



## PROJECT ADVANCE FUND PROCEDURES

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### I. Overview

Per Section 2.7 of the Board of Regents Business Procedures Manual, Petty Cash Funds are *definite funds established for small purchases, controlled and accounted for as imprest funds, the total composition of which must always equal the amount of the fund. The composition of a Petty Cash Fund usually includes cash, petty cash vouchers representing disbursements from the funds, and checks.*

BPM Section 21.4 states that institutions using petty cash will need to have the following in place:

- Petty cash application and approval process
- Procedures for opening a petty cash bank account
- Reconciliation guidelines
- Closeout guidelines
- Management, record-keeping, and reimbursement procedures

Pursuant to BPM, these procedures establish the steps to be followed in the management of Kennesaw State University project advance funds which is a type of petty cash/imprest fund. The procedures cover the following topics:

- Fund Establishment
- Expenditures
- Replenishment/Reconciliation
- Change of Custodian
- Security Guidelines
- Closing of Fund

## II. Fund Establishment for Project Advance Fund Procedures

Petty Cash Funds are typically issued through the Bursar's Office. Project Advance Funds will be distributed through the Accounts Payable unit of the Office of Fiscal Service. The department requesting establishment of a project must designate someone within the department as the custodian of the fund. The designated employee must be classified as a full-time, permanent employee. Part-time, temporary employees or student assistants cannot be custodians.

The person who will serve as Custodian must contact Financial Compliance in the Office of Fiscal Services ([compliance@kennesaw.edu](mailto:compliance@kennesaw.edu)) for pre-approval. The requester for Project Advance Funds will be required to describe the nature, purpose, anticipated expenses, and project timeline so that Compliance can confirm that establishing a Project Advance Fund is appropriate.

Once Financial Compliance provides written approval to proceed with setting up a Fund (pre-approval), the Custodian must obtain the required signatures and submit the completed [Project Advance Fund Request](#) form to their college or department's Business Manager or designee. The Business Manager or designee will submit a Payment Request, using Account Code 132911, to Accounts Payable and attach Financial Compliance approval and the Project Advance Fund Request form. Accounts Payable will issue a check or an electronic funds transfer (EFT) to the custodian's bank account. Allow up to three days for the funds transfer to appear in the bank account.

Note: If your project requires the anonymity of the human subjects involved, your form must indicate such at the time of requesting the fund and must be supported by a memo signed by the Principal Investigator from the Office of Research or Institutional Review Board, detailing the reasons for needing anonymity.

1. The Custodian should keep a copy of the approved Form.
2. Fund disbursements should never exceed the "*Requested Amount of Fund*" listed in the Form.

A Fund Custodian is required to sign a Fund Agreement, taking personal responsibility for the Fund including:

- Use of funds for approved purposes only.
- Keeping accurate records that meet all requirements.
- Keeping the funds and records in the approved location listed on the Fund Agreement Form.
- Accounting for all sums/documentation at all times.
- Ensuring that there are adequate funds in the budget to cover expenses.

Upon approval, the Business Manager or department designee submits a Payment Request to Accounts Payable and a check or direct deposit will be issued to the custodian.

The custodian of the fund is responsible for ensuring that expenditures made from the fund within his/her custody comply with all State, BOR and KSU policies and procedures. The custodian of the fund is also responsible for ensuring that funds are adequately safeguarded (refer to Security Guidelines below).

If changes to the established fund amount or custodian become necessary, a new Project Advance Fund request form must be submitted to Accounts Payable noting the existence of the current fund and the request for an increase or decrease of funds and/or change of custodian.

### III. Expenditures from Project Advance Funds

Project Advance Fund purchases are subject to State Procurement and University system policies. It is the responsibility of the department, fund custodian, and employees making such purchases to be familiar with the regulations regarding such purchases. The same purchasing restrictions apply to the use of project advance funds as to the use of purchase orders and the University purchasing card (P-Card) with regards to prohibited commodities.

Items that should not be purchased using Project Advance Funds include:

1. Items covered by State or University contracts  
(<https://financialservices.kennesaw.edu/procurement/contracts>)
2. Prohibited items (e.g. Alcohol; see complete list in P-Card Procedures – Pages 10 & 11)
3. Entertainment
4. Personal-use items, such as coffee pots, refreshments, invitations, greeting cards, radios, holiday decorations, etc.
5. Cut or potted flowers
6. Employee travel reimbursements (meals, lodging, taxi, airfare)
7. Per diem and fees and other service payments
8. Gifts, awards or prizes for employees will require additional, prior approval
9. Memberships/Subscriptions
10. Cell phone or telephone reimbursements
11. Personal check cashing
12. KSU Faculty/Staff expense reimbursement check cashing
13. Loans/Advances

14. Catering (food and beverages may be purchased if in compliance with food policy; see BPM section 19.8; food approval form required)
15. Payment for Personal Services of any kind
16. Rent
17. Sales Tax (tax exemption certificate must be provided to vendor at time of purchase).

