a locked vault, safe or other secure cabinet/drawer.
- Signage should be displayed at each facility that handles city funds indicating that minimal cash is on site.
- Vault or safe combinations must be limited to the smallest number of individuals practicable, given the business needs of the work unit. The Department Manager should maintain a list of employees who have safe combinations.
- Vault combinations must be changed on a quarterly basis and/or when staff changes occur (i.e. retirements, transfers or terminations).
- Private areas must be provided for cash reconciliation and deposit preparation.
- Each Cashier is responsible to ensure their cash drawer is locked when they leave their station. No funds are to be left unattended or unsecured.
- Chain of custody must be maintained when transferring or transporting funds to the bank, between staff or other departments.
- Cash must not be sent through the internal mail.
- The cash on hand should be “spot-checked” periodically by the Department Manager, Finance or Internal Audit.
- Finance and Internal Audit must be notified and Human Resources consulted, related to investigations and/or disciplinary consequences if misappropriation by an employee is suspected.
- Losses due to theft must be reported immediately to the Deputy Treasurer.

## 5.1.2 Cash Handling

Cash handling is deemed to have the following major functions:

- Collecting and receipting;
- Depositing; and
- Reconciling and monitoring.

### 5.1.2.1 Collecting and Receipting

- All cash received must be recorded immediately upon receipt.
- When practical, all mail that could contain cash should be opened by a minimum of two people, and the contents thereof recorded.
- The recipient of the cash is responsible for the receipting of the cash in the cash register.
- Cheques received through the mail or in person must be endorsed with the Department's "For Deposit Only" stamp immediately upon receipt.
- A receipt should be issued immediately for cash received.
- Voided cash receipts should be reviewed on a regular basis.
- No payment may be made from the cash received.

### 5.1.2.2 Banking and Depositing

Cash must be deposited into an authorized City of Vaughan Account. The bank account utilized will be the primary bank account of the City and clearly designated in the name of the City of Vaughan.

In conjunction with the Armoured Car pick up schedule, cash must be deposited in a timely fashion to safeguard city funds. In consultation with Finance, departments must determine an appropriate threshold that triggers a deposit. Analysis of cash balances must be regularly reviewed by the Department Manager to ensure the frequency of Armoured Car pickup is reflective of current cash receipts.

### 5.1.2.3 Reconciling and Monitoring

Early detection of fraudulent activity will be enhanced through adherence to the following:

- Receipt numbers, receipts and deposits should be reconciled, at least on a monthly basis.
- Adequate separation of duties must exist for cash collecting, depositing and reconciling. In smaller departments the handling of cash should be separated from the reconciliation.

- Errors, overrides and voided cash receipts should be reviewed on a regular basis.
- A third party not involved in the cash handling process should authorize and monitor the process at regular intervals.

## 5.2 Processes

### 5.2.1 Collecting and Receipting

- All cash received must be recorded. Depending on the volume and amount of cash received, this may be done by issuing pre-numbered receipts to the customer, or by recording the transaction using any method established or approved by the Accounting Manager.
- For each receipt at least the date, customer, service/product, amount and cheque number (if relevant) must be recorded.
- Funds accepted by any Cashier must be under single control of the Cashier and they must have sole access to their funds until the funds are returned.
- Records of cash collections must be kept in a safe place separate from the cash.
- The Department Manager (or delegate) must countersign all void cash receipts or changes to other records.
- Cash collections must be kept in a safe, secure place until they are deposited. Locked cash boxes, desk drawers, filing cabinets and safes all provide varying degrees of security. The amount of cash on hand/collected/received will determine the level of security required.
- Combinations or keys to safes and other cash storage facilities must be restricted to the custodian of the cash and a designated backup.

### 5.2.2 Depositing

- Timing of cash deposits must conform to Section 5.1.2.2.
- The cash must be counted and the total recorded in the appropriate form.
- The cash counted must be reconciled to the cash collection records before it is deposited. Any discrepancy must be recorded, followed up and resolved, but not delay the depositing of the cash.
- The cash must be taken to the Department Manager (or delegate) for review and the Department Manager (or delegate) must sign that he/she agrees with the total cash counted by the Cashier/Cash Handler.
- The Department Manager (or delegate) must ensure that cash counted agrees to the deposit slip.
- Adequate security measures must be implemented when transporting cash, even within the program or service deliver area.

- Armoured Car Service is to be used to transport cash from the program or service area to the bank, according to the prearranged schedule.
- The deposit is to be made into the clearly designated City of Vaughan primary bank account.

