

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BUSINESS PROCEDURES MANUAL

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Effective: July 01, 2013

Supersedes: Procedure 3.6 dated July 01, 2008

Applies to: Colleges

Procedure Responsibility: Treasury, Business Services, Purchasing, Accounts Payable

Imprest Cash Funds

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Section 4.24.1 – General

In accordance with Kentucky Revised Statutes (KRS164A.560), KCTCS will not authorize disbursements to be made (including those from imprest cash funds) except to satisfy an obligation of KCTCS which cannot already be made efficiently by established system payment methods. KCTCS payment methods are defined as: 1) procurement card, 2) non purchase order voucher payment; (“CNF” or “CKR” voucher), employee reimbursement, and/or 4) regular purchase order requisition.

The following procedure outlines the uses of imprest funds and the procedures to be followed in establishing and maintaining existing funds, increasing funds, reimbursing a fund, changing a fund custodian, and closing an imprest fund.

This procedure is the primary basis of operation for all imprest funds established by a college, department, or administrative unit of KCTCS. Imprest accounts must maintain a fixed account balance with regular reimbursement for the exact amount of checks written and must be reconciled monthly.

NOTE: Imprest funds shall be used based on justifiable business basis versus a matter of convenience. The use of an imprest check is a privilege and should be the last available means to settle payment, e.g., a procurement card, non purchase order voucher payment (“CNF” or “CKR” voucher), employee reimbursement, and/or regular purchase requisition should be used where and when possible.

Each custodian must comply with the imprest procedure and fulfill the requirements as defined in this procedure. Failure to comply may result in the forfeiture of an imprest account, and depending on any possible misuse, sanctions as prescribed by KCTCS human resource policy and Kentucky law.

Imprest checks are to be used in instances that the good or service is critical and other “prescribed” methods of payment are not practical. The maximum limit for an imprest check is \$100 or less unless prior approval is obtained from the KCTCS System Director of Business Services. Requests for exception must be in writing (e-mail will suffice) and are to include: 1) the bona fide business purpose of the expense and, 2) the circumstances that prohibit a normal KCTCS method of payment from being used.

Section 4.24.2 – Fund Custodian General Responsibilities

- A. 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. Any exception must be approved in advance by the KCTCS System Director of Business Services.

NOTE: Purchases made via imprest funds are not readily available for reporting as required by the US Internal Revenue Service (IRS). Therefore, use of imprest funds to make purchases is for limited and exception basis.

See Business Procedure 3.7- Bank Reconciliations [3.7 Bank](#)

Reconciliations

- B. Custodians of imprest cash funds are encouraged to protect such funds by maintaining the funds in a local bank account at a KCTCS approved depository institution.
- C. Imprest cash funds cannot be commingled with other funds, e.g., KCTCS or personal funds.

Section 4.24.3 – Allowable Imprest Cash Funds

Imprest cash funds are established to enable organizational units of KCTCS to achieve their assigned objectives. They may only be established for the following specific purposes:

- A. Cashiering functions: change funds are generally used in cashiering functions, i.e., cash register operating funds. 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 KCTCS or until the funds are properly transferred to another

approved custodian. Custodians may use change funds to exchange cash for different denominations through their local depository bank. Payments for college general operating expenses are not to be made from change funds and checks are not to be cashed.

- B. Small purchase expenses needed on short notice and where other KCTCS payment methods will not readily lend themselves. **Note:** custodians responsible for this type of imprest cash fund must ensure that disbursements are allowable within KCTCS procedure and practice. The amount of an imprest fund for small purchases may not exceed 30 working days of estimated expenditures and typically will not be authorized for greater than \$500. Single payments from small purchase expense shall not exceed \$100.00 without prior approval from the KCTCS System Director of Business Services. Reimbursement of imprest accounts must have supporting documentation and be filed in a manner suitable for auditing purposes.

