**THE CITY OF NEW YORK**

**OFFICE OF THE COMPTROLLER**

**INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES**

# DIRECTIVE 3 - PROCEDURES FOR THE ADMINISTRATION OF IMPREST FUNDS

## INTRODUCTION AND SUMMARY

This Directive sets forth guidelines governing 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 in reducing 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 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 an appropriate level of authority within the agency. Detailed operating procedures that incorporate an appropriate level of internal control are provided herein for this purpose.

## 1.0 GENERAL INFORMATION

### 1.1 Organization

1.0 General Information

2.0 General Guidelines

3.0 Establishing an Imprest Fund

4.0 Segregation of Duties

5.0 Operating Procedures and Internal Controls

6.0 Improper Expenditures

7.0 Replenishing an Existing Imprest Fund

8.0 Increasing an Existing Imprest Fund

9.0 Annual Accountability Reporting

10.0 Annual Renewal

Appendix A - Request for New or Renewal of Imprest Fund

### 1.2 Effective Date

This Directive is effective immediately.

### 1.3 Assistance

Questions or comments concerning this Directive should be addressed to: Directives Unit, Bureau of Accountancy, One Centre Street, Room 827, New York, NY 10007, (212) 669-8216, Email: directives@comptroller.nyc.gov.

## 1.4 Comptroller Authority

This Directive is issued pursuant to the City of New York (City), Office of the Comptroller's (Comptroller) authority as established in Chapter 5, Section 93 of the *New York City Charter*. Imprest funds maintained by the City are subject to periodic audit by the Comptroller.

## 1.5 Internet Availability

An inventory of existing Comptroller's Internal Control and Accountability Directives, most with download and print capability, are available on the Comptroller's website at http://www.comptroller.nyc.gov. Directives without download capability may be obtained by contacting the Directives Unit.

# 2.0 GENERAL GUIDELINES

Agencies are permitted, with the approval of the Department of Finance (DOF) and Comptroller, to establish and use imprest funds for a variety of minor expenditures. Appropriate imprest fund expenditures, each of which must not exceed $250, include the purchase of supplies, materials and small equipment. The payment of employee expenses such as local transportation, out-of-town travel costs and other allowable costs are permitted. All expenditures from imprest funds must comply with applicable federal, state and City rules and regulations including the Internal Control and Accountability Directives issued by the Comptroller.

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*.

The following basic guidelines apply to the operation of imprest funds:

- Individual purchases or disbursements must not exceed $250.

- Purchases must not be split to circumvent the $250 expenditure limitation.

• Agencies must not use imprest funds to acquire supplies, materials or equipment available from 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.

## 3.0 ESTABLISHING AN IMPREST FUND

To establish an imprest fund, agencies must request approval from DOF.

### 3.1 Requesting an Imprest Fund Bank Account from DOF

Agencies are cautioned that adequate budgetary funding must exist before the establishment of a new imprest fund will be approved.

3.1.1 The DOF has a uniform procedure for opening new bank accounts. To open an imprest fund account agencies must request a DOF *City Bank Account Request Form* by contacting the Bank Account Unit of the Treasury Division, Department of Finance, 66 John Street, 12th Floor, New York, NY 10038, (212) 487-2582, BankAccounts@finance.nyc.gov. The DOF City Bank Account Request Form is also available online at http://cityshare.nycnet under Forms & Downloads.

3.1.2 The attached Appendix A, *Request for New or Renewal of Imprest Fund*, is provided for use by the agencies and should be submitted, along with the *City Bank Account Request Form* to DOF to open the account.

Any of the changes listed below should be sent to the Comptroller, Imprest Fund/Compliance Monitoring Unit:

- Custodian,
- Individual responsible for bank account reconciliation, and
- employees authorized to approve expenditures,

Any changes to employees authorized to sign checks should be immediately reported in writing to 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) 487-2582, BankAccounts@finance.nyc.gov.

3.1.3 Appendix A, *Request for New or Renewal of Imprest Fund,* that is submitted to DOF along with the *City Bank Account Request Form* (§ 3.1.1) will be forwarded to the Comptroller by DOF. DOF will notify the agency that the new bank account has been approved by both the Comptroller and DOF. Upon receipt of DOF approval the agency should prepare, and enter into FMS, the required PRM1 Miscellaneous Payment Request document for the approved amount.

