

Prepared by the Disbursing Office  
This replaces Administrative Procedure A8.844  
dated April 2000

A8.844  
July 2008

---

A8.800 Disbursing/Accounts Payable and Payroll

---

p 1 of 14

A8.844 Departmental Checking Accounts - Overview

1. Purpose

To provide procedures for the establishment and administration of Departmental checking accounts. These Departmental checking account procedures establish a means of making prompt check payments of \$1,000.00 or less at the Departmental level.

2. Definitions

a. Departmental Checking Account

A Departmental checking account is a delegated checking account that is administered by University Departmental staff. Departmental checking accounts are established for the purpose of making prompt check payments of \$1,000.00 or less, in which more formal procurement and payment actions of the University would be uneconomical or unduly time consuming. Departmental checking accounts are established under the Accounts Payable module of the Financial Management Information System (FMIS).

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, Chancellors, and Vice Presidents.

c. Departmental Check Custodian

An individual designated in writing by the Campus/Department Head and approved by the Director of Financial Management & Controller to safeguard, disburse and account for a Departmental checking account; to have control over and responsibility for a Departmental checking account.

d. Alternate Departmental Check Custodian

Individual authorized in writing by the Campus/Department Head and approved by the Director of Financial Management & Controller to act for a Departmental 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. Departmental Check Reconciler

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

g. Departmental Check Vendor Administrator

Individual designated by the Fiscal Officer or the Campus/Department Head to establish and maintain special vendor master records (P vendors) in FMIS for priority payment situations. Vendor maintenance capability will be provided only to those departments with special vendor needs. All other departments will rely on vendor master records established and maintained by the Disbursing Office - Vendor Maintenance Group (V vendors and S vendors).

h. Canceled Check

Departmental 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

Departmental check that has not been cashed. Follow up action is required to eliminate long-term outstanding checks.

j. Stale Dated Check

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

k. Enfaced Check

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

l. Check Forgery

Departmental check that has been endorsed in the payee's name by another individual.

m. Altered Checks

Departmental 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.

n. Stop Payment

Order to the bank to withhold cash payment on a Departmental 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.

o. Vendor Code

Vendors are individuals and organizations to whom a payment is to be made. Each vendor is identified by a unique 11-alphanumeric vendor code which consists of one letter followed by ten numeric digits. Vendor codes are required for payments but not for encumbrances. Most general vendors are coded as Vxxxxxxxxx (V vendors). Students under the Banner System are coded as Hxxxxxxxxx (H vendors). Special Departmental checking vendors are coded as Pxxxxxxxxx with the Fiscal Officer code in the 2<sup>nd</sup> to 4<sup>th</sup> position after the P (P vendors).

3. General Information

a. FMIS Accounts Payable - Real Time Processing

Departmental checking accounts are established under the Accounts Payable module of the Financial Management Information System (FMIS). On-line, real time transaction processing transmits payment transactions to the Financial Accounting module (FMIS accounts charged) at the time when the Departmental check voucher is created.

- 1) Departmental Check custodians/Fiscal Officers will be accountable for these direct entries into FMIS.
- 2) Detailed expenditure data to specified vendors will be recorded in FMIS.
- 3) System availability dictates the times when check production can be initiated (e.g., normal hours of operation of FMIS (Daily 7:30am-5:30pm) and subject to FMIS system downtime).
- 4) Real time edits will prevent the printing of the Departmental check if the transaction does not pass all edits (e.g., valid account code, allotment and cash edits, check ceiling by type of payment, etc.).
- 5) Security controls to be based on Fiscal Officer assignment of accounts.

b. Concentration Account

The concentration account concept relates to a unified cash management system whereby Departmental checking accounts are established as subaccounts under the main University of Hawaii General Account (UHGA). Electronic transfers are generated each day such that "zero balances" are reflected for each of the subaccounts. Cash balances are therefore consolidated into a single bank control account to maximize fiscal control over all available cash resources.

- 1) Elimination of the cash transfer requirements between UHGA and Departmental bank accounts.

- 2) Independent Departmental bank account fund balances do not limit check production.

c. Vendor Codes

In using the Departmental Checking system (FMIS Accounts Payable module), vendor codes are required to process all Departmental check transactions. The Disbursing Office - Vendor Maintenance Group will be responsible for maintaining the Vendor Master (V vendors and S vendors), including the establishment of new vendors required for Departmental check processing under the following rules:

- 1) Vendor Maintenance Forms (FMIS-12E) with a copy of the invoice and supporting documents to request new vendors to be added into the system should be faxed to the phone number indicated on the form.
- 2) Exception special rush requests will be handled via the telephone on a priority (limited) basis by the Disbursing Office - Vendor Maintenance Group.

