THE CITY OF NEW YORK

OFFICE OF THE COMPTROLLER

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

DIRECTIVE #3: ADMINISTRATION OF IMPREST FUNDS

INTRODUCTION

This Directive governs the operation and control of Imprest Funds and specifies uniform procedures for the establishment of new Imprest Funds and the replenishment of existing funds.

Imprest Funds are agency-controlled checking accounts that can be used for small purchases and petty cash transactions. Agencies are permitted to establish Imprest Funds as a practical aid to reduce processing costs for minor expenditures and to eliminate the need to process a large volume of very small transactions through the City of New York's integrated accounting and budgeting system, the Financial Management System (FMS).

Although Imprest Fund expenditures are minor in nature, Agency Heads and their Designees must be alert to the fact that Imprest Funds, and their petty cash components, have significant potential for abuse and misappropriation. To ensure adequate protection of these assets, Imprest Fund procedures must be implemented and monitored at a senior level of authority within the agency. Detailed operating procedures that incorporate an appropriate level of internal control are provided herein for this purpose.

This Directive is issued pursuant to the authority of the Office of the Comptroller as provided in Chapter 5, Section 93 of the *New York City Charter*.

TABLE OF CONTENTS

1. GENERAL INFORMATION 3

1.1 Directive Organization 3

1.2 Effective Date 3

1.3 Assistance 3

1.4 Comptroller's Internal Control and Accountability Directives 3

2. PROCEDURE FOR ESTABLISHING AN IMPREST FUND 3

2.1 Agency Bank Account Request Form 3

2.2 Request for New or Renewal of Imprest Fund 4

2.3 Report Changes 4

3. SEGREGATION OF DUTIES 4

4. OPERATING PROCEDURES AND INTERNAL CONTROLS 5

4.1 Bank Account and Checkbook Maintenance 5

4.2 Recordkeeping 7

4.3 Restrictions on Available Electronic Banking Options 7

4.4 Petty Cash Fund Operation 8

4.5 Purchasing Controls and Procedures 9

5. APPROPRIATE/INAPPROPRIATE EXPENDITURES 10

5.1 Appropriate Expenditures 10

5.2 Inappropriate Expenditures 10

6. REPLENISHING AN EXISTING IMPREST FUND 11

6.1 Pre-Audit 11

6.2 Requesting Imprest Fund Reimbursement 11

7. INCREASING AN EXISTING IMPREST FUND 11

8. ANNUAL ACCOUNTABILITY REPORTING 12

9. ANNUAL POST AUDIT REVIEW 12

10. APPENDIX A: REQUEST FOR NEW OR RENEWAL OF IMPREST FUND 13

1. GENERAL INFORMATION

1.1 Directive Organization

The Directive is divided into the following primary sections:

1. *General Information*
2. *Procedure for Establishing an Imprest Fund*
3. *Segregation of Duties*
4. *Operating Procedures and Internal Controls*
5. *Appropriate/Inappropriate Expenditures*
6. *Replenishing an Existing Imprest Fund*
7. *Increasing an Existing Imprest Fund*
8. *Annual Accountability Reporting*
9. *Annual Post Audit Review*
10. *Appendix A: Request for New or Renewal of Imprest Fund*

1.2 Effective Date

This Directive is effective immediately and supersedes the previous version, issued March 18, 2011.

1.3 Assistance

Questions or comments concerning this Directive should be addressed to: The Office of the Comptroller, Attention: Technical and Professional Standards Unit, Bureau of Accountancy, David N. Dinkins Municipal Building, One Centre Street, Room 200 South, New York, NY 10007, (212) 669-3675, or via *Technical and Professional Standards Unit Email* (directives@comptroller.nyc.gov).

1.4 Comptroller's Internal Control and Accountability Directives

An inventory of existing *Comptroller's Internal Control and Accountability Directives* is available on the *Comptroller's Website*.

