

Prepared by the Disbursing Office
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A8.800 Disbursing/Accounts Payable and Payroll

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A8.826 Imprest Checking Accounts - Overview

1. Purpose

To provide procedures for the establishment and administration of imprest checking accounts as authorized by Section 40-84, Hawai'i Revised Statutes. State rules, regulations and policies are provided under sections 823 and 824 of the State of Hawai'i Accounting Manual, Volume II. These imprest checking account procedures establish a means of making prompt check payments of \$100.00 or less.

2. Definitions

a. Imprest Checking Account

An imprest checking account is a departmental checking account that is established under the imprest system for the purpose of making prompt check payments of \$100.00 or less, in which more formal procurement and payment actions of the University and State would be uneconomical or unduly time consuming.

b. Campus/Department Head

The top level administrator of a college, institute, school, or other major unit of the University. Included in this listing would be Deans, Directors, Provosts, Chancellors, and Vice-Presidents.

c. Imprest Check Custodian

An individual designated in writing by the Campus/Department Head and approved by the Director of Financial Operations to safeguard, disburse and account for an imprest checking account; to have control over and responsibility for an imprest checking account.

d. Alternate Imprest Check Custodian

An individual authorized in writing by the Campus/Department Head and approved by the Director of Financial Operations to act for an imprest check custodian during his/her absence.

e. Approving Authority

Individuals designated by the Campus/Department Head to authorize purchases in support of University programs. The custodian/alternate cannot be an approving authority.

f. Imprest Check Reconciler

An individual designated by the Fiscal Officer or the Campus/Department Head to conduct monthly reconciliations of the imprest checking account in providing for review and control over the imprest checking account process.

g. Authorized Fund Amount

An established level of funding that must always be maintained under the imprest system. The initial level of funding is based on projected operational needs for 21 working days.

h. Cancelled Check

An imprest check that has been cashed. These checks (marked with the bank's proof encoding stamp) are included with the monthly bank statements and used in the reconciliation process.

i. Outstanding Check

An imprest check that has not been cashed. These checks will be noted on the check register but will not appear on the monthly bank statement. Follow up action is required to eliminate long-term outstanding checks.

j. Stale Dated Check

An imprest check that is outstanding (uncashed) after 180 days from the date of issuance and is therefore no longer negotiable.

k. Check Forgery

An imprest check that has been endorsed in the payee's name

by another individual.

1. Altered Checks

An imprest check which has been altered by the payee (or endorser). The name of the payee, the amount, or the date are the critical sections of the check that may have been altered.

m. Stop Payment

An order to the bank to withhold cash payment on an imprest check. The stop payment order is issued if checks have been lost, missing, stale-dated (but not returned), stolen, or for some reason cash payment is to be withheld.

n. Enfaced Check

An imprest check which has been properly altered and initialed by the custodian to correct or update information on the check, thereby making it negotiable.

3. General Information

a. The imprest checking account is a departmental checking account established under the imprest system whereby the checking account balance and the unreimbursed payments made from the account should always equal to the established authorized fund amount. A cash advance is required to provide the initial operating balance for the imprest checking account. Imprest checking account payments are recorded into the fiscal system at the time when disbursements are reported through the processing of replenishment claims. Timely processing of the replenishment claim is critical in maintaining an adequate checking account balance and in properly recording imprest checking account payments in the period when incurred.

b. The recording of imprest checking account payments into the fiscal system through the replenishment process allows payment amounts to be charged to the proper account code and source/object symbol regardless of the source of the imprest checking account advance (i.e. Federal, Special, Revolving, Trust, Agency payments charged to any account code and source/object symbol may be processed on an imprest checking account with a General Fund advance).

c. A vendor code is assigned to each custodian by the

Disbursing Office (Vendor code format = X _ _ _ _ _ _ _ _ _ _) and is used to identify all replenishment transactions in the fiscal system. Therefore, the vendor identified in the fiscal reports for all imprest checking account disbursements is the custodian rather than the actual vendor/payee. This results in some restrictions placed on the use of the checking account when identification of the vendor/payee is critical (e.g. 1099-Misc reportable payments, W-2 mileage reimbursements, etc.). The vendor code also identifies the custodian as the payee for all replenishment checks.