## 4.0 SEGREGATION OF DUTIES

It is important that the various functions of 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.

The functions of authorizing purchases, approving payments, disbursing petty cash, signing checks, record keeping and bank reconciliation should be performed by different individuals in accordance with the following guidelines:

- Individuals who authorize the purchase of goods or services should not approve payments or sign checks.
- Individuals who sign checks or disburse cash should not authorize purchases or payments, maintain the imprest fund's disbursement journal, or reconcile the bank account.
- The custodian is responsible for maintaining the imprest fund checking and petty cash account including making deposits. The custodian should not be assigned any other duties within the imprest fund function.

- 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.

- Any changes in the authorized custodian, the individual responsible for bank reconciliations, or the individual authorized to approve expenditures must be immediately reported, in writing, to the Comptroller's Imprest Fund/Compliance Monitoring Unit.

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. If it is not possible, management oversight must exist for the incompatible activities in order to achieve the required control objectives.

## 5.0 OPERATING PROCEDURES AND INTERNAL CONTROLS

This section sets forth procedures for the operation of an imprest fund that incorporate appropriate internal control over these accounts. Agencies should institute additional procedures and controls as considered appropriate.

### 5.1 Bank Account and Checkbook Maintenance

5.1.1 A separate bank account must be established for each imprest fund. An imprest fund may, however, support more than one petty cash fund where deemed appropriate.

5.1.2 Imprest fund check stock must be kept physically secure, with access limited to responsible personnel.

5.1.3 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 must be imprinted "void after 90 days".

5.1.4 Checks should not be drawn to "bearer" or "cash" and should never be released blank, without an appropriate entry in the "pay to the order of" section.

5.1.5 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. Any changes to the bank account's signature authority must be processed in accordance with DOF Treasury procedures.

5.1.6 Agencies should utilize the availability of the Electronic Funds Transfer (EFT) when requesting imprest fund advances and replenishment funds. The DOF EFT coordinator, at (212) 487-2592, should be contacted for enrollment in the EFT program.

5.1.7 All refunds, or funds from any other source, must be deposited in the general fund and may not be redeposited into the imprest fund.

5.1.8 An Imprest Fund Disbursement Journal listing all checks in sequential order, including those voided, must be maintained on a daily basis.

5.1.9 Banking charges and fees for the City accounts are normally paid through compensating balance arrangements with the banking institutions. Banks occasionally, however, 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.

5.1.10 Bank accounts must be reconciled promptly each month.

- Voided checks must be noted on the bank reconciliation.
- 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.

5.1.11 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 Department of Records and Information Services (DORIS) requires all agencies to maintain their own records retention schedules subject to their approval and 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.

5.1.12 Checkbook balances must be kept up to date. 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.

5.1.13 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.

5.1.14 Missing or stolen check stock must be reported immediately to the bank, the Comptroller's Bureau of Accountancy, the DOF Inspector General's office and other City officials as agency guidelines dictate.

## 5.2 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 generally 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) 487-2582, BankAccount@finance.nyc.gov. 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 as described in Comptroller's Internal Control and Accountability Directive # 6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*, § 2.1.

In addition, due to advances in technology, electronic banking has become a more prevalent way of doing business. As a result, monthly bank reconciliations, as well as cancelled checks and bank statements, are now provided to City agencies in an electronic format in lieu of paper which is acceptable evidential matter for audit purposes. Agencies desiring to maintain paper documents must obtain approval from DOF Bank Account Unit of the Treasury Division, BankAccount@finance.nyc.gov. This includes, but is not limited to, monthly bank reconciliations, cancelled checks and bank statements.

## 5.3 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. Imprest fund checks, however, 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.

5.3.1 Petty cash funds are to be opened and reimbursed through an imprest account check written to petty cash - name of imprest fund custodian.

5.3.2 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 and maintained on file.

5.3.3 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.

5.3.4 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, 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 performed at least monthly and the results confirmed in writing by the individual making the petty cash count.