2. PROCEDURE FOR ESTABLISHING AN IMPREST FUND

To establish an Imprest Fund bank account, agencies should refer to the steps below. Agencies are cautioned that adequate budgetary funding must exist prior to requesting the establishment of an Imprest Fund bank account.

2.1 Agency Bank Account Request Form

The DOF has uniform procedures – *DOF Bank Account Policy and Procedures* – for opening new bank accounts. To open an Imprest Fund bank account, agencies must provide an *Agency Bank Account Request Form* to the DOF Bank Account Unit of the Treasury Division, Department of Finance, 66 John Street, 12th Floor, New York, NY 10038, (212) 291-4865, or via email at: *BankAccounts@finance.nyc.gov*.

2.2 Request for New or Renewal of Imprest Fund

Agencies should complete and submit the attached *Appendix A, Request for New or Renewal of Imprest Fund*, along with the *Agency Bank Account Request Form*, to the DOF at the address listed above (in *Section 2.1*) to open the account. The DOF then forwards the Agency Bank Account Request Form and *Appendix A*, to the Bureau of Accountancy (BOA) within the Comptroller's Office for review and approval. If the details provided within the forms require further clarification, BOA will contact the agency directly. Subsequently, the DOF notifies the agency that the new bank account has been approved by both the Comptroller and the DOF. Upon receipt of the DOF approval, the agency should prepare and enter into FMS the required Miscellaneous Payment Request (PRM1).

2.3 Report Changes

Any of the changes listed below should be sent to the *Comptroller's Imprest Fund/Ledger Maintenance Unit* (imprest@comptroller.nyc.gov):

- Custodian;
- Individual responsible for bank account reconciliation; and/or
- Employees authorized to approve expenditures.

Any changes to employees authorized to sign checks should be immediately reported in writing to the DOF with new signature specimens and forwarded to the Bank Account Unit of the Treasury Division, Department of Finance, 66 John Street, 12th Floor, New York, NY 10038, (212) 291-4865.

3. SEGREGATION OF DUTIES

It is important that the various functions associated with an Imprest Fund be adequately segregated. No one employee should be responsible for all aspects of operating the fund. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of these assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud.

Authorizing purchases, approving payments, disbursing petty cash, signing checks, recordkeeping, and bank reconciliation are independent functions and should be performed by different individuals in accordance with the following rules:

- Individuals who authorize the purchase of goods or services, maintain the disbursement journal, or process Imprest Funds reimbursement vouchers in FMS, should not approve payments or sign checks.
- Individuals who approve payments, sign or receive checks, or disburse cash should not authorize purchases or payments, maintain the Imprest Fund's disbursement journal, or reconcile the bank account.

- The individual (the custodian) who is responsible for maintaining the Imprest Fund checking and petty cash account, which includes making deposits and certifying the year-end accountability report as outlined in *Section 8*, should not be assigned any other duties within the Imprest Fund function. If the custodian is out, he/she should designate an employee who does not have any other responsibilities within the Imprest Fund function as the custodian designee.
- An individual should be assigned responsibility for reconciling the bank account on a monthly basis. This person should receive the unopened monthly bank statement and cancelled checks directly from the bank and should not have any other Imprest Fund responsibilities.

An appropriate segregation of duties often appears to present difficulties in smaller agencies. Agencies that have few employees must, however, attempt to assign responsibilities to achieve proper segregation, even if it requires involving non-financial staff and/or executive leadership in some functions. If this is not possible, agencies should direct the details of relevant issues and/or questions by email to: Directives@comptroller.nyc.gov.

4. OPERATING PROCEDURES AND INTERNAL CONTROLS

This section sets forth procedures for the operation of an Imprest Fund bank account that incorporate appropriate internal controls over these accounts. Agencies should institute additional procedures and controls, as considered appropriate.