Section 4.24.4- Establishing Imprest Cash Funds

- A. Only regular full-time KCTCS employees are authorized to have custodianship of an imprest cash fund. To obtain or increase an imprest fund, complete the "Request to Establish or Increase Imprest Cash Fund, Treasury Form TM10. A completed KCTCS Expenditure Transaction Detail Form BA8 payable to the custodian for the designated amount is to be completed. The account number 12600 (Imprest) is to be used on the BA8 Form with the college's appropriate chartfield combination. This form must be approved and signed by the custodian's department head.
- B. Forward the Request to Establish or Increase Imprest Cash Fund TM10, to the KCTCS Assistant Treasurer for review and approval.
- C. The initiation of the request by the department supervisor is understood to acknowledge that the designated custodian has been informed of the responsibilities involved in control and security for the imprest cash fund (i.e., safekeeping, reconciliation, and proper supporting documentation of expenses). Further, that the custodian has willingly agreed to carry out these responsibilities.

NOTE: Custodians are personally liable for the full amount of the imprest cash funds issued to them until they are repaid, in full, to the KCTCS Treasury.

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- D. If a bank account for an imprest cash fund is needed, the custodian will be responsible for the establishment of the account with the college's local depository bank. The bank account must be in the name of the custodian and KCTCS, and must also include the college name. For reconciliation purposes, KCTCS Accounting should be notified of any and all imprest accounts that use a local depository bank.
- E. 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 are not to exceed 30 working days of estimated expenditures and should only be used to make a specific category of expenditures which cannot be made efficiently by procurement card, employee reimbursement, check request, and/or purchase requisition. An imprest fund shall be decreased in amount when the total of the fund exceeds the requirements of the activities for which the fund is authorized.
- F. A fund may be requested on a continuing basis or for a specified period of time, depending on the requirements of the fund. The KCTCS Office of Treasury retains discretion to withdraw authorization for an imprest fund at any time it is deemed to be in the best interest of the KCTCS.

Section 4.24.5 - Responsibility for Imprest Cash Fund

- A. Each imprest fund established is assigned to one individual who is designated as the fund custodian and who has exclusive access to the 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 and account for its expenses, including the fund's reconciliations.
- B. Whenever possible, imprest cash funds should be maintained in a bank account to facilitate good record keeping.
- C. If the imprest fund must be maintained in cash, the custodian, in conjunction with the department supervisor, is personally responsible at all times for appropriate and adequate arrangements for safekeeping these monies.
- D. 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 with the corresponding bona fide business purpose is necessary to secure reimbursement of the monies expended from the fund.

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- E. To ensure that all monies are accounted properly, at the end of each month the custodian must reconcile the imprest account. Treasury Form TM11 must be used when preparing the reconciliation.
- F. The custodian continues to be personally accountable for the fund until he or she either:
 - 1. Returns the funds to the KCTCS, or
 - 2. Transfers the funds to another custodian approved by the KCTCS Office of Treasury.
- G. Custodians cannot transfer any portion of their cash funds to other individuals without the advance written approval of the KCTCS Assistant Treasurer (e-mail will suffice).

Section 4.24.6-Control of Imprest Cash Funds

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

- A. Counting funds: funds must be counted and the amount certified monthly (as part of the reconciliation process) and whenever they are transferred from one custodian to another.
- B. Documenting disbursements and reimbursements: written or printed receipts or "paid" invoices must be maintained to support each transfer of funds (disbursement and reimbursement). Proper supporting documentation is necessary to secure reimbursement of the monies spent from the fund and are to include the bona fide business purpose for each disbursement.
- C. 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 are to be reported to the attention of the supervisor. Overages and shortages greater than \$100 are to be reported to the KCTCS Assistant Treasurer and System Director of Business Services.
- D. Access to imprest cash funds must be limited to the person responsible for the fund or their appointed designee. When cash is not in the physical possession of the custodian, funds must be secured in locked containers (safe, file cabinet, or desk) to which access is limited by key or combination.