Note: In exceptional situations, for specific Departmental check operations, vendor create and maintenance capability will be provided to Fiscal Officer/Fiscal staff (separation of duties required from Departmental Check custodian/alternate). The Vendor Administrator will establish and maintain special vendor master records (P vendors).

d. Automated Features

- 1) Automated Departmental check and remittance advice printing on pre-printed laser check stock (pre-printed, pre-numbered, full check design with MICR coding and UH Logo).
- 2) Automated check register production. On-line transaction viewing available. Other weekly, monthly, annual hard copy reports to support the Departmental check system.
- 3) Automated check reconciliation process with the receipt of an electronic file of check numbers and check amounts of cashed checks for each Departmental

bank account (corresponding FMIS bank account) from the Bank. The Bank tape is run against the FMIS files, identifying checks with non-matching check numbers and/or amounts (Exception Listing) and checks cashed (Reconciled Check Listing). The automated process also identifies outstanding (uncashed) checks (Outstanding Check List).

- 4) Ability to accept batch feeds for nightly processing from external systems (e.g., Student Information Systems for student refunds). External systems generate electronic payment feeds with vendor create and voucher create transactions for Departmental check production, similar to the process used for Financial Aid checks.

#### 4. Responsibilities

##### a. General Office Responsibilities

- 1) Each Campus/Department Office that administers a Departmental checking account is responsible to ensure compliance with all detailed procedures as specified in applicable Administrative Procedures Manual instructions. Campus/department units are responsible for Department check disbursement transactions which are direct, real time entries into the official University Financial Management Information System (FMIS).

Fiscal Officers and Program Managers (Approving Authority) are responsible to ensure that all payment transactions are in compliance with applicable Federal and State laws, rules, regulations, and University policies and procedures. Appropriate supporting documentation, including original invoices/receipts, are to be maintained in office files.

Fiscal Officers and Program Managers are responsible for fiscal transactions processed on all accounts under their purview. They are to review all encumbrance and expenditure reports to ensure that only appropriate transactions (no unauthorized charges) have been processed against accounts within their purview. Refer to the General Accounting and Loan Collection Office APM A8.661 - Funds Control.

- 2) The Disbursing Office is responsible for the general supervision of Departmental checking account operations including providing guidance and support in the administration of Departmental checking accounts and the auditing of Departmental check payments and support documents. The Disbursing Office is responsible for coordinating action requests (establishment, close, change in custodian, change in alternate).

The Disbursing Office is responsible for the final post-audit review of supporting documentation, including original invoices/receipts, for Departmental checking account payments.

- 3) The General Accounting and Loan Collection Office (GALC) is responsible for the reconciliation of the pooled cash resources of the University of Hawaii General Account (UHGA concentration account). Monthly reconciliations of the UHGA cash balances require tracking of outstanding Departmental checks and reconciliation of exceptions. GALC will monitor the resolution of exception situations by Departmental personnel.
- 4) The Director of Financial Management & Controller reviews and authorizes all action requests and reviews all incidents of improper administration of the Departmental checking account, including suspected embezzlement situations.
- 5) The Internal Auditor's Office is responsible for the auditing of Departmental checking account operations. The Internal Auditor's Office conducts field audits of Departmental 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.

b. Individual Responsibilities

- 1) The custodian/alternate is responsible for the security of the checks, ensuring that proper accounting and recording procedures are maintained,

ensuring that all disbursements are properly authorized, and final review and signing of Departmental checks.

- 2) The approving authorities are responsible for ensuring that the requests for Departmental checks support only proper and necessary expenditures of University programs within their purview.
- 3) The reconciler is responsible for conducting monthly reviews of Departmental checking account records, bank documents/statements, and reconciliation reports to ensure proper maintenance of the checking account.
- 4) The Vendor Administrator is responsible for the appropriate maintenance of special departmental checking vendors (P Vendors).

Note: Vendor maintenance capability will be provided only to those departments with special vendor needs.

- 5) The Fiscal Officer is responsible for administrative duties related to the Departmental 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 are maintained at the campus/department office and available for review upon request.
  - f) the duties of the reconciler are being properly executed.



- g) the duties of the vendor administrator are being properly executed.
- 6) The Campus/Department head is ultimately responsible for the proper administration of the Departmental checking account and will be held accountable.