#### 5.2.3 Reconciling and Monitoring

- The cash collected must be counted and balanced to the cash record at the end of each day.
- In case the cash does not balance, the Department Manager (or delegate) must report the matter daily to the Deputy Treasurer (or delegate) when the shortage/overage is greater than or equal to \$100.00.
- Where relevant, cash must be reconciled prior to handover to another person (e.g. for the next shift or to a backup).
- The person responsible for the reconciliation function must be someone other than the cashier.
- The person responsible for the reconciliation function must review/check the accuracy of records on a regular basis, including that the totals receipted and deposited agree.
- Independent of the cash handling operations, Financial Services will prepare monthly bank reconciliations.
- The cash deposits listed in the monthly financial (fund) reports must be reconciled to the department's records of cash collections.
- Such reconciliation is to be cross referenced with the primary bank account statements.
- A dated and signed record of the reconciliation must be prepared and filed by the person who completed the reconciliation function.
- Any material differences in the reconciliation must be recorded, investigated and resolved.
- If pre-printed receipt books are used, the unused books must be kept in a safe place under the control of a person other than those involved in the collecting and receipting of cash.
- Pre-printed receipt books, if used, are to be secured by the Department Manager (or delegate).

#### 5.2.4 Refunds

Refunds must be made in accordance to the Department's refund policy and procedures and approved by Department Manager (or delegate).

### 5.3 Audit

Finance and/or Internal Audit will conduct periodic audits. Issues or concerns identified during the audit will be reported to the Deputy Treasurer for review, reporting and follow-up.

As part of the external audit process, the Accounting Manager requires each cashier to provide confirmation of the amount of cash funds they have at the end of each fiscal year.

#### **5.4 Compliance**

Failure of staff to comply with this Cash Handling Policy could result in disciplinary action, including termination of employment.

#### **5.5 Reporting**

Management reports are to be prepared for review by the Commissioner of Finance and Treasurer and the Director of Financial Services/Deputy Treasurer. Management reports are intended to assess cash handling processes, consistency of application and/or unusual activities.

#### **5.6 Forms**

Forms in support of this policy may be changed from time to time with the written approval of the Commissioner of Finance.

## DRAFT CASH FLOAT POLICY

**1. PURPOSE**

This policy should be read in conjunction to the Cash Handling Policy.

The purpose of the cash float is to provide change when cash is collected or refunds required for a service or product that is provided by the City of Vaughan. Cash floats are not to be used as petty cash funds or applied for personal use, even on a temporary basis. No disbursements can be made from a cash float. Receipts over and above the cash float balance are to be removed and deposited in accordance with the City of Vaughan's Cash Handling Policy (Ref).

**2. DEFINITIONS**

- a) "Cash float" means a specified amount of cash on hand to be used to provide change for a service or product that is provided by the City of Vaughan.
- b) "Cash float Custodian" means an approved staff member appointed to solely operate, and safeguard a cash float.

**3. SCOPE**

This policy provides guidance for the authorization, establishment and replenishment of cash floats, including appropriate operation and security standards. This policy applies to appointed staff in all departments or locations requiring a cash float fund to make change for products and services provided to residents for a fee.

**4. ROLES AND RESPONSIBILITIES**

- 4.1 Department Manager.** Responsible for appointing Cash Float Custodian, and ensuring that a secure locked location is available for the funds to be held during the day and overnight. The Department Manager is responsible to ensure policy compliance, will provide procedural training to custodian and advise the custodian on their roles and responsibilities. The Department Manager will determine appropriate float size, ensure reconciliations are verified and deposits made and immediately advise the Deputy Treasurer of shortages.
- 4.2 Cash Float Custodian:** *Responsible for safekeeping, controlling and reconciling the cash float and ensuring that daily receipts above the float amount are deposited in accordance with the Cash Handling Policy.*
- 4.3 Accounting Manager.** Responsible for procedural training. The Accounting Manager is responsible for approving the establishment of new cash float funds,

changing the approved amount of existing cash float funds, and directing periodic audits of departmental cash float funds.

- 4.4 Deputy Treasurer:** Responsible for developing and maintaining the Cash Float policy and procedures. The Deputy Treasurer is responsible for investigating issues or concerns identified during audits, escalation of shortage issues and reporting requirements.

## 5. DIRECTIVES

### 5.1 Establishing a Cash Float and Appointing a Cash Float Custodian

- 5.1.1 A Department Manager may request the establishment of a cash float fund. The request must be submitted to the Accounting Manager on the Cash Float Approval Form.

