

## Statewide Operating Policy

Owner: Minnesota Management and Budget, General Accounting Unit

Number: 0606-01

Issued: April 14, 2014

Last Major Revision: N/A

Last Updated: 7/6/2023

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### Imprest Cash Accounts

#### Objective

To ensure agency imprest cash accounts are properly authorized, established and administered in accordance with Minnesota Statute; and, ensure that adequate controls over imprest cash accounts and related activities are established both in policy and practice and in accordance with state law, including [Minnesota Statute 15.191 Imprest Cash](https://www.revisor.mn.gov/statutes/?id=15.191) (<https://www.revisor.mn.gov/statutes/?id=15.191>), statewide policies and Generally Accepted Accounting Principles (GAAP).

#### Policy

In accordance with Minnesota Statute 15.191, Minnesota Management & Budget (MMB) must approve the establishment, increase, decrease or closing of all imprest cash accounts.

Imprest Cash is the designation given to cash advanced from the state treasury to an agency where a fixed balance is maintained by regular replenishments and used for authorized disbursements. Minnesota Statute 15.191 authorizes the establishment of imprest cash accounts for the following purposes:

- Minor disbursements for emergency purchases and/or employee travel advances
- Making change when receiving cash payments for services rendered or items sold
- Issuing part or all of an employee's payroll warrant when not received through the payroll system

Separate imprest cash accounts should be established and maintained for each physical location defined by the account request documentation and the accounting string. Each account should be reconciled in accordance with statewide policies and your agency's internal policies and procedures. Additionally, MMB will require agencies to certify their imprest cash account balances on a periodic and year-end annual certification for financial reporting purposes.

#### Prior Approval Required

Prior to establishing an imprest cash account, Minnesota Statute 15.191 requires all state agencies to submit a formal written request for approval to MMB. This request must demonstrate the need for the imprest cash account and include the following:

- Purpose for establishment of the account
- Location of where the account will be established
- Custodians name
- Type of Account: Cash, checking, or a combination of checking and cash on hand
- Total imprest cash amount by account type
- Funding source for the account

- Accounting string information: Fund, Department ID, Appropriation Unit

Upon approval by the commissioner of MMB or designated representative, the applicant will be notified. This notification shall include the maximum fixed amount approved and instructions on how to establish the account in the accounting system, Statewide Integrated Financial Tools (SWIFT).

### **Reconcile/Reimburse/Change Amount Authorized**

All imprest cash accounts (bank account, cash drawer, etc. ) should be formally reconciled and reimbursed monthly. Accounts must be reimbursed/replenished no later than the last day of the fiscal year so that year-end balances are as close as possible to the authorized amount for statewide financial reporting purposes.

If, at any point, it is determined the amount is either insufficient or in excess of what is required to administer the defined purpose of the account, a new request to either increase or decrease the authorized amount must be submitted to MMB. Upon approval and/or confirmation, the applicant will be notified and given instruction on how to process the transaction.

### **Year End Certification**

For statewide reporting purposes, MMB General Accounting will send out an annual certification report of authorized imprest cash balances for agencies to confirm. Agencies need to reconcile their imprest cash account balances and correct any discrepancies along with any SWIFT correcting entries.

### **Internal Control Policies and Procedures**

Agencies must establish internal policies and procedures commensurate with the level of risk attributable to each type of imprest cash account and the specific environment where the account is maintained. Internal controls are an essential component of managing imprest cash accounts. A clear and well-executed plan of internal control reduces shortages and irregularities. For this reason, agencies should establish in policy and practice adequate controls to address their specific and particular circumstances. The following list should be considered as a notice of some of the various types of irregularities that may be encountered. Review the following sample listing and ensure that the necessary controls are established to guard against any type of shortage:

- Overstating vouchers for imprest cash reimbursements
- Two payments for the same voucher including one from the imprest cash account and one from regular invoice disbursements
- False vouchers for receipts for postage, supplies and other expenditures

Accountability and separation of job duties/responsibilities are also an integral part of internal controls. Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. Incompatible responsibilities are combinations of duties that place one person alone in a position to create and conceal errors, frauds, or misstatements in his or her normal job.

