

Cash Operations Manual - Imprest Cash Funds

A. DEFINITION

Imprest cash funds, also known as petty cash funds, are advances (loans) from the University to individual regular full-time employees for the benefit of the institution. Imprest cash funds are not to be established for travel advances. Instructions for travel advances are in E-5-3.

B. GENERAL POLICIES

1. In accordance with the Kentucky Revised Statutes (K.R.S.164A.560), it is the policy of the University of Kentucky that no disbursements be made except to satisfy a liability of the University that was incurred for authorized purposes.
2. A custodian of an imprest cash fund is authorized to make cash disbursements from the fund only for the specific purpose for which the fund was established. (For example, custodians may not use imprest cash funds to pay for expenditures if the account was established for making change.)
3. Custodians of imprest cash funds are encouraged to protect such funds by maintaining them in a bank account at the University's approved depository institution. (See E-2-7 of this manual, "Establishing Outside Banking Relationships.")
4. Imprest cash funds are not to be commingled with other University or personal funds.
5. As a part of the annual University audit, all imprest cash funds must be reconciled and a copy of the reconciliation forwarded to the Manager of Treasury Services.

C. ALLOWABLE TYPES OF IMPREST CASH FUNDS

Imprest cash funds are established to enable organizational units of the University of Kentucky to achieve their assigned objectives. Directions for establishing imprest funds are in section E-2-5-D. They may only be established for the following specific purposes:

1. Change Funds

Change funds are generally used in cashiering functions on the campus (for example, in Student Billings and in the Library). Most often advances of this type are of a permanent nature. The custodian is fully responsible for these funds until the advance is repaid to the University or until they are properly transferred to another approved custodian.

Change funds custodians may exchange cash for different denominations directly through the University's financial institution. The financial institution provides a teleny system for processing currency and coin orders through an automated telephone dial-in ordering

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process. The automated ordering system is a computerized voice response system that allows you to order currency and coin 24 hours a day.

The system will provide a confirmation number and you will have the ability to place orders up to one week in advance. The cutoff time for ordering is 10:30 am. Orders placed before that time of day will be delivered to you the next morning via armored car service. Orders to be delivered on Monday or on the day following a holiday must be received by 10:30 am on the previous business day. If you would like a standard or recurring order setup in the system you can contact the financial institution's Treasury Management Representative at (502) 581-6681.

Once you have placed your order, your imprest cash bank account at the financial institution will be automatically charged or debited for the amount of the order. **It is important to remember to have sufficient funds in the imprest cash bank account to cover the amount of this charge.**

When placing your order through the automated ordering system you will want to use two tools:

- The Telentry System Ordering Instructions are available in Treasury Services. These instructions guide you through entry into the system, placing the order and ending the order.
- Automated Change Order Worksheets are available in Treasury Services. Writing your order requirements on the worksheet will allow you to more easily and accurately place your order as you are prompted through the ordering process.

If you currently operate or wish to establish an imprest cash fund that requires the use of the currency and coin ordering process, you must have an Access Code and PIN Number to be able to access the system. Contact Treasury Services to obtain your code and PIN number.

Payments for expenditures are not to be made from change funds and checks are not to be cashed.

2. Small Purchase or Expenditure Funds

Expenditures made from an imprest cash fund must follow the University of Kentucky purchasing regulations. Custodians responsible for this type of imprest cash fund must be thoroughly familiar with State purchasing rules and regulations to insure that disbursements are allowable.

Reimbursements of the imprest cash fund should occur at least monthly but not more frequently than once a week. Accounts may be established in an amount up to forty-five (45) days of estimated expenditures in order to have funds available while reimbursement requests are processed. Supporting documentation for expenditures is essential to obtain reimbursement. A DAV charging the appropriate departmental account must be sent to Accounts Payable with the receipts attached. Supporting documentation should

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include:

- a. Name of the company or person to whom payment was made, preferably on a letterhead invoice or statement. If that is not available, a signed statement from the payee is acceptable.
- b. Date of the expenditure
- c. Description of the goods or services
- d. Purpose for which the goods or services were purchased
- e. Amount

3. Overseas Expenditures (Other Than Travel)

A faculty or staff member may obtain a grant that entails working in a foreign country where U.S. currency or checks cannot be used. In these instances, a temporary advance is made to the employee of the University for expenditures, other than travel, necessary to carry on the work of the grant. (All travel expenses must be kept separate and reimbursed on a Travel Reimbursement Voucher in accordance with the travel regulations of the Commonwealth of Kentucky. Refer to E-5-3 for travel advance instructions.)