The purpose of the cash float must be clearly understood by both the department requesting the funds and Financial Services.

The Department Manager shall establish the cash float fund once approved. The department must designate a staff person as the cash float custodian (custodian) who will be responsible for managing the cash float and depositing daily receipts in accordance with the Cash Handling Policy ensuring that the funds are kept in a secure locked environment.

- 5.1.2 The Accounting Manager shall, upon review:

- Sign approval on the Cash Float Approval Form; and,
- Retain the Cash Float Approval Form on file, complete with all signatures required.

- 5.1.3 A cash float fund must not exceed the amount approved by the Accounting Manager. The Accounting Manager can approve a cash float fund up to \$500.00. Cash float fund requests in excess of \$500 must be approved by the Deputy Treasurer.

- 5.1.4 Cash to be deposited in a cash float must be disbursed in the form of a cheque payable to the custodian. Financial Services will issue the first cheque to establish a new cash float fund.

- 5.1.5 Every person to be appointed as a temporary or permanent custodian shall sign the Cash Float Approval Form, acknowledging that:

- They have read this policy and will adhere to its requirements;
- They will be personally responsible for cash float in their care; and,



- At the discretion of the Accounting Manager, they may be required to repay the City of Vaughan for any cash lost due to their own negligence.

## **5.2 Appointing Temporary and Replacement Cash Float Custodians**

5.2.1 Using the Cash Float Approval Form, the responsible Department Manager shall;

- Submit the name, position, and signed acknowledgement of a proposed temporary or replacement cash float custodian, as required by Directive 5.1, for the approval of the Accounting Manager;
- Indicate the duration of the temporary custodianship; and,
- Upon approval, appoint the temporary or replacement custodian.

5.2.2 Every newly appointed cash float custodian shall, in writing to the Department Manager acknowledge receipt of cash, and verifications in the cash float, using the Cash Float Approval Form.

## **5.3 Security of Cash Float and Related Receipts**

5.3.1 It is the custodian's responsibility to take adequate precautions for the safekeeping of the cash float funds under their control. Cash float funds and related daily receipts must be stored in a locked box or locked cash drawer. Daily receipts must be reconciled and deposited in accordance with the Cash Handling Policy and the float must remain as originally assigned. The custodian is responsible for ensuring the security of the cash float and daily receipts until deposited in the bank. The cash float must also be kept:

- Inside a locked safe when the float is not in use; or,
- Inside a locked area.

5.3.2 Cash float funds should never be left unattended or unsecured. A theft or loss of cash float must be reported immediately.

## **5.4 Changing the Amount of a Cash Float Fund**

5.4.1 Should the cash float custodian determine that additional funds are required for optimum operations, the Cash Float Approval Form should be completed and sent to the Accounting Manager for approval and for processing a cheque to add to the cash float.

5.4.2 Should the cash float custodian determine that the cash float is too high for optimum operations, the Cash Float Approval Form should be completed and sent to the Accounting Manager as an advice and the

excess amount included in a separate cash receipt in accordance with the Cash Handling Policy.

## **5.5 Closing a Cash Float Fund**

5.5.1 Should the cash float custodian or department manager determine that the cash float fund is no longer required to support the program or service, the Cash Float Approval Form should be completed and sent to the Accounting Manager.

5.5.2 The cash float custodian will deliver the balance of their cash to the Cashier, Financial Services. The cashier will issue the custodian with a receipt. The cashier receipt should be attached to the closure form.

## **5.6 Cash Float Fund Audits**

5.6.1 Annual cash float confirmation:

- As part of the external audit process, the Accounting Manager requires each custodian to provide confirmation of the amount of cash in their float at the end of each fiscal year.
- Should the total of the cash and requisitions not equal the approved float balance, an adjustment will be done at year end to reflect actual amounts.

5.6.2 The cash float will be subject to periodic audits. Issues or concerns identified during the audit will be reported to the Deputy Treasurer for review and follow-up.

## **5.7 Forms**

Forms in support of this policy may be changed from time to time with the written approval of the Commissioner of Finance.

**DRAFT PETTY CASH POLICY****1. PURPOSE**

This policy should be read in conjunction with the Cash Handling Policy.