4. Responsibilities

a. General Office Responsibilities

- 1) Each Campus/Department Office that administers an imprest checking account is responsible to ensure compliance with all detailed procedures as specified in applicable Administrative Procedures Manual instructions, mainly A8.826 to A8.832.
- 2) The Disbursing Office is responsible for the general supervision of imprest checking account operations including providing guidance and support in the administration of imprest checking accounts and the auditing of imprest check replenishment claims and support documents. The Disbursing Office is responsible for coordinating action requests (establishment, decrease/close, permanent increase, temporary increase, change in custodian, change in alternate) internally within the University organization as well as externally with the Department of Accounting and General Services.

The Director of Financial Operations reviews and authorizes all action requests and reviews all incidents of unresolved discrepancies including suspected embezzlement situations.

- 3) The Internal Auditor's Office is responsible for the auditing of imprest checking account operations. The Internal Auditor's Office conducts field audits of imprest checking account operations to monitor compliance with detailed procedures. This office also monitors corrective action through the requirement and review of action response memoranda from campus/department units. This office acts as the

liaison with the DAGS (Audit) division which is charged with general audit responsibilities for all State petty cash (including imprest checking accounts) operations.

- 4) The Treasury and Logistical Operations Office is responsible for coordinating General Fund requests for temporary increases to imprest checking accounts and change funds for all University units during registration periods. All General Fund temporary increase requests and return of temporary increases are to be processed directly to this office during the Fall, Spring, and Summer registration periods. The Treasury and Logistical Operations Office ensures that all such temporary increases are returned to the State on a timely basis.

b. Individual Responsibilities

- 1) The custodian/alternate is responsible for the security of the checks, ensuring that proper accounting and recording procedures are maintained, and ensuring that all disbursements are properly authorized.
- 2) The approving authorities are responsible for ensuring that the requests for imprest checks support only proper and necessary expenditures of University programs within their purview.
- 3) The reconciler is responsible for conducting monthly reviews of imprest checking account records and bank statements to ensure proper maintenance of the checking account and the integrity of the imprest system.
- 4) The Fiscal Officer is responsible for administrative duties related to the imprest checking account and therefore must ensure that:
 - a) the duties of the custodian/alternate are being properly executed
 - b) disbursements are in accordance with applicable laws, State policies and procedures, University policies and procedures
 - c) the individual responsible for verification of satisfactory receipt of goods and services has certified acceptance

- d) adequate funds are available for the disbursements
- e) proper documentation is maintained at the campus/department office and are available for review upon request.

- 5) The Campus/Department head is ultimately responsible for the proper administration of the imprest checking account and will be held accountable.

5. Guidelines

a. Basic Policies

- 1) The establishment of an imprest checking account requires prior approval by the Director of Financial Operations.
- 2) The maximum imprest check disbursement is set at a ceiling of \$100.00. Higher ceilings are authorized under certain circumstances:

<u>Exception Situation</u>	<u>Ceiling</u>
a) Library purchases-Books and periodicals, films, video tapes.	\$500.00
b) Bookstore purchases-Freight-out, bank service charges, resale items (freight-in, purchases from the U.S. Government Printing Office and foreign vendors, and purchases involving cash discounts).	\$1,200.00
c) Student related refunds-Tuition and fees, student housing deposits and rents, bookstore sales (Restricted to temporary increases periodically issued during registration periods)	\$2,000.00
d) Emergency short-term loans-Only for	

- tuition and fees (Restricted to two weeks preceding the actual registration period to 4 weeks immediately following the actual registration period) \$500.00
- e) Faculty Housing (Manoa Auxiliary Services only)-Tenant refunds of security deposits, rentals, parking fees. \$700.00

- 3) All payments which are \$100.00 or less are to be made through petty cash funds or imprest checks, with some exceptions (Refer to section 5.c of this procedure for details). Petty cash funds are to be used for disbursements of \$25.00 or less, unless circumstances dictate that imprest checks be used.

All University campus/department units are expected to maintain and operate their own imprest checking accounts or to make arrangements for consolidation with other units.