The custodian of the fund may be reimbursed for any expenditures made in the foreign country by preparing a DAV charging the grant and attaching the supporting documentation. The reimbursement check generated by the DAV and any unspent monies will be used by the custodian to repay the imprest cash advance upon the employee's return to the United States.

Note: All expenditures must conform to the terms and conditions of the grant or contract. Reimbursement of expenditures will not be allowed unless adequate supporting documentation is provided.

Supporting documents for expenditures should include:

- a. Date of expenditures
- b. Name of payee on a letterhead or invoice. If that is not obtainable, a signed receipt from the payee is required.
- c. Description of item purchased or service performed
- d. Purpose for which the goods or services were purchased

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- e. Amount of expenditure. If the amount is in foreign currency, a conversion to U.S. dollars must be indicated.

Generally, the advance will be sufficient to cover the term of the project. Conversion of the advance into foreign currency and of any unspent monies back into U.S. currency is the custodian's responsibility and must be documented. If a checking account in a foreign country is required, authorization must be obtained from the Office of the Treasurer.

4. Payments to Research Subjects

Periodically University research projects require the participation of human subjects, and in order to accomplish the goals of the project, payment is offered as an incentive to encourage participation. These payments must be authorized by the Principal Investigator (PI) and may be made by Departmental Authorization Voucher (DAV) or from imprest cash funds.

Specific policies with regard to the payment of research subjects are contained in Business Procedures Manual Section E-9-1. Requirement for use of imprest cash funds to make payments to research subjects are documented below:

a. Payment Procedures and Required Documentation:

The documentation that must be submitted with an imprest cash reimbursement request is dependent upon the individual payment amounts to the research participants.

- \$0-\$100, receipts signed by the participants acknowledging payment, W-9 **strongly recommended**, but required only if total payments during the calendar year will exceed \$600
- \$101-\$500, receipts and W-9 for each participant

Please note that payments over \$500 cannot be made from imprest cash funds.

The PI must be cognizant of the total payments expected for an individual participant during a calendar year. If this total exceeds \$600, a W-9 must be submitted as part of the reimbursement documentation outlined above. In addition, the PI must inform **all** participants **in writing** that they are required to report all payments received for participation in a research study to the IRS as taxable income.

b. Exceptions for Certificates of Confidentiality:

An exception to the requirement to submit a W-9 and/or other identifying information about an individual participant may be granted if the study is of a highly sensitive nature **and** a Certificate of Confidentiality has been secured from the National Institutes of Health **in advance**. If an exception is desired, please refer to Business

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Procedures Manual section E-9-1 for the requirements necessary to obtain an exemption.

c. Reimbursement Procedures:

Reimbursement for payments made from an imprest cash fund should be requested by completing a DAV payable to the custodian/PI. The account number to be charged for the reimbursement shall be the same account number indicated on the “Request to Establish or Increase Imprest Cash Fund” form. The DAV must include the following certification and it must contain the Principal Investigator's live signature:

I certify that this reimbursement is for funds that were duly authorized and made solely as payments to the recipients for participation as a human subject in an official research project of the University of Kentucky, and that detailed supporting documentation is maintained by the department in the project files for audit purposes.

Signature of Principal Investigator _____

Supporting documentation for each DAV must include a receipt acknowledging the payment and contain the following information for each individual payment:

1. Date of payment
2. Amount of payment
3. Subject's name (typed or printed)
4. Subject's signature

A W-9 must be obtained for each participant and a copy included with the reimbursement request if the payment to the individual is more than \$100 or if aggregate payments anticipated to be made to the individual will exceed \$600 during the calendar year. A form W-9 need not be submitted with each request if previously provided.

If an exception has been granted to protect participant confidentiality, a copy of the exception approval should be included with the reimbursement request in lieu of the W-9. Receipts should contain coded identifiers instead of the subject's name and signature in such cases. It is the responsibility of the PI/custodian to maintain a record for each individual payment that includes the subject's name, the corresponding code, the subject's signature, the date of the payment and the amount of the payment. This information will remain under the control of the PI and be kept in a secured location.

d. Custodian Responsibilities:

The PI is the only person eligible to be the custodian of the requisite imprest cash fund. This authority may not be delegated. However, a custodian may choose to delegate signature authority and/or transfer funds to a subordinate within the same department for operations consistent with the authorized use and purpose of the fund. The PI/custodian remains personally responsible for the funds.

Copies of all DAVs and supporting documentation must be kept in the originating department. For audit purposes, the PI/custodian must maintain detailed records (e.g., name, address, payment dates and amounts paid), which specifically support that those individuals paid were in fact participants in the project charged.