4.1 Bank Account and Checkbook Maintenance

The following controls are applicable to all Imprest Fund bank accounts:

- A separate bank account must be established for each Imprest Fund. However, an Imprest Fund may support more than one petty cash fund, where deemed appropriate.
- For each bank account, the opening request form should state the account type, purpose, and the authorized expense threshold of $250 per transaction.
- Imprest Fund check stock must be kept physically secure, with access limited to responsible personnel.
- Imprest Fund check stock must be sequentially numbered. All numbered checks must be accounted for by a confirmation of the quantity from the printer. Checks should state on their face that they are void after a specified period. This time period should not extend more than 180 days from the date of issue. Agencies whose checks do not indicate that they are void after a specified period should state a specified period on the checks upon the next order of check stock.
- Checks should never be drawn to “bearer” or “cash” and should never be released blank, without an appropriate entry in the “pay to the order of” section.

- Where practical, all checks should be signed by two authorized signatories. The signatories are responsible for ensuring that the payment is appropriate and in accordance with the requirements of this Directive by reviewing the supporting payment documentation. Agencies are required to contact the DOF Bank Account Unit of the Treasury Division at (212) 291-4865 when there are changes to the authorized signatories on the bank account.
- Agencies must utilize the availability of Electronic Funds Transfer (EFT) when requesting Imprest Fund advances and replenishment funds. The DOF EFT coordinator, at (212) 291-4824, should be contacted for enrollment in the EFT program.
- All refunds above $250, or funds from any other source, must be deposited in the general fund and may not be redeposited into the Imprest Fund.
- An Imprest Fund disbursement journal, listing all checks in sequential order, including those voided, must be maintained on a daily basis. The journal should include, but is not limited to the following fields:
  - Name of Vendor
  - Invoice Number
  - Dollar Amount
  - Check Number and Check Date
  - Reimbursement (PRR1) Document ID
- Banks occasionally impose charges for some items, such as check stock, that are deducted by the bank from the checking account. Agencies must monitor the monthly bank statements to ensure the propriety of any of these charges.
- Bank accounts must be reconciled promptly each month.
  - Voided checks must be noted on the bank reconciliation.
  - Any outstanding items from previous month's reconciliation should be noted on future monthly reconciliation until it is resolved.
  - The first and last check number issued during the month must also be disclosed on the reconciliation.
  - Outstanding checks must be aged showing the date issued and amount.
- If made available by the bank, all cancelled checks, including those voided, and bank statements, must be maintained in a sequential file at the agency and available to the Comptroller upon request. The check images and bank statements can be maintained on file in electronic format.

  The Department of Records and Information Services (DORIS) requires all agencies to maintain their own records retention schedules subject to their approval and the approval of the Law Department. The Director of the Records Management Division of DORIS should be contacted at (212) 788-8550 regarding any retention questions.

- Checkbook balances must be kept up-to-date and sufficient balances must be maintained to pay for any outstanding checks in transit. Adjustments consistent with the monthly bank reconciliations must be entered into the checkbook and the Imprest Fund disbursements journal, subject to the review and approval of a senior agency individual who is not directly involved in the operations of the Imprest Fund. Agencies should never have a negative checkbook balance.
- When checks, regardless of dollar amount, remain outstanding more than sixty days, agencies must commence a follow-up:
    - By contacting the payee to determine the status of the check;
    - Where necessary, placing a stop payment order with the bank, recording the transaction in the Imprest Fund disbursement journal and checkbook; and
    - If required, issuing a new check to the payee upon confirmation from the bank of the stop payment.
- Missing or stolen check stock must be reported immediately to the bank, the Department of Investigation Inspector General's Office, and other City officials as agency rules dictate.

4.2 Recordkeeping

Due to advances in technology, electronic banking and recordkeeping have become more prevalent ways of doing business. As a result, monthly bank reconciliations, cancelled checks, bank statements, and other associated documentation are now provided to City agencies in an electronic format in lieu of paper, which is acceptable evidential matter for audit purposes.

The maintenance of complete and accurate supporting documentation is important in an Imprest Fund environment. Agencies must ensure that adequate files exist in full support of each Imprest Fund transaction. All documentation related to the individual transaction, including adding machine tapes, must be maintained to substantiate the expenditure.

