

**CITY OF PHILADELPHIA - OFFICE OF THE DIRECTOR OF FINANCE
STANDARD ACCOUNTING PROCEDURE (S.A.P.)**

<u>S.A.P. #</u> 4.1.1.e	<u>Date Issued:</u> May 4, 1999	<u>Effective As of:</u> July 1, 1999	<u>Supersedes:</u> N/A
Major Classification: Cash and Related Bank Accounts			
Subject: Imprest Funds			

I. PURPOSE:

To provide rules and standard procedures for the creation, safekeeping, operation and dissolution of Imprest Funds.

Note: This procedure applies to all Imprest Funds. As necessary, the Director of Finance will issue Departmental Accounting Profiles (DAP's) to address issues or procedures that apply to specific Imprest Funds (including allowable exceptions to this standard procedure).

II. BACKGROUND

A. GENERAL AUTHORIZATION

Authorization of an Imprest Fund is an administrative decision of the Director of Finance necessitated by various departmental needs. Such funds will be approved by the Office of the Director of Finance on a case by case basis after submission of proper departmental justification.

All new Imprest Funds, as well as increases to any existing accounts, will be charged to current year appropriations and offsetting entries will be processed by the General Accounting Bureau.

In order to justify the need for an imprest fund, a department must demonstrate that there are special circumstances for which there is no other satisfactory method of payment for services. (For example, a situation where emergency social services are required after normal business hours).

Among the factors that will determine approval is consideration of whether the department could meet its operational needs by utilizing existing citywide contracts, petty cash funds, direct purchase authorizations or the small order purchase process.

B. GENERAL DUTIES

- The **Finance Director's Office** is to receive requests for imprest fund accounts, approve the establishment of these funds and direct the Treasurer's office to advance the funds for the establishment of imprest account. Also, the Finance Director's Office is to issue rules regarding the holding, expenditure of, and accounting for such funds.
- The **Treasurer's Office** is to advance funds for establishing or supplementing imprest funds.

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III. REVIEW AND SUPERVISION RESPONSIBILITIES

A. OFFICE OF DIRECTOR OF FINANCE

1. Director of Finance

- Establish and amend the amount of each authorized imprest fund including, if necessary, the reduction or termination of the fund.
- Promulgate and enforce all operational rules and procedures.
- Provide for a Usage Review, including:
 - ❖ Providing the review technique and the method of recording the review data
 - ❖ Directing a periodic review of the activity in each fund to determine if the fund is needed and/or adequate for the department.
- Review reports of fund reconciliation shortages to determine continued eligibility.
- Temporarily suspend reimbursements to imprest custodians due to delinquent fund or bank reconciliations, or because of other problems concerning the fund (e.g., shortages or internal control weaknesses mentioned by the City Controller in an audit report).
- Establish and maintain a system of General Ledger accounts and subsidiary accounts that allow easy analysis and correlation of imprest funds and related vendor activity.

2. Financial Verification

- Review, verify, and process reimbursement vouchers in accordance with all Standard Accounting Procedures.
- Establish and edit vendor numbers and vendor detail as necessary.
- Record, review and control transactions and outstanding balances, including imprest fund reconciliations and suspension of reimbursements.
- Notify General Accounting whenever a new fund is established or an existing fund is increased.

B. AGENCY HEAD

- Request that an Imprest Account be established.
- Submit a Request for Agency Bank Account outside of City Treasurer to register the names and titles of proposed check signers (refer to S.A.P. E -4501)
- Provide final agency approval of all disbursements and requests for reimbursements.
- Provide adequate supervision to insure the continued integrity and prudent safekeeping of the agency's imprest fund (s) including compliance with all applicable S.A.P.'s.
- Appoint a custodian who is to be responsible for the physical custody and operation of the agency's Fund(s)

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- Submit an Agency Request for Imprest Fund Changes (Exhibit A):
 - ❖ when changes in a fund are necessary
 - ❖ after determining any discrepancies (shortages or excesses)