The repayment date for imprest cash funds established to support a research project must be no later than 15 calendar days after the project end date. The project end date is defined as the end date indicated in the University's financial records system. The fifteen calendar days are intended to allow ample time for reimbursements to the Custodian to be processed. All payments to research subjects must be made on or before the project end date to be considered allowable costs. If a research project is granted an extension (or if one is anticipated) the custodian may request by letter to the Manager of Treasury Services that the imprest cash fund repayment date be extended as well.

Each imprest cash fund must be reconciled at the end of every month (see UK Forms page, <http://www.uky.edu/eForms/forms/reconciliation.pdf>). A copy of the reconciliation should be forwarded to the Manager of Treasury Services on a quarterly basis. The March, June, September and December reconciliations should be forwarded by the 15th of the following month unless the Manager of Treasury Services has approved a modified schedule.

Failure to comply with any of the guidelines concerning imprest cash funds and their use for issuing payments to research subjects may result in the revocation of the account. The Office of the Treasurer reserves the right to recall any imprest cash funds as deemed necessary.

Note that it is recommended, in general, that a separate imprest cash fund should be established for each individual research study. However, upon request, and when warranted, several research studies may be reimbursed from the same imprest cash account, provided that Treasury Services can gain comfort with the procedures in place to ensure that funds will be appropriately and separately accounted for, that it can be documented how the appropriate studies will be charged, that the required reconciliation function is taking place and prescribed and that strong internal controls have been developed over the account. Commingled imprest cash funds, if approved, will have an initial trial period of three months, during which monthly reconciliations

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must be provided to Treasury Services. Note also that imprest cash funds cannot be commingled if they involve more than one Principal Investigator.

D. ESTABLISHING IMPREST CASH FUNDS

1. Only regular full-time employees may request custodianship of an imprest cash fund. To obtain or increase an imprest fund, complete the Imprest Cash Form, "Request to Establish or Increase Imprest Cash Fund" (see the UK Forms Page, <http://www.uky.edu/eForms/forms/estabincrease.pdf>). Also, a DAV, payable to the custodian for the amount desired, should also be completed. The G/L account to be used on the DAV is 139000 and the fund should be 0021700800. The custodian's department head must approve both forms.
2. Forward all requests and DAV's to the manager of Treasury Services for approval. DAV's establishing accounts for small purchases, overseas expenditures other than travel, and payments to research subjects will be forwarded to the Director of Purchasing for approval.
3. The initiation of the request by the department head acknowledges that the designated custodian has been informed of the responsibilities involved in controlling an imprest cash fund (i.e., safekeeping, reconciliation, and proper documentation of expenditures) and that the custodian has agreed to carry out these responsibilities.
4. If a bank account for an imprest cash fund is needed, a letter addressed to the Treasurer requesting approval should be sent to Treasury Services along with the request form and DAV. The bank account must be in the name of the custodian and the University of Kentucky, and must also include the department and/or organization name. (See E-2-7, "Establishing Outside Banking Relationships.")
5. Limitation on Imprest Cash Fund Amount

An imprest cash fund is limited to an amount that is reasonable and necessary to carry out the essential activities for which the fund is authorized. Imprest funds established to disburse monies for goods and services or for payments to research subjects should not exceed 45 calendar days of estimated expenditures.

To maximize investment income for the University, an imprest fund must be decreased in amount when the total of the fund exceeds the requirements of the activities for which the fund is authorized.

6. Limitation on Duration of an Imprest Cash Fund

A fund may be requested on a continuing basis or for a specified period of time, depending on the requirements of the fund. Any fund may be recalled at any time by the Office of the Treasurer.

E. RESPONSIBILITY FOR IMPREST CASH FUNDS

1. Each imprest fund established is assigned to one individual who is designated as the fund custodian and who has exclusive access to and control of the fund. The fund custodian is responsible for accounting for these funds and for making whatever provisions are necessary to properly safeguard the fund. (See E-2-6, "Security.")
2. Generally, imprest cash funds should be maintained in a special bank account to facilitate good record keeping. Imprest cash funds must never be commingled with an individual's personal bank account or other University funds.
3. If the imprest fund must be maintained in cash, the custodian, in conjunction with the department head, is personally responsible at all times for appropriate and adequate arrangements for safekeeping these monies.
4. The custodian is responsible for keeping accurate records of the fund. The most important types of records are those supporting disbursements, such as invoices stamped "paid" and receipts. Proper supporting documentation is necessary to secure reimbursement of the monies spent from the fund.
5. At the end of each month, the custodian must reconcile the imprest fund to ensure that all monies are accounted for. (See E-2-5-J.) The monthly reconciliation in no way relieves the custodian of being accountable for the fund at all times.
6. The custodian continues to be personally accountable for the fund until he or she either:
 - a. returns the funds to Treasury Services or
 - b. transfers the funds to another custodian approved by Treasury Services. (Refer to E-2-5-H.)
7. Custodians may not transfer any portion of their cash funds to other individuals without the advance approval of Treasury Services.