Repetitive purchase of services in the same day from the same vendor totaling more than \$2,500 will be considered a violation of University procedures. Violations of Project Advance procedures may result in non-reimbursement or fund closure.

#### IV. Required Documentation for Expenditures

All withdrawals from Project Advance Fund must have the appropriate documentation. All receipts submitted for reimbursement to the employee for reimbursement to the fund should have the following characteristics, with one exception, (described below).

1. The receipt should be clear and readable. It should include the vendor's name, the date of purchase, as well as the quantity, description, unit price and extension of each item purchased.
2. Original receipts should be affixed to a piece of paper for scanning purposes. It is highly recommended that one receipt per page is attached and each page is numbered. The page number should correspond to the summary sheet. The summary sheet should include the following:
  - a. Date of receipt
  - b. Amount
  - c. Account
  - d. Chartstring/Speedchart to charge the expense.

University personnel must provide a tax exemption certificate at the time of the purchase to eliminate sales tax from being charged.

**Exception:** In those instances where the receipt is not machine generated or the vendor's name is not machine printed on the receipt, the receipt should be marked "Paid" and carry the signature of the vendor's representative and the name of the vendor. It should be a formal receipt – not merely a slip of blank paper on which the information has been written.

If the receipt is missing, a Missing Receipt Form must be completed.

## V. Additional Required Documentation – Cash and Gift Cards

Stringent controls on disbursement of cash and gift cards by the Fund Custodian are required.

- A. The preferred, acceptable documentation for dispersing cash or gift cards to individuals include receipts for the cash signed by participants or a log or form with multiple participants' signatures acknowledging receipt of funds. For research, approved for anonymous participation, individuals can acknowledge receipt with an "X" next to their assigned subject identification number. The assigned subject identification number must be linked to some form of documentation that the individual participated in the research project (e.g., data generated by that subject).

If a recipient has opted to receive their gift card via email and are unable to sign a log or form, the custodian must provide a copy of the email sent to the recipient enclosing the gift card and return notification of receipt. This is to ensure that the gift cards are being distributed in accordance with the register. To complete the register, state "See Attached Email" in signature field.

For anonymous participants, the subject identification number would be added to the log for the participant name. The email addresses should be verified by a second employee that will sign the log as a witness. The information submitted with the log should be redacted.

- B. Disbursements to individuals (participants) will be verified by two Kennesaw State University (KSU) employees. The fund custodian, who issues the cash or gift card, and a second employee who shall serve as a witness to the disbursement. Both employees must sign the receipt/receipt log as witness to both the disbursement and signing or verification of the receipt/receipt log. The Custodian processing the disbursement may not serve as the witness. The disbursement and signing of the receipt/receipt log must take place as one transaction and having the disbursement or signing of the receipt at different times is not permitted. If this is not possible, a memo explaining the reason why the receipt was not witnessed or witnessed at the time of the transaction must accompany the receipts when turned into the Office of Fiscal Services – Accounts Payable.
- C. Fund disbursements should never exceed the "*Requested Amount of Fund*" listed in Section one of the Form.
- D. Proper cash handling procedures must also be observed, which require that cash or gift cards be kept in a locked, secure location until disbursed to participants or human subjects. A fireproof safe is highly recommended for this purpose, especially when handling large amounts of cash.

- E. For audit purposes, the Custodian should keep a copy of all receipts in following with IRS guidelines.

## VI. Fund Replenishment

Replenishment of Project Advance Funds must be initiated via Payment Request, using the Project Advance Fund Log with detailed receipts attached as backup. Receipts must be submitted for replenishment quarterly, at a minimum.

Project Advance Funds will be replenished by the issuance of a check or EFT through the Office of Fiscal Services – Accounts Payable. The following procedures must be followed:

- A. A fully-approved Payment Request must be submitted to the Office of Fiscal Services – Accounts Payable unit at least 5 business days prior to your intended replenishment date. The Payment Request should contain your intended replenishment date, speedtype, amount of replenishment requested.
- B. Indicate the appropriate account codes for the expenses submitted;
  - a. Enter Account 132911 for the Payment REquest Account code.
  - b. The Business Manager or department designee must enter the appropriate account codes for expenses submitted on the Project Advance Fund Log.
    - 1) A copy of the original approved Project Fund Request Form; and
    - 2) Witnessed receipts from all expenditures from the previous installment of funds.
  - c. Use 783120 for Participant Support-Services or 727140 for Human Subjects Payments, and 783110 for Participant Support-reimbursement of expenses, indicating the total amount of receipts for each type of expense with original, dated signatures.
- C. The amount replenished will be no more than the amount spent as shown by the receipts. This must also be equal to or less than the *Requested Amount of Fund* in Section One on the approved Project Advance Form.

## VII. Change of Custodian or Fund Amount

To change Custodian, the Project Advance Fund should be closed and a new fund (with the new Custodian) opened using a Project Advance Request Form.