Where possible, agencies are encouraged to maintain the vast majority of their documentation in electronic format. Agencies desiring to maintain paper documents must obtain approval from the DOF Bank Account Unit of the Treasury Division. This includes, but is not limited to, monthly bank reconciliations, cancelled checks and bank statements.

All related records are subject to audits.

4.3 Restrictions on Available Electronic Banking Options

Banking institutions will normally offer various electronic payment options, which are coupled with the opening of a new account, such as the availability of automatic teller machine (ATM) access, direct debit cards, or electronic payment of invoices.

Agency acceptance and/or use of the electronic payment options referred to in the above paragraph are prohibited. However, if an agency believes that it has a valid need for electronic payment capability, the agency should request, in writing, approval for those options from the Bank Account Unit of the Treasury Division, Department of Finance, 66 John Street, 12th Floor, New York, NY 10038, (212) 291- 4865.

The request must substantiate the need for the electronic payment capability and contain the internal control mechanisms that will be put into place to prevent misuse. For example, these controls may include, but are not limited to, ATM card security, limiting PIN number access to the cashier and a senior agency official, and a listing of the permitted circumstances for which electronic payments can be used. The request must be signed by the Agency Head or authorized Designee[1].

4.4 Petty Cash Fund Operation

A petty cash fund may be established to pay for postage, MetroCard usage, phone cards, and very small purchases, and to provide cash advances to employees for business purposes. However, Imprest Fund checks remain the preferred method of payment. The petty cash fund should be used only where the issuance of Imprest Funds checks would be impractical or inappropriate.

- Petty cash funds are to be opened or reimbursed by a check made from the imprest account. The funding or reimbursement check should be made out to: petty cash - name of Imprest Fund custodian.
- The amount of the cash fund that is maintained is dependent on the operating needs of the agency. Agencies must minimize the size of the cash fund by striking a reasonable balance between disbursement activity and replenishment frequency. As a general rule, the amount of petty cash should not exceed $1,500 unless the need for a larger fund is documented, maintained on file and approved by your agency fiscal officer.
- Petty cash must be kept in a safe or other locked, secure receptacle. Access to the cash fund should be restricted to one or two responsible individuals in addition to the custodian.
- All petty cash fund deposits, expenditures, and employee cash advances must be recorded in a petty cash journal on a daily basis. The petty cash journal must be reconciled to the cash fund periodically, by the individual responsible for conducting monthly bank reconciliations; depending on fund size and activity. Funds that have considerable activity accessed by more than one individual should have daily reconciliations. In any event, petty cash count reconciliations must be

[1]For the purpose of this Directive, a "Designee" refers to a managerial-level employee who reports directly to an Agency Head and to whom the Agency Head has delegated authority to approve one or more actions related to the administration of Imprest Funds, including purchases.

performed at least monthly and should not be performed by the same individual responsible for cash disbursements or deposits. The results must be confirmed in writing by the individual making the petty cash count. The reviewer of the reconciliation will confirm the petty cash amount by conducting a separate independent count.

- Requests for reimbursement of cash purchases must be supported by a vendor receipt or other proof of purchase documentation or, where appropriate, an employee accounting of the usage/expenditure. Vendor documentation should include a pre-printed vendor name and address. Documentation, such as register tapes, which may not have vendor identification, must have such identification added by hand by the purchasing employee and initialed by the approving officer.
- With proper usage controls in place, the custodian may maintain a small inventory of MetroCards and telephone cards for employee use. It is the responsibility of each agency to document the distribution and usage of such cards, as well as the methodology for tracking the balances.
- When an employee is reimbursed for minor purchases, the employee must provide a receipt for the items purchased and a signed personal expense form. Invoices must be marked with a notation that a cash reimbursement was made. The employee must sign and date the petty cash journal certifying the receipt of reimbursement for the expenditure.
- Cash advances to employees should be noted in the petty cash journal, and be monitored for the receipt of an employee accounting and the collection of balances due, if any, from the employee by the Custodian. Cash advances may only be provided to employees that relate to City business. Cash advances outstanding over 30 days should be followed up with the respective employee for settlement and, if considered appropriate, with the individual who authorized the temporary advance.
- It is recommended, that agencies should conduct surprise counts of petty cash funds at least monthly, and review the supporting records and reconciliations. These counts should be made by an individual not involved in the management or reconciliation of the petty cash, preferably an auditor.