The purpose of the petty cash fund is to allow for the reimbursement of minor business expenses in an efficient and cost effective manner. The use of petty cash funds should be limited to reimbursements of staff for small expenses not to exceed \$50.00. Petty cash funds provided to departments to facilitate payment of minor expenses must be established in accordance within the directives of this policy. Petty cash is to be differentiated from cash floats which are used to make change where cash revenue is received and are not addressed within this policy. Cash floats are covered under a separate policy (Ref).

**2. DEFINITIONS**

- a) "Petty Cash Fund" means a specified amount of cash on hand to be used for essential and immediate purposes.
- b) "Petty Cash Custodian" means an approved public officer appointed to solely operate, safeguard and make disbursements from a petty cash fund.

**3. SCOPE**

This policy provides guidance for the authorization, establishment and replenishment of petty cash funds, including appropriate uses and security standards. This policy applies to appointed staff in all departments or locations requiring a petty cash fund to make essential and/or immediate purchases for which other payment methods are impractical.

These funds may only be established and used for the following authorized purposes:

- Necessary and reasonable small business transactions not to exceed \$50.00,
- Necessary and reasonable food purchases/meal allowances for overtime work not to exceed \$50.00, and/or
- Local transportation, and parking not to exceed \$50.00.

These funds should not be used interchangeably, nor should they be used as follows:

- To contravene the City of Vaughan's Purchasing policy (Ref 052.06)
- To contravene the City of Vaughan's Employee Reimbursement for Business Related Expenditures and Advances (Ref 03.29)
- For purchases greater than \$50.00
- To reimburse purchases made on credit cards or debit cards
- To pay salaries for any permanent or temporary staff
- To pay supplier invoices

- For personal use

Staff with access to a PCARD should be utilizing them as the preferred payment method and in accordance with the PCARD Policy (Ref 05.02.07).

#### 4. ROLES AND RESPONSIBILITIES

**4.1 *Department Manager*** (or delegate) is responsible for:

- 4.1.1 Requesting a petty cash fund, amendments to the fund, appointing permanent and temporary Petty Cash Custodians.
- 4.1.2 Ensuring that a secure locked location is available for the funds to be held during the day and overnight.

**4.2 *Petty Cash Custodian*** is responsible to:

- 4.2.1 Reconcile, disburse and replenish petty cash funds.
- 4.2.2 Maintain adequate controls over the cash and ensure the funds are kept in a secure and locked environment.
- 4.2.3 Sign off on confirmation at end of year.

**4.3 *Accounting Manager*** (or delegate) is responsible to:

- 4.3.1 Authorize the establishment of new petty cash funds, changing the approved amount of existing petty cash funds, appointment of permanent and temporary custodians and directing periodic audits of departmental petty cash funds.
- 4.3.2 Approve an amount up to a maximum of \$500.00 for individual petty cash funds.

**4.4 *Deputy Treasurer*** is responsible to:

- 4.4.1 Approve requests for fund amounts in excess of \$500.00.
- 4.4.2 Investigate issues or concerns identified during audits.

**4.5 *Accounts Payable:*** Responsible for ensuring the timely reimbursement of funds by processing cheque requisitions for petty cash custodians, and annually confirming the petty cash funds based on the completion of Certificate of Cash Funds by petty cash custodians.

## **5. DIRECTIVES**

### **5.1 Establishing a Petty Cash and Appointing a Petty Cash Custodian**

5.1.1 A Department Manager may request the establishment of a petty cash fund or a change to the approved amount of an existing petty cash fund. The request must be submitted to the Accounting Manager on the Petty Cash Approval Form.

The purpose of the petty cash must be clearly understood by both the department requesting the funds and Financial Services. For fund amount increases the Department Manager must include a justification for the increase.

5.1.2 The Accounting Manager shall, upon review:

- Sign approval on the Petty Cash Approval Form; and,
- Retain the Petty Cash Approval Form on file, complete with all signatures required.

5.1.3 A petty cash fund must not exceed the amount approved by the Accounting Manager. Any exceptions must be approved by the Deputy Treasurer.

5.1.4 Cash to be deposited in a petty cash fund must be disbursed in the form of a cheque payable to the custodian. Financial Services will issue the first cheque to establish a new petty cash fund. The department responsible for the operation of the petty cash fund will issue subsequent cheque requests to replenish the fund.

5.1.5 Every Person to be appointed as a temporary or permanent custodian shall sign the Petty Cash Approval Form, acknowledging that:

- They have read this policy and will adhere to its requirements;
- They will be personally responsible for petty cash in their care; and,
- At the discretion of the Accounting Manager, they may be required to repay the City of Vaughan for any cash lost due to their own negligence.