C. CUSTODIAN

- Operate and maintain physical custody of the fund.
- Comply with all rules and procedures promulgated by the Director of Finance and the agency head.
- Establish checking account (refer to S.A.P. E-4511)

IV. ESTABLISHING IMPREST FUND

A. GENERAL RULES

- Imprest Funds may be established or increased only with the written authorization of the Director of Finance. Money to establish or increase an imprest fund must be advanced from the Treasurer’s Office as requested by the Office of the Director of Finance. Imprest funds ***may not*** be established by withholding revenue receipts or special non-revenue receipts or by using personal funds.
- Unlike petty cash funds that are intended to be used to purchase a wide variety of goods and services, imprest funds will usually be established to purchase a very specific type of goods or services. Therefore, for certain imprest funds, the Director of Finance may set limits on allowable expenditure codes, purchases or the maximum amount of a single purchase.
- Continued justification for an imprest account will be based on an analysis of expenditure usage over a specific period of time.
- Since no cash is to be used or kept on hand in operating an imprest fund, a checking account is a requirement for operation of an imprest account (refer to S.A.P. E-4511 Establishment of Agency Bank Accounts).
- Subdivision of established imprest fund to multiple bank accounts is prohibited.

B. SPECIFIC PROCEDURES

1. Agency Request

The agency head will submit the following items to the Director of Finance:

- **Agency Request for Imprest Fund** (Exhibit A) listing the purpose, amount being requested for the new fund, and the name of the custodian(s) who will maintain the checking account.
- **Request for Agency Bank Account (outside of City Treasurer)** listing the purpose of the checking account, proposed banking institution and location, and the names and titles of proposed check signers (refer to S.A.P. E-4511).

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2. Review & Approval by Office of the Director of Finance

The Director of Finance will evaluate each request received and approve or reject the application (based on the facts presented) and approve all custodians named by agency heads.

a. Approval of Application

- The Director of Finance will approve the application and notify the agency head to proceed with the establishment of a checking account.
- Upon receipt of the banking information and a prepared voucher payable to the custodian, the Director of Finance will establish the imprest account in FAMIS and process a check payable to the named custodian.

b. Rejection of Application

The Director of Finance will notify the agency head of the disapproval and give the reasons for the rejection.

3. Agency Establishment of Fund After Approval by Director of Finance

After receiving approval notification from the Director of Finance the agency head shall:

- Establish a checking account at a banking institution and forward the information to the Director of Finance if different than the proposed information submitted on the Request for Agency Bank Account Outside the City Treasurer (refer to S.A.P.'s E-4511 Agency Bank Accounts and 7.1.3.b. Reconciliation of Bank Accounts).

NOTE: The City Treasurer must be designated as an alternate signer of the bank account.

- Forward the title of the account, and the account number of the checking account to the Director of Finance. (Remember to use this account title and number on your bank reconciliation.)
- Submit a prepared voucher charging an appropriation with the necessary authorized signature(s) to the Director of Finance for establishment of the fund.
- The custodian will receive the initial check and start operation of the fund by depositing the check into the established checking account.

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V. USE OF IMPREST FUNDS

A. INTERNAL CONTROLS

1. Physical Security

The checkbook and undeposited reimbursement checks must be kept in a safe, in a locked compartment of a safe cabinet, or a locked cabinet or desk if neither a safe nor a safe cabinet is available. Under no circumstances may checks be stored in an unlocked cabinet or desk.

2. Segregation of Duties

- The custodian must be independent of cashiers for other funds and handle no cash receipts.
- The custodian must not prepare the monthly bank or fund reconciliations.

3. Commingling of Funds Prohibited

Money may not be received to establish, replenish or increase a fund by withholding revenue receipts or special non-revenue receipts or by using personal funds of any employee.

4. Advances and Loans

Advances or loans for personal reasons are prohibited

B. DISBURSEMENTS

1. Supervisory Approval

All check payments must have the approval of a supervisory employee. The level of supervision required is determined by the agency head.

