

Separation of Duties for Revolving Account Fund and Petty Cash Transactions

Revolving account funds and petty cash transactions are commonly used for small, urgent, or routine expenditures. Proper internal controls ensure that these transactions are authorized, recorded, and monitored to prevent misuse or errors. Clear segregation of duties is essential to maintain accountability and compliance with district policies.

Roles and Responsibilities

Authorization of Transactions

- **Role:** Principal, Department Head, or Superintendent
- **Responsibilities:**
 - Approve the use of revolving account funds or petty cash for specific transactions.
 - Ensure requests are within district policy limits and for legitimate district purposes.

Custody and Disbursement of Funds

- **Role:** Custodian of Funds (e.g., Secretary or Treasurer)
- **Responsibilities:**
 - Maintain custody of the revolving account or petty cash fund.
 - Disburse funds only for authorized transactions.
 - Securely store cash and ensure that fund balances are protected from theft or loss.

Documentation of Transactions

- **Role:** Fund Custodian
- **Responsibilities:**
 - Require receipts or invoices for all disbursements.
 - Maintain a transaction log detailing date, amount, purpose, and recipient of funds.
 - Attach supporting documentation to the log for auditing purposes.

Replenishment of Funds

- **Role:** Accounts Payable Clerk or Bookkeeper
- **Responsibilities:**
 - Prepare requests to replenish the revolving or petty cash fund.
 - Verify that the fund custodian has provided complete and accurate documentation of prior disbursements.
 - Process and record replenishment transactions.

Reconciliation of Funds

- **Role:** Fiscal Officer or Independent Reviewer
- **Responsibilities:**
 - Reconcile the revolving account or petty cash balance with the transaction log and supporting documentation.
 - Investigate discrepancies and report findings to the superintendent or school board.

Monitoring and Oversight

- **Role:** School Board or External Auditor
 - **Responsibilities:**
 - Periodically review revolving account and petty cash activity for compliance with district policies.
 - Audit fund records to ensure proper use and documentation of transactions.
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Illustrative Example of Segregation of Duties

Scenario: Using Petty Cash to Purchase Classroom Supplies

1. **Authorization of Transactions:**
 - A teacher submits a petty cash request to the principal for \$25 to purchase classroom supplies.
 - The principal approves the request and signs the petty cash requisition form.
 2. **Custody and Disbursement of Funds:**
 - The school secretary (custodian) retrieves \$25 from the petty cash box and records the disbursement in the transaction log.
 - The teacher receives the cash and a copy of the requisition form.
 3. **Documentation of Transactions:**
 - The teacher purchases the supplies and provides the receipt to the secretary.
 - The secretary attaches the receipt to the requisition form and updates the log with the purchase details.
 4. **Replenishment of Funds:**
 - The bookkeeper reviews the transaction log and receipts submitted by the secretary.
 - The bookkeeper prepares a check request to replenish the petty cash fund and records the replenishment in the accounting system.
 5. **Reconciliation of Funds:**
 - The fiscal officer reconciles the petty cash balance by verifying that the cash on hand plus documented disbursements equals the approved fund limit.
 6. **Monitoring and Oversight:**
 - The school board reviews quarterly petty cash reports, including usage summaries and reconciliation statements.
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Additional Safeguards for Revolving Account and Petty Cash Funds

1. **Limit Access to Funds:**
 - Assign a single custodian to maintain and disburse funds.
 - Keep funds in a locked, secure location.
2. **Set Transaction Limits:**
 - Establish a maximum amount for individual petty cash or revolving account transactions (e.g., \$100)

3. **Require Supporting Documentation:**

- Mandate original receipts or invoices for all transactions.
- Prohibit the use of funds for personal or unauthorized expenses.

4. **Perform Surprise Audits:**

- Conduct unannounced audits of petty cash and revolving account funds to detect and deter misuse.

5. **Use Pre-Numbered Forms:**

- Utilize pre-numbered requisition forms for all petty cash disbursements to prevent unauthorized use.

6. **Reconcile Funds Monthly:**

- Reconcile the revolving account and petty cash fund at least once a month to ensure accuracy and detect discrepancies.

Addressing Limited Staff Scenarios

In districts with limited staff:

- Combine roles carefully while maintaining key controls. For example:
 - The school secretary may serve as both custodian and record-keeper but should not approve transactions.
 - The superintendent should periodically review fund activity and perform reconciliations.
- Engage external auditors to periodically review fund transactions and reconciliations.

Example of Adjusted Roles for Limited Staff:

- The principal approves petty cash disbursements, while the secretary manages custody and documentation.
- An external bookkeeper or auditor performs monthly reconciliations and reports findings to the school board.