



PETTY CASH POLICY

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PETTY CASH POLICY

1. INTRODUCTION

Petty cash funds are established to enable Agencies/Health Centres/Head Office to make small, emergency purchases where a purchase order is not cost effective. The company permits maintenance of a petty cash fund, as described by this policy.

Agencies/Health Centres/Head Office are responsible for adequate security and control of their petty cash funds. The fund should be secured at all times in a locked place. Theft and any other losses of petty cash are the responsibility of the custodians and their managers. The following should be observed to enhance safety:

1.1 Security

- Unauthorized persons should not be allowed in areas where cash is handled.
- Doors should be locked at all times in areas where cash is handled. Safe doors should be kept closed.
- Large sums of cash should be counted and handled out of sight of the general public.
- Cash should NEVER be unattended. This applies to cash registers and cash drawers as well.
- For overnight storage and during other periods when cash is not being used, it should be kept in a safe.
- Under no circumstances should an individual keep company cash with their own personal funds, in a personal bank account or take it to one's home for safekeeping

2. PETTY CASH MANAGEMENT

The following rules, conditions and guidelines apply to the petty cash management:

2.1 Purpose

Petty cash should be used to reimburse individuals for non-travel, out-of-pocket expenditures and incidental department expenses when it is infeasible or impractical to use normal purchasing means. These amounts should not exceed Ksh. 2,000.00 for Ksh.40,000.00 and over funds and above and Ksh. 1,000.00 for funds below Ksh. 40,000.00.

Petty cash should not be used in place of the company purchasing process at any one time. As much as possible, arrangements should be made with suppliers of goods and services that are regular in nature to allow for payment by cheques at specified intervals, e.g. monthly. This reduces the strain on petty cash, while at the same time reinforcing control.



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2.2 Prohibitions

Petty cash should not be used for the following:

- Motor vehicle repairs and maintenance.
- Travel advances. All travel activities need to be reported through the travel reimbursement process.
- Payment for items that can be purchased through the purchasing system.
- Payments to vendors for invoices submitted directly to the department where a purchase order was issued. Send these invoices to Accounts Payable for processing and payment.
- Payments to employees for services, awards, bonuses, etc. These should be processed through the payroll process.
- Personal borrowing (IOUs).

Please note that the above list only points out the obvious exclusions and is not exhaustive.

2.3 Custodian

The petty cash fund should be secured at all times. Every Agency/Health Center with a petty cash fund is responsible for appointing a custodian, who will be a member of staff, to monitor its use and replenishment. Appointment and approval should officially be made by the HOD or higher person; a custodian cannot appoint or approve himself/herself. In addition, there should be limited access to the fund.

Finance must be notified if there is a change in the petty cash custodian. In order to ensure accountability to the new custodian, Finance will audit and document the fund at the time of the change.

It will be the responsibility of the custodian to ensure that this fund is used as prescribed by this policy. In addition, the custodian will ensure that fund use is consistent with the manner described in the documentation that initially established the fund.

The custodian is responsible for performing a full reconciliation of the fund at least monthly or during each request for reimbursement, depending on frequency of use, which he/she will provide to Finance. The custodian also handles fund replenishment. The custodian is responsible for reporting all instances of loss of funds, including filing a report with the Police, as soon as the loss is discovered.



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2.4 Petty Cash expense Requisitions/Submissions

A Petty Cash Voucher will serve as requisition for petty cash. This is issued by the fund custodian and must be completed in its entirety to be processed. The business purpose of the request should be explained on the voucher, which then has to be approved by the relevant authority (e.g. BDM). The voucher is then signed against for issue and receipt of the cash and left with the fund custodian.

Multiple Petty Cash Vouchers for the same business expense will not be processed.

A Petty Cash Expense Claim form should be submitted within a day of incurring the business expense. This is sent to the authorising authority for expenditure approval and must have the following details:

- Details of all transactions, identifying all pertinent information (who, purpose, transaction detail and date of expense). Identify each cost and the center/account to be charged.
- Attach original receipts, referencing each receipt's corresponding transaction on the detailed journal.
- A summary page that shows only the total amount charged to each center/account code. This data will be the basis for entry of transaction detail in the accounting system.

The Petty Cash Expense Claim form is then attached to the Petty Cash Voucher that authorised the cash and awaits reimbursement.

Where expenditure comes before the cash requisition, the Petty Cash Expense Claim form should be completed in the same manner as above before the transaction is formalised by filling and authorising the Petty Cash Voucher as described above. This reverse process, however, should be the exception rather than the norm and should be discouraged.

All Petty Cash Vouchers must be accounted for by the fund custodian.

2.5 Reimbursement Process

When the fund is reduced to a balance that can support approximately 5-7 business days of activity, the custodian should perform a reconciliation and send it, along with a request to replenish the fund to Finance. Before being submitted to Finance, however, this reimbursement request must be approved by the immediate supervisor of the fund custodian and the HOD (National Sales Manager and Clinical Services Manager). Finance will check the request to ensure that proper documentation has been provided.

Once the checking is completed and the reimbursement request approved, a cheque will be prepared within three days for fund replenishment. The cheque is made payable to the custodian who the encashes it.



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2.6 Audit

Each reimbursement request will be subject to checking by Finance. In addition, the Internal Audit department will perform periodic unannounced audits of the fund to ensure proper control is maintained.