2. Disbursement Limitations (Allowable Sub-Objects, Single Purchase Amount, Etc.)

Purchases made from an Imprest Fund should be for the purpose stated in the requesting documents. Any specific restrictions on allowable sub-objects or the amount spent for a single purchase will be evaluated on a case by case basis and will be stated in the letter of approval and/or in a Departmental Accounting Profile (DAP).

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3. Method of Disbursements

All disbursements are to be made by check and in strict accord with all limitations stated in the approval letter or applicable Departmental Accounting Profiles (DAP's).

C. REIMBURSEMENTS TO CUSTODIAN

- The available balance in an imprest fund must be maintained at a level that is adequate for the daily needs of the agency. Therefore, vouchers to replenish the fund must be submitted as often as is necessary while allowing ten (10) workdays for receiving the reimbursement check. Note that reimbursements to the custodian will be suspended if the fund and bank reconciliations are not submitted on a timely basis. (See section VI.C.I.)
- Reimbursements will be processed in FAMIS utilizing a RIMS shell. In special circumstances where a department does not have access to FAMIS, a reimbursement request will be submitted to the Office of the Director of Finance using form 71-20.
- Sufficient documentation to support Imprest Fund reimbursement is mandatory for all modes of processing.
- Because of the diversity and sensitive nature of some imprest accounts, i.e., police or district attorney drug accounts, the documentation to be submitted, as well as the forms to be used, may vary. Under such circumstances, exact documentation will be approved by the Office of the Director of Finance on a case by case basis.

1. Initial Steps Required to Complete a Reimbursement Voucher (RIMS and Non RIMS)

All reimbursements require two (2) copies of supporting documentation (an original & 1 copy) for each disbursement from the fund. The check number should be written on the document.

- Separate the two (2) copies of each paid receipt
 - ❖ Original Copy - Sort in index code sequence. Total each sub-object within each index code.
 - ❖ File Copy - Keep in order by check number
- Prepare a schedule in check number sequence of the file copies above including amount, date, payee, purpose of payment, index code, sub-object and other applicable FAMIS codes. Show a summary subtotal for each sub-object within each index code charged.
- Verify that the total of the original copies equal the grand total of the supporting schedule and reconcile with the total reimbursements requested.
- Staple the original documentation to the original of supporting schedule and attach to the Controller's copy of the reimbursement voucher. Staple copies of the documentation and a copy of the supporting schedule and attach to the Finance copy of the reimbursement voucher.

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- Send the complete reimbursement package, either a completed payment voucher (Form 71-20) or copy of electronic document entry screen (Refer to Section V-C-2), to: Accounting Bureau, Financial Verification Section, Room 1330 Municipal Services Building.
- Staple a department copy of the reimbursement voucher to the departmental copies of paid receipts and keep in a secured environment until the reimbursement check has been received.

2. Steps Required to Complete a Reimbursement Request Through FAMIS

a. Submission of the Electronic Document

(Reference catalogue: Petty Cash thru RIMS with Approval Path)

Complete the following steps to submit an Imprest Fund Reimbursement voucher through the RIMS process in FAMIS:

- From the FAMIS main menu (screen FAML0000) select F3 for Financial Processing.
- Type “IM” as the DOCUMENT TYPE to process imprest documents from the departmental level. Press ENTER.
- Select an Original RIMS Shell by pressing TAB to move your cursor to the left of the RIMS code you want to use. Press F2 to select the desired RIMS code. You will be linked to the RIMS document the header screen (FAML4610)
- To copy the Rims Shell, press F12 to access the additional functions. Then enter your user ID press F3 for the copy command. (Note: Copy the original RIMS SHELL every time you process an imprest payment entry).
- Process payment by inputting **document prefix, vendor number, document amount,** and the **number of lines**. Press F10 and a document number will be generated.
- Input information using one line for each sub-object total utilizing **document description, transaction amount, index code and sub object** fields with applicable data.
- Review document and press F10 to save and screen dump a copy of transaction with the document number affixed.
- Press F8 to submit the document.
- Summit all documentation referenced in V.C.1 and a copy of the screen dumped transaction to the Financial Verification Unit of the Finance Department, Rm 1330 Municipal Services Building.