5. Guidelines

a. Basic Policies

- 1) The establishment of a Departmental checking account requires prior approval by the Director of Financial Management & Controller.
- 2) The maximum Departmental check disbursement is set at a ceiling of \$1,000.00. Higher ceilings are authorized under certain circumstances:

<u>Exception Situation</u>	<u>Ceiling</u>
a) Library purchases - books and periodicals, films, video tapes, compact disks	\$2,500
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
c) Refunds - tuition and fees, student housing deposits and rents, and bookstore sales	\$9,999
d) Emergency short-term loans - only for tuition and fees (restricted to 2 weeks preceding the actual registration period to 4 weeks immediately following the actual registration period)	\$3,000
e) Utilities (only departments authorized by Disbursing Office) for	

- payments of electricity, water, gas,  
telephone, cellular phone, pager,  
and similar bills \$9,999
- f) U.S. Postmaster - replenishment of  
postal meter \$9,999
- g) Return of financial aid funds to  
lender - Fannie Mae, etc. \$900,000  
**(Requires prior approval from the  
Director for Disbursing and Payroll  
before initiating payment)**
- h) Dept. of Homeland Security \$2,000
- 3) All payments which are \$1,000.00 or less may be made  
through Departmental checks, with some exceptions  
(Refer to section 5.c of this procedure for details).
- 4) All University campus/department units are expected  
to maintain and operate their own Departmental  
checking accounts.
- 5) The Departmental checking account is to be maintained  
under the Concentration Account (unified cash  
management) concept, with no deposits allowed. No  
other funds or collections are to be commingled and  
deposited into the Departmental checking account.
- 6) Campus/Department Documentation Requirements
- Campus/Department units are responsible for  
maintaining documentation for Departmental Checking  
Accounts including:
- a) Approved Departmental Checking Account Request  
(Form DC-1) (Establishment, close, change in  
custodian/alternate)
- b) Departmental Checking Account Reconciliations  
and supporting documents
- c) Checking account maintenance documents (stop  
payment orders, void checks, outstanding check  
memos, etc.)
- d) Disbursement documents

- Departmental Check Register
  - File copies of Departmental checks
  - Authorization forms for Departmental check disbursements
  - UH ePurchasing purchase orders, interdepartmental orders, authorization for payments (FMIS-2), UH manual purchase orders, personal vehicle mileage vouchers (FMIS-33) are some of the payment documents that could be used for Departmental check disbursements
  - Original, itemized invoices/receipts or other supporting documents (loan authorization, proof of payment etc.) pursuant to instructions found in A8.839 Accounts Payable, Section 4, Identifying an Invoice
  - Certification of satisfactory receipt of goods and services pursuant to instructions found in A8.839 Accounts Payable, Section 5, Determining the Aging Start Date
- e) Other supporting documentation as deemed appropriate (logs, memoranda, worksheets, etc.).

These documents are to be maintained in office files and made available for review upon request.

- 7) Campus/department units must ensure the accuracy and propriety of Departmental checking account disbursements because they are 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.

The supporting documents for payments should be maintained in the office files. The retention period for your supporting documents is set forth in the State's General Records Schedule.

Departmental checking account disbursements must be administered in accordance with all applicable laws, State policies and procedures, University policies and procedures.

b. Security/Internal Controls

- 1) The Departmental checks (unissued checks and issued checks awaiting pick-up or delivery) 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 Departmental checks.
- 2) Departmental check stock must be examined periodically (at least once a month) to ensure the security of the unissued checks.
- 3) For purposes of internal control and safeguarding of funds, the duties of the Departmental check custodian/alternate and the approving authority shall be strictly segregated (i.e., The approving authority may not issue Departmental checks, and custodians/alternates may not authorize purchases and payments).
- 4) Neither the Fiscal Officer nor the Campus/Department Head may be the custodian or the alternate. 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 the specific purchases and payments.
- 5) Check reconciliations of Departmental 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.

- 6) Vendor maintenance 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 vendor administrator. The Fiscal Officer may be the designated vendor administrator in those offices where staffing does not allow for the separation of duties.
- 7) Manual checks may be typed on the pre-printed check stock only in priority situations when the FMIS system is unavailable or equipment/connectivity problems are encountered. Manually typed checks must be entered into FMIS as soon as the problems are resolved. Extreme care must be exercised in the data entry of manual check data (prepaid vouchers) as data entry errors will be difficult to resolve.

c. Restrictions

Departmental check disbursements must be administered in accordance with all applicable laws, State policies and procedures, University policies and procedures. Departmental 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 \$1,000.00 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 - Only if a travel advance was processed or tax liability is involved
- 5) Mileage reimbursements due to tax implications
- 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". Unauthorized purchases and

personal expenditures are not allowed (e.g., traffic fines, political donations, etc.)

- 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 and Unemployment Claim payments
- 17) Payments on contracts  
Note: Requirements contract payments are allowed to be processed on Departmental checks
- 18) Payment to Non-Resident aliens with the exception of tuition and fee refunds and short-term loans  
Note: A non-resident alien is an individual who is not a U.S. citizen or resident alien. This includes a nonresident alien fiduciary (refer to A8.868, Reporting and Withholding on Payments to Nonresident Aliens and Foreign Corporations for more detailed information).