

KDLA Trustee Tip
May 2016
Is Your Library's Petty Cash Fund Secure?

The library's petty cash fund may seem a, well, petty topic for trustees. Don't be fooled by this seemingly-small part of your budget – petty cash is anything but petty in the larger scheme of financial best practices for special purpose governmental entities like public libraries.

Most libraries retain petty cash funds for small, unexpected supply purchases and for making change when receiving large bills for patron fines or purchases. While most library petty cash funds are relatively small in comparison to the overall budget, the potential for theft or misuse exists. The key to preventing theft or misuse is adherence to best practices that tightly control petty cash.

Good financial management of petty cash funds addresses how petty cash is disbursed, deposited and maintained. Some key aspects of best practices include:

- A definition of petty cash, where it comes from, and where it is physically held. For libraries, petty cash often comes from fines and fees. Petty cash is generally held in a cash register or cash box at the desk.
- A dollar amount limit on petty cash, such as \$50. Any petty cash funds in excess of the limit are deposited promptly;
- A dollar amount limit on reimbursements made from petty cash. Whenever possible, reimbursements for purchases or payment for library supplies should be made by check;
- Logging all petty cash received and disbursed, in order to reconcile petty cash with the bank deposits;
- Requiring prior documented authorization for petty cash expenditures;
- Requiring receipts for all expenditures from petty cash, no matter how small.

Petty cash fund policies are integral to financial best practices for library boards. Furthermore, codifying these best practices in policies is important to assuring employees and trustees alike understand how petty cash will be controlled. Examples of petty cash policies can be found on KDLA's website.

THIS IS NOT LEGAL ADVICE. IF YOU FEEL YOU NEED LEGAL ADVICE, CONSULT AN ATTORNEY.