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3. Financial Verification Section Review

Certification Steps for Imprest Fund Reimbursements

a. General Guidelines

Financial Verification will review and verify the reimbursement voucher and supporting detail for accuracy and compliance with Standard Accounting Procedures. If satisfactory, approval will be given for voucher payment to the authorized Custodian.

b. Specific requirements to be verified regarding documentation include:

- Certification is required on all documentation that is not an original invoice (copies, notices, sales orders, remittance advices, past due and final notices) in order to reduce the possibility of duplicate payments.
- Invoices should be accompanied by a copy of the appropriate check or money order.
- Payments can not be made from statements. Charges brought forward to a current billing can not be paid without attaching the unpaid invoice.
- Receipts should be stapled in order of appearance and attached to a blank page to prevent possible loss during mailing.
- Receipts for transportation, parking, and tolls, should be attached to the meeting agenda to substantiate the need for the expense.
- In the absence of a receipt or invoice, a copy of the cancelled check (front & back) must be provided to substantiate the amount of the expense and the payment

c. Documentation

The Financial Verification Section is to receive a original and one copy of the Reimbursement Vouchers and one (1) copy of the original Imprest Fund Payment receipt.

Distribution of Documents:

- Original - City Controller
- Finance copy - File

4. Custodian Receipt of Reimbursement Check

a. Remove the file copy of the Reimbursement Voucher and compare with the check amount and reconcile any differences.

b. Deposit the check in the departmental checking account at the bank.

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VI. RECONCILIATION OF IMPREST FUND

A. TYPES AND NECESSITY OF RECONCILIATIONS

1. Fund Reconciliation

- Reconcile undeposited reimbursement checks, bank balances, vouchers in transit, temporary receipts and bills and any overages and shortages to the authorized amount of the fund.
- The **fund reconciliation** should be submitted to the Accounting Bureau on a monthly basis utilizing form **71-S-193** and in strict accord with Standard Accounting Procedure **7.1.3.a**.
- Reconciling the fund on a regular basis is a strong internal control and contributes to the accountability of the custodian for the fund. If fund reconciliations are not prepared and submitted on a timely basis, the custodian can not demonstrate that he/she is properly handling the fund. **Without such assurance, the Office of the Director of Finance can not support the continuing operation of the fund and will suspend reimbursements to the fund until a reasonably up-to-date reconciliation is performed, submitted and reviewed.**

2. Bank Reconciliation

- Reconcile bank balance to the checkbook balance taking into account items such as receipts that are recorded but not deposited and checks drawn but not cleared.
- Preparation of monthly reconciliations for the checking account is required by Standard Accounting Procedure 7.1.3b, and is only one part of the fund reconciliation process. **Preparing a bank reconciliation does not by itself satisfy the requirement to reconcile the imprest fund.**
- The **bank reconciliation** should be submitted to the Accounting Bureau on a monthly basis utilizing **form 71-77** and in strict accord with Standard Accounting Procedure **7.1.3.b**
- The Director of Finance must be notified before any changes are made to the existing bank account

B. FREQUENCY

- The custodian shall perform a **fund and bank reconciliation** on a monthly basis to account for the total authorized amount of the fund.
- A bank and fund reconciliation form must be prepared, signed and submitted to the Accounting Bureau even if there was no activity in the account for the current month.
- The fund and bank reconciliation should be prepared as of the same date and together submitted to the Accounting Bureau.

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C. LATE SUBMISSION OF FUND RECONCILIATION

1. Suspension of Reimbursements

Timely reconciliation of the Fund is required. If, at the beginning of a month, the Financial Verification Section has not received a reconciliation through at least the end of the fourth previous month (i.e., as of May 1, the fund has not been reconciled at least through January 31), no further reimbursements will be processed.