- 4) The imprest checking account is to be maintained under an imprest system whereby the accountability of the original amount is preserved. No other funds or collections are to be commingled and deposited into the imprest checking account.
- 5) The Authorized Fund Amount in the imprest checking account is provided to sustain operations for 21 working days. Timely replenishments of imprest checking accounts are required to maintain an adequate checking account balance and to properly record payments in the period when incurred.
- 6) Campus/Department Documentation Requirements

Campus/Department units are responsible for maintaining documentation for Imprest Checking Accounts including:

- a) Approved Request for Imprest Checking Account forms and approved Change in Imprest Check Custodian/Alternate forms (Establishment, decrease, close, increase, change in custodian/alternate).
- b) Bank Reconciliations and supporting documents.
- c) Checking account maintenance documents (stop

payment orders, void checks, outstanding check memos, etc.).

- d) Disbursement and Replenishment documents.
 - i) Imprest Checking Account Claims/Summary of Replenishment forms (FMIS-9).
 - ii) File copies of imprest checks.
 - iii) Authorization forms for imprest check disbursements.
 - iv) Itemized invoices/receipts or other supporting documents (refund slips, loan authorization, proof of payment etc.).
 - v) Certification of satisfactory receipt of goods and services.
 - vi) Imprest Check Register.
- e) Other supporting documentation as deemed appropriate (UH Treasury deposit slips, logs, memoranda, worksheets, etc.).

These documents are to be maintained in office files and made available for review upon request. Copies are to be maintained when originals are required to be submitted to other offices (e.g. FMIS-9, Itemized receipts, etc.).

- 7) Campus/department units must ensure the accuracy and propriety of imprest checking account disbursements because they are direct payments initiated at the campus/departmental level. Campus/department units must carefully guard against duplicate payments, erroneous payments, restricted disbursements, etc. Documentation, such as worksheets, calculations, authorizing memoranda, receipts, for more complicated payments (e.g. tuition refunds, housing refunds, etc.) must be maintained in office files to support the accuracy of these payments.

b. Security/Internal Controls

- 1) The imprest checks (unissued checks and issued checks awaiting pick-up or delivery) and replenishment or

advance checks not yet cashed must be kept in a location not readily susceptible to theft. (A safe is preferred but a locked file cabinet is minimally acceptable). Only the custodian or (in his/her absence) the alternate should have access to the checks since they are the only ones authorized to issue imprest checks.

- 2) For purposes of internal control and safeguarding of funds, the duties of the imprest check custodian/alternate and the approving authority shall be strictly segregated. (i.e. The approving authority may not issue imprest checks, and custodians/ alternates may not authorize purchases and payments.)
- 3) Neither the Fiscal Officer nor the Campus/Department Head may be the custodian or the alternate. Where staff limitations make this separation of duties impossible, arrangements should be made with another University organization to provide for it. Designating a Fiscal Officer as a custodian will be considered as a last resort measure, and allowed only if the Fiscal Officer does not authorize purchases and payments.
- 4) Bank reconciliations of imprest checking accounts must be performed by an individual other than the custodian or the alternate. The Fiscal Officer and the Campus/Department Head are to ensure compliance with this rule in the designation of the reconciler. (The Fiscal Officer may be the designated reconciler in those offices where staffing does not allow for the separation of duties.) (Refer to A8.831 - Reconciliation of the Imprest Checking Account.)

c. Restrictions

Imprest check disbursements must be administered in accordance with all applicable laws, State policies and procedures, University policies and procedures. Imprest checking accounts are subject to specific restrictions and are not to be used for any of the following purposes:

- 1) Piecemeal disbursements (the splitting of a purchase or a bill) to circumvent the \$100.00 limitation.
- 2) Travel advances.
- 3) Out-of-state travel expenditures. This includes car

rentals, passport fees, per diem, conference fees, and other travel incidentals.

- 4) Intra-state travel expenditures, if a travel advance was processed.
- 5) Mileage reimbursements.
- 6) Loans, except for short-term student loans.
- 7) Purchase of items in violation of A8.225, "Limitations in Purchasing", "Items Not to be Purchased and Unauthorized Purchases".
- 8) Services on a Fee basis.
- 9) Personal Services (Must process through Payroll).
- 10) Stipends (Student and Post-doctorate) and Proctor Services.
- 11) Scholarships, Grants, Fellowships, Traineeships.
- 12) Honoraria.
- 13) Purchase of surplus equipment (fixed assets that are under inventory).
- 14) Out-service Training payments (includes training fees, per diem, car rental, parking fees, etc.).
- 15) Relocation allowance reimbursements.
- 16) Worker's Compensation Claim Benefit payments.
- 17) Payments on contracts and agreements.