IMPREST CASH FUND PROCEDURE

It is sometimes necessary for a department to have on hand cash from which to pay minor emergency payments or make change. The University Controller provides for this by use of an imprest cash fund. A department should never create or increase an imprest cash fund from UAB revenues. Under the imprest system, a fixed sum is established as a petty cash or change fund. The exact amount depends upon the specific requirements of the department in question.

A petty cash fund is used to facilitate minor emergency payments that cannot be handled through any other UAB purchasing/payables procedures. This type of fund is used for expenditures and therefore only involves an outflow of cash, i.e. revenues should never be deposited into a petty cash fund. Periodically, or as needed, the petty cash fund is reimbursed to its original amount to replenish the cash previously spent. Petty cash funds cannot be used for such closely audited expenses as travel or entertainment. Petty cash funds should never be used to cash checks and should never include personal employee checks. Money should never be borrowed from a petty cash fund as an IOU. Cash advances from the petty cash fund are inappropriate; the expense should be incurred and then reimbursed. It is also inappropriate to use the petty cash fund for any purpose other than the specific purpose of the fund as outlined in the initial request for the fund. Purchases made with petty cash funds should follow University guidelines just as purchases made through normal channels would do. A specific valid Financial Accounting System account number must be available for each reimbursement charge.

A change fund operates as a convenience to the department in conducting UAB cash business. This type of fund has neither income nor expense, so the cash balance remains constant. With the exception of the University Cashier’s Office and Hospital Cashier’s Office, the cashing of checks is not permitted from a change fund. The change fund custodian is simply authorized to exchange currency in order to acquire desired denominations of monies.

A petty cash fund or a change fund must be the definite responsibility of one individual named as fund custodian. The fund custodian is directly responsible for transactions and monthly reconciliation and for the security and integrity of the fund. The fund custodian should be in direct supervision and in close proximity to the fund. The fund custodian may choose to delegate
authority in the management of the fund; however, it is still the custodian who is ultimately legally responsible for the money.

A petty cash/change fund is requested by completing an Imprest Cash Fund Request form and forwarding it to the head of General Accounting. The form must specify which type of fund is being requested, justify the need for imprest cash funds, specify the account which will be charged when the fund is replenished if it is a petty cash fund, indicate the dollar amount required, name a fund custodian, and have the signature of the fund custodian and the school fiscal officer. To minimize the risk of potential loss to UAB, the amount of the fund should be limited to the absolute minimum necessary to carry on the work and keeping in mind that the fund can be replenished at least once every two weeks.

If a petty cash or change fund is approved as necessary for a departmental function, it is the responsibility of the fund custodian and the school fiscal officer to familiarize themselves with the imprest cash fund procedures. An External Requisition, coded to FAS account number 0XXXXX-1150 (where 0XXXXX is the balance sheet account to which the account to ultimately be charged is mapped), is prepared by General Accounting. The GL account in which the imprest cash value is recorded should be as closely related as possible to the account which will ultimately be funding the reimbursement expenditures. For example, if it is related to grant expenditures, it should be recorded on that grant’s balance sheet. This helps ensure that the fund will be properly closed if the reimbursement account is ever closed.

After the creating requisition is completely approved and coded it is forwarded to Accounts Payable where a check payable to the fund custodian is produced. The fund custodian is then notified to personally pick up the check from the office of the responsible UAB accountant in General Accounting. At that time, an Imprest Petty Cash and Change Fund Agreement must be completed and signed by the fund custodian. That creation check may be cashed at the official University Cashier Office or at any local bank.

If the fund is of a petty cash type, UAB Petty Cash Vouchers are issued to be used as official evidence of expenditure. Each numbered voucher consists of an original and a copy. Original vouchers are used as receipts when requesting reimbursement.
Petty cash may be replenished to its original amount by preparing an External Requisition for the total amount of documented petty cash expenditures. Petty cash reimbursement checks are payable to the fund custodian. The fund custodian is assigned a vendor number in the PAPS system so that petty cash reimbursements do not commingle with payments to the individual. The requisition must be personally signed by the fund custodian on the “requested by” line. Original UAB Petty Cash Vouchers, invoices, and other applicable documents, should be attached. The custodian’s UAB extension should be listed in the special instructions box for the check to be picked up. The Master File number assigned to the fund should be referenced on the requisition. After appropriate departmental approvals are made, the requisition is then forwarded to the UAB accountant responsible for the FAS Petty Cash reimbursement account number charged. The requisition will be audited by the UAB accountant responsible for petty cash and then processed for payment.

Petty cash/change funds are subject to periodic unannounced audits by auditors or other designated representatives. For petty cash funds, at any given point in time, available cash plus UAB Petty Cash Vouchers must equal the petty cash authorized amount. A change fund reconciliation must always show a constant balance of cash (plus checks cashed, if in the two official UAB cashier’s offices). Department management should periodically review the status of petty cash/change funds and, if irregularities are suspected, UAB Internal Audit should be notified to request an audit. The fund custodian is responsible for completing a Petty Cash Reconciliation form quarterly verifying the imprest cash amount, and to confirm the name and address of the fund custodian. The reconciliation must be independently verified by the fund custodian’s supervisor in addition to the custodian’s verification. General Accounting will maintain a database to monitor the consistent use of the fund. If there is no use of the fund during a six month period a letter will be generated to the fund custodian requesting that the account be closed. Annually, General Accounting will send a list of open petty cash funds to the school fiscal officer.

When the original purpose for a petty cash/change fund ceases to exist, the fund should be closed immediately by the fund custodian. The fund custodian may close a fund by personally presenting the total fund amount to the UAB accountant responsible for imprest cash or to the Director of General Accounting. Cash and UAB Operating Fund check(s) resulting from the final reimbursement(s) are accepted. (All outstanding UAB petty cash vouchers must be reimbursed before closing the fund.) The UAB accountant will deposit the cash into the applicable FAS account 0XXXXXX-1150 and close the fund. General Accounting will also complete a
“Termination of Imprest Cash Fund” form. The original is filed in General Accounting and a photocopy is made available for the fund custodian. If for some reason, due to transfer, promotion, or termination, a fund custodian is required to relinquish responsibilities of the fund, the custodian should get a receipt from his/her supervisor, as the fund is turned over to the supervisor, and then attach that receipt to a memo identifying the new fund custodian in writing to the Director of General Accounting and in this way terminate his/her responsibility for the fund. It is important that the supervisor reconcile the petty cash fund at the point it is received from the old custodian, because the supervisor is then responsible for it. The supervisor should reconcile it again when it is turned over to the new fund custodian. An Imprest Petty Cash and Change Fund Agreement will be promptly provided by General Accounting to be completed by the new custodian.

Failure to comply with all imprest cash fund procedures or to respond appropriately to requests for information or review auditors or by UAB Financial Management may result in immediate termination of the fund.