### **5.2 Appointing Temporary and Replacement Petty Cash Custodians**

5.2.1 Using the Petty Cash Approval Form, the responsible Department Manager shall;

- Submit the name, position, and signed acknowledgement of a proposed temporary or replacement petty cash custodian, as required by Directive 5.1, for the approval of the Accounting Manager; and,

- Upon approval, appoint the temporary or replacement custodian.

5.2.2 Every newly appointed petty cash custodian shall, in writing to the Department Manager acknowledge receipt of cash, receipts and verifications in the petty cash fund, using the Petty Cash Approval Form.

### 5.3 Disbursing and Accounting for Petty Cash

5.3.1 Only the custodian may make disbursements from a petty cash fund. The custodian is solely responsible to operate, account for and to safeguard the cash, receipts and verifications and shall keep all cash and related documents in a secure cashbox until reconciliation.

5.3.2 Reimbursements:

The custodian may use petty cash to reimburse a public officer who has used personal money for an expenditure less than or equal to \$50.00 that would ordinarily be an allowable petty cash expenditure. The custodian must receive, from the public officer being reimbursed, both a written receipt for the expenditure and a signed Petty Cash Voucher form acknowledging the reimbursement. The written receipt and Petty Cash Voucher must:

- Describe the purchase and state the cost;
- Show the financial code to which the purchase is charged;
- Bear the signed approval of the custodian; and,
- Bear the signed acknowledgement of the payment received
- Under no circumstances may the custodian approve his or her own petty cash expense or that of a person to whom he or she reports.

5.3.3 Advances:

There shall be no advances to public officers from Petty cash.

### 5.4 Security of Petty Cash and Related Receipts

5.4.1 It is the custodian's responsibility to take adequate precautions for the safekeeping of the petty cash funds under their control. Petty cash funds and related receipts must be stored in a locked box or locked cash drawer. Only the custodian and a senior staff member should have the keys to the box and the cabinet. The locked box or drawer must also be kept:

- Inside a locked safe when the cash is not in use; or,
- Inside a locked area.

5.4.2 Petty cash funds should never be left unattended or unsecured. A theft or loss of petty cash must be reported immediately.

## **5.5 Reconciling, Replenishing and Closing a Petty Cash Fund**

- 5.5.1 The sum of cash on hand and verified disbursements (i.e. verified receipts and advances) must always equal the approved amount of the petty cash fund.
- 5.5.2 The custodian shall reconcile a petty cash fund and have the Department Manager sign-off on the reconciliation on a monthly basis. Further, reconciliations should be performed:
- Bi-weekly when warranted due to high volumes of reimbursements;
  - At year-end; and,
  - When the custodian is temporarily or permanently replaced.
- 5.5.3 Under signature of the Department Manager the custodian shall initiate the replenishment of a petty cash fund:
- When the fund nears depletion; and,
  - At the end of each fiscal year.
- 5.5.4 To replenish a petty cash fund:  
The custodian shall:
- Reconcile the total of the receipts plus remaining cash to the approved amount of the fund using the Petty Cash Reconciliation Sheet;
  - List in summary form the coding and amounts of verified and paid receipts on a cheque requisition;
  - Submit the cheque requisition, receipts, and petty cash reconciliation sheet to a managers or supervisors with appropriate expenditure signing authority within the department for review and signature; and,
  - Forward to Accounts Payable where a cheque will be created and made payable to the approved custodian.
  - A petty cash fund should not require replenishment more often than bi-weekly.
- 5.5.5 Closing a Petty Cash Fund:  
To close a petty cash fund, the Petty Cash Approval Form must be submitted and a final replenishment must be completed in order to expense all reimbursements made, but not accounted for. Any cash remaining in the fund must be returned to Financial Services. The funds shall be deposited back into the general bank account, thereby eliminating the petty cash fund.
- 5.5.6 Annual Petty Cash Confirmation:

- As part of the external audit process, the Accounting Manager requires each custodian to provide confirmation of the amount of cash and vouchers in their petty cash funds at the end of each fiscal year.
- Should the total of the cash and vouchers not equal the approved fund balance, an adjustment will be done at year end to reflect actual amounts.

## **5.6 Petty Cash Audits**

The petty cash fund will be subject to periodic audits. Issues or concerns identified during the audit will be reported to the Deputy Treasurer for review and follow-up.

## **5.7 Forms**

Forms in support of this policy may be changed from time to time with the written approval of the Commissioner of Finance.