For example, when processing transactions, the duties of (1) authorizing or approving the transaction, (2) recording the transaction, (3) maintaining custody of the related assets, and (4) reconciling or comparing recorded transactions to the related assets, including error investigation and correction should be performed by different people. Adequate accountability and separation of duties must be established in policy and practice, in order to safeguard imprest cash resources.

Receipts or other adequate documentation for all disbursements shall be obtained and accompany the request for reimbursement. These receipts identify and itemize the items or services purchased, when the purchase occurred, and the amount paid. Requests for reimbursement should specify the business reason for the expenditure.

### **Improper Use of the Imprest Cash Account**

Improper use of imprest cash accounts includes, but is not limited to the following:

- Loans to or any other use by any individual for personal use
- Cashing of personal checks
- Normal employee travel reimbursements
- Employee relocation expenses
- Payments subject to Federal Form 1099 reporting
- Payments to vendors doing repetitive business with agencies who should be paid through SWIFT

### **Definitions**

**Segregation of Incompatible Job Duties/Responsibilities:** Duties/Responsibilities that are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. Incompatible responsibilities are combinations of duties that place one person alone in a position to create and conceal errors, frauds, or misstatements in his or her normal job. For example, when processing transactions, the duties of (1) authorizing or approving the transaction, (2) recording the transaction, (3) maintaining custody of the related assets, and (4) reconciling or comparing recorded transactions to the related assets, including error investigation and correction should be performed by different people.

**Compensating Controls:** When adequate segregation of duties cannot be achieved, management must provide sufficient review and oversight of the incompatible activities. Compensating controls are less desirable than segregation of duties, because they generally occur after transactions are completed and take more resources. Compensating controls may include reconciliations, reviews of detailed transaction reports, reviews of individual transaction supporting documentation, or analytical procedures performed by an independent person or oversight body.

### **Related Policies and Procedures**

[MMB Statewide Operating Procedure 0606-01.1 Imprest Cash Accounts, Establishing or Increasing](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-01-establish-imprest-procedure.docx)  
(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-01-establish-imprest-procedure.docx>)

[MMB Statewide Operating Procedure 0606-01.2 Imprest Cash Accounts, Using and Reimbursing](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-02-using-imprest-procedure.docx)  
(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-02-using-imprest-procedure.docx>)

[MMB Statewide Operating Procedure 0606-01.3 Imprest Cash Accounts, Reducing or Closing](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-03-closing-imprest-procedure.docx)  
(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0606-01-03-closing-imprest-procedure.docx>)

[MMB Statewide Operating Policy 0802-01 Payment Requests, Preparation, and Approval](https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-8/0802-01-payment-policy.pdf)  
(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-8/0802-01-payment-policy.pdf>)

[MMB Statewide Operating Policy 1101-07 Security and Access](#)

(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/1101-07-security-and-access-policy.docx>)

[MMB Statewide Operating Policy 0601-01 New Deposit Accounts](#)

<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0601-01-new-deposit-accounts-policy.docx>

[MMB Statewide Operating Procedure 0601-01.1 Request to Establish a New Deposit Account](#)

<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0601-01-01-request-establish-deposit-account-procedure.docx>

## **See Also**

[SEMA4 Operating Policy and Procedure PAY0020: Travel Advances](#)

([http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0020/Short\\_Term\\_and\\_Annual\\_Travel\\_Advances\\_Operating\\_Policy\\_and\\_Procedure.htm](http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0020/Short_Term_and_Annual_Travel_Advances_Operating_Policy_and_Procedure.htm))

[SEMA4 Operating Policy and Procedure PAY0030: Payment of Payroll Transactions Through Imprest Cash Fund](#)

([http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0030/Payment\\_of\\_Payroll\\_Through\\_Imprest\\_Cash\\_Fund\\_Operating\\_Policy\\_and\\_Procedure.htm](http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0030/Payment_of_Payroll_Through_Imprest_Cash_Fund_Operating_Policy_and_Procedure.htm))

[SEMA4 Operating Policy and Procedure PAY0035: Correction of Underpayments](#)

([http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0035/Correction\\_of\\_Underpayments\\_Operating\\_Policy\\_and\\_Procedure.htm](http://www.sema4.state.mn.us/html/doc/eng/webhelp/PAY0035/Correction_of_Underpayments_Operating_Policy_and_Procedure.htm))