R-143-26

RESOLUTION ESTABLISHING CHANGE FUND POLICIES AND PROCEDURES

WHEREAS, the Borough wishes to establish policies and procedures for use of change funds;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Wharton in the County of Morris, New Jersey, that the following policies and procedures for the use of change funds by the Borough of Wharton be adopted and amended to the Borough's Policies and Procedures:

Policy for the Use of a Change Fund in a New Jersey Municipality

I. Purpose

This policy establishes the guidelines and procedures for the establishment, use, and reconciliation of change funds within the Borough of Wharton in accordance with applicable New Jersey statutes and best financial practices. The primary purpose of a change fund is to facilitate cash transactions by providing an immediate source of small denominations for making change to individuals paying for municipal services or goods.

II. Scope

This policy applies to all municipal departments, employees, and authorized personnel responsible for handling cash transactions and managing change funds on behalf of the Borough of Wharton.

III. Definitions

- **Change Fund: A fixed amount of money, typically in various denominations, specifically established and maintained to provide change for cash transactions. It is not to be used for expenditures or as a petty cash fund.**
- **Custodian: The authorized employee responsible for the physical custody, safekeeping, and reconciliation of a change fund.**
- **Oversight Authority: The designated municipal official (e.g., Chief Financial Officer, Department Head) responsible for approving the establishment of change funds, monitoring compliance with this policy, and conducting periodic audits.**
- **Cash Transaction: Any exchange of goods or services for physical currency.**

IV. Policy

A. Establishment of Change Funds:

1. **Authorization: All change funds must be formally requested and approved in writing by the Oversight Authority. The request must specify the department, the requested fund amount, the name of the primary custodian, and the justification for the fund.**

2. **Amount: The amount of each change fund shall be limited to the minimum necessary to meet operational needs and shall be determined by the Oversight Authority. Excessive fund amounts are prohibited.**
3. **Custodian Assignment: A primary custodian will be assigned for each change fund. The custodian will be held personally responsible for the safekeeping and proper use of the fund. A secondary custodian may be designated for backup, with clear procedures for transfer of responsibility.**

B. Use of Change Funds:

1. **Sole Purpose: Change funds shall be used exclusively for making change for cash transactions.**
2. **Prohibited Uses: Change funds shall not be used for:**
   - **Making payments for goods or services (expenditures).**
   - **Cashing personal checks or other negotiable instruments.**
   - **Advancing funds to employees or others.**
   - **Personal use by any employee.**
   - **Loan purposes.**
3. **Depositing Receipts: All funds collected from municipal services or goods (excluding the original change fund amount) must be deposited in accordance with the municipality's cash receipt and deposit policy. They should not be commingled with the change fund for extended periods.**

C. Safekeeping:

1. **Secure Storage: Change funds must be stored in a secure, locked location (e.g., locked cash box, safe, locked desk drawer) at all times when not in use.**
2. **Access: Access to the change fund should be limited to the assigned custodian(s).**
3. **Security Measures: During operating hours, cash should be secured when the custodian is away from their workstation, even for short periods.**

D. Reconciliation and Reporting:

1. **Daily Reconciliation: The change fund custodian shall reconcile the fund daily at the close of business. This reconciliation will include:**
   - **Counting all cash denominations in the fund.**
   - **Verifying that the sum of cash on hand equals the established fund amount.**
   - **Documenting and reporting to CFO or designee any shortages or overages, no matter how small.**
2. **Documentation: A written reconciliation form, approved by the Oversight Authority, must be completed and signed by the custodian daily. This form should include the date, ending cash balance, and any discrepancies.**
3. **Reporting Discrepancies: All shortages or overages, regardless of the amount, must be immediately reported to the Oversight Authority. Significant or recurring discrepancies will trigger further investigation.**
4. **Periodic Unannounced Audits: The Oversight Authority or their designee shall conduct periodic, unannounced audits of all change funds to ensure compliance with this policy.**

E. Transfer of Custody:

1. **When a change fund is transferred from one custodian to another (e.g., due to an employee leaving, extended absence), a formal transfer process must be followed.**
2. **Both the outgoing and incoming custodians must jointly count and verify the fund amount, signing a transfer document acknowledging the accurate count and transfer of responsibility.**

F. Replenishment:

1. **Change funds are generally established as a fixed amount and are not typically "replenished" unless a change in the authorized fund amount is approved.**
2. **If circumstances warrant a temporary increase in the fund (e.g., for a special event), prior written approval from the Oversight Authority is required, and the fund must revert to its original approved amount after the temporary need has passed.**
3. **Exchanging large bills so change fund has appropriate smaller denominations can be done by giving appropriate finance employee that goes to bank, larger bills with note of what bills/coins are needed.**

G. Accountability and Training:

1. **All custodians of change funds will receive training on this policy and their responsibilities.**
2. **Failure to adhere to this policy may result in disciplinary action, up to and including termination of employment, and potential legal consequences.**

V. Procedures

A. Requesting a Change Fund:

1. **Department Head submits a written request to the Oversight Authority, detailing:**
   - **Department Name**
   - **Requested Change Fund Amount**
   - **Justification for the fund (e.g., anticipated volume of cash transactions)**
   - **Name of Primary Custodian**
   - **Proposed Secure Storage Location**
2. **Oversight Authority reviews the request and, if approved, issues written authorization.**

B. Issuing a Change Fund:

1. **Upon approval, the Finance Department or designated official will issue the approved change fund amount to the primary custodian.**

2. Both the issuing official and the custodian will count the funds together and sign a Change Fund Receipt/Agreement form, acknowledging the accurate count and the custodian's responsibility for the fund.

C. Daily Operations:

1. **At the start of each day, the custodian retrieves the change fund from its secure location.**
2. **Throughout the day, the change fund is used solely for making change.**
3. **All cash received from transactions (separate from the change fund) is segregated and prepared for daily deposit.**

D. End-of-Day Reconciliation:

1. **At the close of business, the custodian counts all cash in the change fund.**
2. **The custodian completes the Daily Change Fund Reconciliation Form, recording:**
   - **Date**
   - **Established Change Fund Amount**
   - **Actual Cash Count**
   - **Shortage/Overage Amount**
   - **Custodian's Signature**
3. **Any discrepancies are immediately reported to the Oversight Authority.**
4. **The change fund is securely locked away.**

E. Unannounced Audits:

1. **The Oversight Authority or designee will conduct periodic, unannounced audits.**
2. **During an audit, the auditor and custodian will jointly count the fund. The auditor will compare the count to the established fund amount and previous reconciliation records.**
3. **Any identified discrepancies or non-compliance will be documented and addressed.**

VI. Review and Revision

This policy shall be reviewed annually by the Oversight Authority and updated as necessary to ensure compliance with relevant regulations and to reflect best practices.

Adopted: September 28, 2026

BOROUGH OF WHARTON

ATTEST:

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WILLIAM J. CHEGWIDDEN,
MAYOR

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Cheryl Muzzillo,
Borough Clerk