4.5 Purchasing Controls and Procedures

- All agency purchases must be approved, in advance, by the Agency Head or Designee to authorize the purchases.
- Agencies are required to follow the City's *Rules of the Procurement Policy Board* for micropurchases, which are a subset of small purchases.
- Generally, the City is exempt from the payment of Federal excise, and State and local sales taxes (except air travel tax). A letter on agency stationery certifying that the purchase is for City operations and that the City is exempt from paying taxes should be presented to the vendor when requested.

- All Imprest Fund invoices must provide the vendor's name, address, and tax identification number, when available. In addition, all invoices must be sequentially numbered and any cancelled invoice must be marked as void or null.
- Invoices should properly describe the items purchased and provide quantities and separate prices for each item.
- All appropriate discounts should be taken and noted on the invoice.
- When the original invoices are unavailable, the agency must plainly state on the photocopy or duplicate the reason for its use, and certify by the Custodian and the individual in charge of approving payments in writing that the invoice has not been previously paid. Vendor statements should not be accepted for payment purposes.
- Invoices may not be altered to an increased amount. A corrected invoice must be obtained from the vendor.
- For purposes of providing an audit trail and preventing duplicate payments, all invoices, receipts or supporting documentation must be hand stamped or annotated as follows:

  PAID $_____ CHECK #_____ DATE _____

5. APPROPRIATE/INAPPROPRIATE EXPENDITURES

5.1 Appropriate Expenditures

The Imprest Fund must be used only for the purposes described in this Section:

- The payment of agency procurement card purchases through an Imprest Fund is permissible when made in accordance with *Comptroller's Memorandum #01-1, Guidelines for Use of Procurement/Purchasing Cards*.
- Individual purchases or disbursements must not exceed $250.
- Larger purchases must not be divided into smaller purchases to circumvent the $250 expenditure limitation.
- Agencies must not use Imprest Funds to acquire supplies, materials, or equipment available from the Department of Citywide Administrative Services (DCAS) requirement contracts, open market price agreements, or the DCAS Central Storehouse. Agencies must seek and retain documentation showing that Central Storehouse and requirement contract availability was considered prior to making a purchase through the Imprest Fund.

5.2 Inappropriate Expenditures

Under no circumstances may Imprest Funds be used for any improper expenditure including, but not limited to:

- Salary advances or other salary payments.
- Loans of any kind.

- Cashing of salary, expense, or personal checks.
- Payment of purchase orders.
- Honorariums, personal service costs, consultant fees, and temporary office services.
- Continuing monthly expenditures (e.g. ongoing rental of office equipment, internet, or cell phone services).

6. REPLENISHING AN EXISTING IMPREST FUND

Imprest Funds must be replenished when the fund (checkbook) balance is equal to the anticipated expenditures to be made during the normal lead-time required for replenishment of the fund. Lead-time is defined as the period between the agency's processing of the replenishment voucher and the FMS payment by EFT).

Imprest Funds must be replenished on a timely basis each month or more frequently if necessary. When requests for replenishment cover more than one month's disbursements, separate Reimbursement Payment Requests (PRR1) are required for each calendar month. Agencies must insure that there is adequate funding in the relevant detail object codes before processing vouchers for reimbursements.

Agencies must follow the following procedure to replenish an Imprest Fund.