F. CONTROL OF IMPREST CASH FUNDS

The following controls over an imprest cash fund should be exercised by the custodian:

1. Counting funds - Funds must be counted and the amount certified monthly (as part of the reconciliation process) and whenever they are transferred from one person to another.
2. Documenting disbursements and reimbursements - Written or printed receipts or "paid" invoices must be maintained to support each transfer of funds (disbursement and reimbursement).

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3. Accounting for overages and shortages - A supervisor must review and certify all overages and shortages. Overages are deposited with other cash receipts and shortages are documented as reconciling items in the fund. All overages and shortages should be reported to the attention of the manager of Treasury Services who can also help with instructions on reimbursing shortages.
4. Limiting access to funds - Access to imprest cash funds must be limited to the person responsible for the fund. Two or more persons may not work from one fund.
5. When not in the physical possession of the responsible person, funds must be secured in containers to which access is limited by key or combination.

G. REPLENISHING IMPREST CASH FUNDS

For an imprest cash fund that supports the purchase of goods and services, replenishment is made by preparing a DAV payable to the custodian. The DAV must be sent to Accounts Payable and accompanied by supporting documentation in the form of receipts or paid invoices.

For change funds, currency and coin orders can be placed directly through the University's financial institution. See E-2-5-C-2.

Note: Also see the preceding discussion in this section on types of imprest cash funds and the related replenishment guidelines.

Responsibility for effective management of the fund lies with the custodian. Frequency of reimbursement varies with the size of the fund and type of activity the fund supports. The Office of the Treasurer performs an annual review of imprest funds. Failure to demonstrate effective fund management could result in partial or total withdrawal of the fund.

H. CHANGES IN CUSTODIANSHIP

Transfer of custodianship of an imprest cash fund may be made by completing the Imprest Cash Form, "Request to Change Custodianship of Imprest Cash Fund"(see UK Forms page, <http://www.uky.edu/eForms/forms/chgcustody.pdf>). The request should be forwarded to Treasury Services as outlined in the guidelines for establishing the imprest fund. (See E-2-5-D.) At the time of transfer a reconciliation of the fund must be performed. A copy of the reconciliation form (see UK Forms page, <http://www.uky.edu/eForms/forms/reconciliation.pdf>) must accompany the request for transfer.

The custodian of record is not relieved of responsibility and accountability for the fund until the change has been approved.

A change in custodianship does not occur when a custodian transfers funds to subordinates within the same department for operations consistent with the authorized use and purpose of

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the fund; therefore, approval is not required. However, the custodian is still the responsible party for the safekeeping of the funds.

I. TERMINATING IMPREST CASH FUNDS

Authorized use terminates when the original authorization period expires, the need for the fund no longer exists, or the fund custodian leaves the University. Furthermore, the Office of the Treasurer may withdraw authorization any time it is deemed to be in the best interest of the University.

To terminate an account, the custodian must first secure reimbursement for any outstanding expenditures, if applicable. Then the total cash should be remitted to Treasury Services using a transmittal form. The G/L account to be used on the transmittal is 139000 and the fund should be 0021700800.. If the funds are in a bank account, the bank should be notified that the account is being closed.

J. RECONCILIATION OF IMPREST CASH FUNDS

At the end of each month the custodian must reconcile the imprest cash fund to ensure that all money is accounted for. If a bank account is maintained, it must be reconciled. The reconciled bank balance, plus cash on hand and receipts for unreimbursed disbursements, must total the amount of the fund. Bank statements and reconciliations must be kept on file and readily available for review by the Office of the Treasurer or Internal Audit, as requested. (see UK Forms page, <http://www.uky.edu/eForms/forms/reconciliation.pdf>). Treasury Services maintains a listing of all fund custodians and the name and amount of each fund for which each custodian is responsible. Monthly that list is reconciled to the General Ledger. A copy of this overall reconciliation is sent to Internal Audit.

K. OVERAGE/SHORTAGE PROCEDURES

A supervisor should review and authorize all overages and shortages. Overages should be accounted for as miscellaneous income on a transmittal form.

All losses of University money must be reported, regardless of the cause or amount. Reporting requirements, which apply equally to imprest cash funds, are described in E-2-9, "Required Reporting."