5.3.5 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 and initialed by the approving officer.

5.3.6 With proper usage controls in place, the custodian may maintain a small inventory of MetroCards and telephone cards for employee use.

5.3.7 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.

5.3.8 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. 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.

5.3.9 Agencies should conduct periodic surprise counts of petty cash funds 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.

## 5.4 Purchasing Controls and Procedures

5.4.1 All agency purchases must be approved, in advance, by the employee(s) designated by the agency head to authorize the purchases.

5.4.2 Agencies are required to follow the City's procurement guidelines for small purchases.

5.4.3 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.

5.4.4 All imprest fund invoices must provide the vendor's name, address and tax identification number, when available.

5.4.5 Invoices should properly describe the items purchased and provide quantities and separate prices for each item.

5.4.6 All appropriate discounts should be taken and noted on the invoice.

5.4.7 When the original invoices are unavailable, the agency must indicate on the photocopy or duplicate the reason for its use, and certify in writing that the invoice has not been previously paid. Vendor statements should not be accepted for payment purposes.

5.4.8 Invoices may not be altered to an increased amount. A corrected invoice must be obtained from the vendor.

5.4.9 For purposes of providing an audit trail and preventing duplicate payments, all invoices, receipts or supporting documentation must be hand stamped as follows:

PAID $_____ CHECK #_____ DATE _____

## 5.5 Record Keeping

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.

# 6.0 IMPROPER EXPENDITURES

The imprest fund must be used only for the purposes described in this Directive. 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)

## 7.0 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 either electronic funds transfer (EFT) or replenishment check.

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 PRR1 Reimbursement Payment Requests 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.

### 7.1 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 guidelines and procedures.

### 7.2 Requesting Imprest Fund Reimbursement

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

Agencies must use unique voucher identifications to distinguish employee expense items from those for supplies, material and equipment purchases.

## 8.0 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 (§ 3.1.1), the increased fund request should represent 15% 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/Compliance Monitoring Unit. This request must be signed by the agency head or authorized designee. If an increase is granted, agencies must prepare a PRR1 Reimbursement Payment Request.

## 9.0 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/Compliance Monitoring.

The *Accountability Report* enables the Comptroller to review whether all expenses processed through imprest funds are recorded in the appropriate fiscal year and that all unexpended funds are transferred to the new fiscal year. Subsequent year replenishment vouchers submitted by the agency will not be processed by Bureau of Accountancy until it has

reviewed and approved the *Accountability Report*. Once the Comptroller has approved the agency's *Accountability Report*, it will process the agency documents necessary to transfer the fund balance to the subsequent fiscal year and make any required imprest fund reimbursement due the agency or the Comptroller. Timely submissions of the imprest fund accountabilities at year-end will receive 15% of the prior year's expenditure, with late submissions receiving a lesser percentage.

The *Fiscal Year End Closing Instructions,* including the final *Accountability Report* year-end requirements with the names of the responsible individuals on the Comptroller's staff and all schedules requiring completion, are available, with download and print capability, on the Comptroller's website, http://www.comptroller.nyc.gov.

The *Accountability Report* requirements include a certification by the fund's custodian as to the accuracy and completeness of the report as well as instructions and formats for the submission of the following attachments:

A – Summary Reconciliation of Fiscal Year 20XX Transactions,

B - Summary of Fiscal Year 20XX Expenditures,

C - Schedule of Reimbursed Payment Requests,

D - Checks in Transit,

E - Schedule of Unreimbursed Invoices,

F - Invoices Paid and,

G - Money owed to Agency.

## 10.0 ANNUAL RENEWAL

Agencies desiring to continue the use of an existing fund must submit a renewal request according to the instructions provided in § 3.1.2 of this Directive and forwarded to the Comptroller along with the final *Accountability Report* required in § 9.0. The first advance of

the new fiscal year must be calculated according to the schedule contained in the *Fiscal Year End Closing Instructions*. After receiving the documentation described above, the Comptroller's Imprest Fund/Compliance Monitoring Unit will adjust the PRM1 Miscellaneous Payment Request and, if necessary, inform the agency and process the voucher for payment.

# *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 Compliance Unit.