Section 4.24.7-Replenishing Imprest Cash Funds

For funds that support the purchase of goods and services, replenishment is made by preparing a Form BA8 payable to the custodian. The BA8 Form must be vouchered as a “CKR” non purchase order voucher with supporting documentation in the form of receipts and paid invoices in addition to:

- Completed BA81
- Copy of each signed imprest check
- Copy of original payment document (invoice, etc.)

If an imprest account is used for refreshments, meals or accommodations, a Working Meal for Employees or Guest Meal Report BA50 must be completed and attached to the “CKR” voucher as additional supporting documentation. . It should be noted that an imprest account is not the KCTCS prescribed payment method for refreshments, meals, or accommodations.

In situations that a procurement card is not accepted by a merchant and the need for goods, services, or payment is critical but a non purchase order “CNF” or “CKR” voucher, regular purchase order requisition, or reimbursement is not practical due to time or other constraints and the amount is over the \$100 limit, prior approval must be obtained from the KCTCS System Director of Business Services. Requests for exception must be in writing (e-mail will suffice) and are to include: 1) the bona fide business purpose of the expense and, 2) the circumstances that prohibit a normal KCTCS method of payment from being used. The email approval of the KCTCS System Director of Business Services must be included with the college imprest reimbursement request, copy of the check, invoice, and completed expenditure transaction detail form.

Responsibility for effective management of the fund rests with the custodian. Frequency of reimbursement varies with the size of the fund and type of activity the fund supports. Reimbursement is to occur at least monthly, but not more frequently than once a week. For specifics, see section 3.6.10 below. The KCTCS Assistant Treasurer may perform a review of imprest fund activity at any time. Failure to demonstrate effective fund management could result in partial or total withdrawal of the fund. For risk assessment purposes a review of the imprest fund activity may be conducted by the Assistant Treasurer, System Director for Business Services, Office of Audit Services, or college or system office designee as deemed appropriate.

Section 3.6.8-Changes in Custodianship

Transfer of custodianship of an imprest cash fund may be made by

completing the "Request to Change Custodianship of Imprest Cash Fund," Form TM12. The request is to be forwarded to the KCTCS Assistant Treasurer, as outlined in the guidelines for establishing the imprest fund. At the time of transfer a reconciliation of the fund must be performed. A copy of the reconciliation form must accompany the request for transfer. **Note:** The custodian of record is not relieved of responsibility and accountability for the fund until the change has been approved, processed and notification given.

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 the fund. In this instance, approval is not required as the custodian remains the responsible party for the safekeeping of the funds.

Section 4.24.9-Terminating Imprest Cash Funds

- A. Authorized use terminates when the original authorization period expires, the need for the fund no longer exists, or the fund custodian leaves the KCTCS. The KCTCS Office of Treasury retains discretion to withdraw authorization for an imprest fund at any time it is deemed to be in the best interest of the KCTCS.
- B. To terminate an account, the custodian must first secure reimbursement for any outstanding expenditure, if applicable. Then the total cash should be remitted to the KCTCS. If the funds are in a bank account, the bank should be notified that the account is being closed. The repayment will be deposited to the college's local depository bank and credited to account 12600 using the same chartfield combination on the check request when the fund was established.
- C. A copy of the bank deposit and any other supporting documentation for the closing of the account, and accounting entry should be sent to the KCTCS Assistant Treasurer with a memorandum from the custodian to close the imprest account.

Section 4.24.10-Reconciliation of Imprest Cash Funds

- A. At the end of each month, the custodian must reconcile the imprest cash fund, using Form TM11, to ensure that all money is properly accounted. 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 KCTCS Assistant Treasurer or KCTCS Audit Services as requested.

The KCTCS Assistant Treasurer will maintain a listing of all fund custodians and the name and amount of each fund for which each

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- B. custodian is responsible. Monthly, that list is to be reconciled to the KCTCS General Ledger. A copy of this overall reconciliation must be made available upon request.
- C. Questions regarding reconciliation of the imprest fund account should be directed to KCTCS Accounting.

END OF PROCEDURE