2. Resumption of Reimbursements

Reimbursements will be resumed when the fund has been reconciled (and the reconciliation submitted and reviewed) as of the last day of the second month prior to the month in which the reconciliation is received by the Financial Verification Section. In the example above, if reimbursements are suspended as of May 1 and the custodian subsequently prepares a reconciliation that is received by Finance in May, the fund would have to be reconciled up to at least March 31. If the reconciliation was not received until June, the fund would have to be reconciled up to at least April 30.

D. EXCESSES AND DEFICIENCIES IN FUND RECONCILIATION

1. Overages and Shortages

- All imprest transactions are processed by check, thus, any overages or shortages that occur in most cases will be the result of bank or custodial error, which should be corrected during the monthly reconciliation process.
- In those situations where shortages occur as a result of theft or other circumstances, the proper resolution will be provided by the Director of Finance after the matter has been investigated.

2. Excesses Due to Revenue

- In some cases, checking accounts with larger deposits or investment activity may generate revenue (e.g., interest) that results in an increase (excess), to the initial amount of the fund.
- All excess monies are the property of the City. An imprest fund check, payable to the City of Philadelphia, should be issued for the amount of the excess and should be deposited with the City Treasurer using an applicable revenue source code (i.e. 5110 - Other Interest).

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VII. CHANGES TO IMPREST FUND

A. INCREASE, DECREASE OR TERMINATION OF FUND

1. Increase

Agency head will submit Exhibit A. As with a request to establish a fund, the Director of Finance will review and evaluate the need for each requested increase.

2. Decrease

A reduction may be ordered by the Director of Finance if reduced activity indicates the Fund exceeds current needs. The Director of Finance will notify the Agency Head of the reduction by letter, including instructions for depositing the excess through the Department of Revenue.

3. Termination

If necessary, the Director of Finance will order the termination of the fund by notifying the agency head of the reduction by letter. Instructions to close any bank accounts and deposit the Fund total through the Department of Revenue should be included.

B. CHANGE TO IMPREST FUND CUSTODIAN

- Agency Head will fill out Exhibit A and instruct the outgoing custodian to reconcile the Fund **in the presence of the replacement custodian.**
- Two copies of Form 71-S-193 must be signed by the new custodian acknowledging receipt of the fund as stated. Provide one copy to the outgoing custodian and place the other copy with the checkbook for the fund.
- The Financial Verification Section will adjust the vendor number and/or vendor detail information in FAMIS.

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VIII. ACCOUNTING CONTROL REQUIREMENTS

A. SUBSIDIARY NUMBER

- Each Imprest fund authorized by the Director of Finance will have a unique subsidiary account in the general ledger under account #103 - **IMPREST FUND CASH**.
- The six digit format is as follows:
 - ❖ the first two numbers will be unique to all imprest accounts
 - ❖ the second two numbers will be the number of the department using the fund
 - ❖ the last two numbers will denote the specific fund within the department

Example: **923503**

where 92 is the number unique to the imprest account, 35 is the department and 03 denotes the third imprest account for the department.

B. VENDOR NUMBER

- For each authorized fund, there must be a single, unique vendor (identified by a unique vendor number and suffix) established in FAMIS. All vendor numbers for imprest fund custodians will have the following format:
 - ❖ The first 8 characters of the vendor number will be I M P R E S T C
 - ❖ The last two characters of the main vendor number will be the number of the department using the fund (e.g., 01 for City Council, 05 for Mayor's Office, etc.)
 - ❖ The vendor suffix will denote the specific imprest fund within the department. Each authorized imprest fund must have its own vendor suffix. The payee associated with each vendor suffix (i.e., the custodian) must be unique to that vendor suffix and no other. This is necessary to prevent one custodian from handling receipts for more than one fund in compliance with Section V.A.2 above.
- The above requirements will allow for:
 - ❖ Analysis of the activity of each authorized amount described in section III. A. 1. above by simply checking payments to specific vendors and
 - ❖ Linking delinquent fund reconciliations, which will be identified with a single authorized amount, to a specific vendor in cases where reimbursements need to be suspended.