6.1 Pre-Audit

Prior to processing an Imprest Fund replenishment, agencies must conduct a pre-audit to ensure that all expenditures have been made in accordance with the applicable policies and procedures. The pre-audit should be conducted by the custodian of the account whom is independent of both the payment and check approval process.

6.2 Requesting Imprest Fund Reimbursement

The processing of a PRR1 document is utilized for the periodic replenishment of an Imprest Fund. Agencies should refer to the *FMS Payment Request Processing Training Manual* for instructions.

7. INCREASING AN EXISTING IMPREST FUND

Agencies acquiring new or expanded activities may request an increase in the amount of an Imprest Fund. Similar to that of requesting a new Imprest Fund, the increased fund request should represent 15 percent of the expected annual expenditure. A backlog of unpaid invoices, however, is not sufficient cause for requesting an increase.

Requests, with substantiating rationale, must be submitted to the Comptroller, Bureau of Accountancy, *Imprest Fund/Ledger Maintenance Unit*. This request must be signed by the Agency Head or Designee. If an increase is granted, agencies must prepare a Miscellaneous Payment Request (PRM1)[2].

8. ANNUAL ACCOUNTABILITY REPORTING

Prior to the end of the City's fiscal year, the Comptroller's Bureau of Accountancy issues its annual *Fiscal Year-End Closing Instructions*. Included in these year-end instructions is the requirement that agencies maintaining Imprest Funds submit a final Accountability Report for the fiscal year to the Bureau of Accountancy, *Imprest Fund/Ledger Maintenance Unit*.

The Accountability Report enables the Comptroller to determine whether all expenses processed through Imprest Funds are recorded in the appropriate fiscal year and that all unliquidated funds are transferred to the new fiscal year. Subsequent year replenishment vouchers submitted by the agency until *Imprest Fund/Ledger Maintenance Unit* had reviewed and approved the Accountability Report. Once the Comptroller has approved the agency's Accountability Report, it will approve the agency documents necessary to transfer the fund balance to the subsequent fiscal year. Timely submissions of the Imprest Fund accountability report at year-end will ensure that there are no delays to filing subsequent year's reimbursement vouchers.

9. ANNUAL POST AUDIT REVIEW

Agencies will be subject to an annual post audit review by the Bureau of Accountancy of their previous fiscal year's expenditures. This review will analyze the following:

- Verify that the proper Detail Object Code was use to charge expenses;
- Ensure that proper and sufficient supporting documentation is on file to support reimbursement that was processed;
- Ensure that all rules and procedures in this Directive and also other relevant Comptroller's Directives are adhered to, paying special attention to *Directive #1– Principles of Internal Control*, *Directive # 6 – Travel, Meals, Lodging and Miscellaneous Agency Expenses*, and *Directive #11– Cash Accountability and Control*; and
- Provide the Bureau of Accountancy an opportunity to make recommendations for improvement governing the control and the process of Imprest Fund usage.

[2] Although PRM1 is the preferred document to use for increasing an existing Imprest Fund, a PRR1 document may also be used.

10. APPENDIX A: REQUEST FOR NEW OR RENEWAL OF IMPREST FUND

ADMINISTRATION OF IMPREST FUNDS

REQUEST FOR NEW OR RENEWAL OF IMPREST FUND

Requesting NYC Agency: _____

Purpose of the Imprest Fund: _____

_____

Estimate of Funding Required: _____
(Adequate Budgetary Funding Must Exist)

Name and Specimen Signature for:

Custodian: _____ _____
(Name) (Signature)

Individual Responsible for Bank Account Reconciliation:

_____ _____
(Name) (Signature)

Employees Authorized to Approve Expenditures:

Name	Title	Signature

Employees Authorized to Sign Checks:

Name	Title	Signature

Approved by:

_____
Signature and Date (Agency Head)

Note: Changes to authorized signatories must be immediately reported in writing, with new specimen signatures, to the Comptroller's *Imprest Fund/Ledger Maintenance Unit*.

Directive 3 – Administration of Imprest Funds **Appendix A**

Back to the Beginning of the Directive