## VIII. Compliance

Custodianship of a project advance fund is a fiduciary responsibility; therefore, custodians must commit to securing and managing the funds in addition to being available for the unannounced audits.

- **Prohibited Purchases** - Section III - Expenditures from Project Advance Funds identifies prohibited purchases from Project Advance funds. Failure to comply with these requirements will result in suspension of the Custodian rights to hold the funds.
- **Theft of Funds** - Inform the Public Safety Department of the theft. Once a report has been issued, forward a copy of the police report to the Office of Fiscal Services Compliance Office. If the theft occurred due to the Custodian's failure to follow security guidelines stated Section X of these procedures, the balance of the funds will be surrendered to the Bursar's Office and a new Custodian must be selected by the Department. The Department's Project Advance Fund will be reestablished once the selected fulfills the requirements for custodianship.
- **Failure to comply with any or all university policies and procedures may result in the closure of the Project Advance fund and the return of the full authorized amount to the Bursar's Office.**
- Project Advance Funds must be reconciled quarterly or at the end of each semester.
- Funds that are not returned or accounted for in following with University, State or Board of Regents policies will be considered an employee receivable. If this amount is not paid to the University within 15 days of notification, the amount due will be collected through payroll deduction, as noted in Section 10.1.2 of the Board of Regents Business Procedures Manual.

## IX. Security Guidelines

Project Advance Fund custodians must adhere to the guidelines for safeguarding funds:

1. Cash must be held in a locked cash drawer or locked cash box. For security reasons, a smooth metal finish box is recommended. A primary key to the drawer or box must be held by the custodian while a secondary key should be held by the department head or delegate for emergency purposes.

2. For funds issued through a check or EFT, the Custodian must keep a running log of expenditure dates, amounts, purpose and balances in addition to receipts of the actual transaction.
3. The total amount of the Project Advance Fund should always equal the cash on hand plus any unreimbursed receipts. All overages and shortages must be reported to Fiscal Services. If the Department Head or Fiscal Services feel it is warranted based on circumstances surrounding a shortage, Internal Audit may be contacted to investigate. If Internal Audit determines the custodian was negligent in his/her duty to safeguard the Project Advance Funds, the custodian may be held liable for replacement of uninsured losses.
4. In the event of loss or theft of funds, the custodian should immediately notify the Kennesaw State Police Department and the Office of Fiscal Services, Accounts Payable Department. Incident reports from the Police Department will be distributed within three days of the theft to the Department Head and the Office of Fiscal Services.
5. Custody of a Project Advance Funds cannot be transferred. Upon departure/termination of the Custodian, funds must be returned to the Office of Fiscal Services. A final reconciliation must occur prior to the custodian's termination date. A change of custodian requires submission of a new [Request for Project Advance Fund](#) form.

## **X. Closing a Project Advance Fund**

In the event that a fund is to be closed voluntarily, the following steps must be followed by the custodian:

1. Prepare final reconciliation of receipts and enter on the Project Advance Fund Log. Determine the amount of the fund remaining due to the University.
2. Submit all remaining funds to the Bursar's Office and obtain a receipt for the funds returned.
3. Prepare a reconciliation of all outstanding receipts. Submit the final reconciliation and the Bursar's receipt through Payment Request, with Account Code 132911.
4. In the Special Instructions, note the closing of the Project Advance Fund.
5. Accounts Payable will review the final reconciliation and close the fund. Termination of the funds will be noted on the original establishment form and a copy will be forwarded to the custodian by e-mail.

The custodian is responsible for making sure that a Project Advance Fund in their name is closed out. The custodian will be liable for any amount that is outstanding in the account.

Project Advance Funds must be closed out within 30 days of project termination date unless, because of exceptional circumstances, the Office of Fiscal Services has approved



additional time to complete the transactions. Such approval should be obtained through an email request (with a justification) to the Director or Vice President of Research and the Director of Financial Compliance. Approval by the Director or VP of Research Services and the Controller should be included in the paperwork submitted for closing the fund.

## Definitions

**Human Subject Payments** (also known as participant incentives and respondent fees) are small payments made to individuals who are participating in a research project as a “human subject.” These costs should be expensed to account code 727140.

**Cash payments and Gift Cards** - Reportable to the IRS. The majority of these transactions are de minimums (generally less than \$25 per transaction). Current IRS regulations require reporting of earnings of \$600 or more received from a single source within a calendar year. The majority of these transactions distributed to a single individual, from KSU, will never reach that threshold. However, if the total per person/human subject exceeds the \$600 threshold, within the calendar year, Office of Fiscal Services, Accounts Payable department must be notified so that a 1099 is created.

**Participant support** is stipends, subsistence allowances, registration fees, supplies, and manuals paid to or on behalf of for their attendance at meetings, conferences, symposia, training activities and workshops. These costs should be expensed to either account code 783120-*Participant Support Services* for stipends or subsistence allowances or account code 783110- *Participant Support reimbursement of expenses*. When paying participant support from a sponsored project, such expenses must be part of the approved sponsored project budget and budgeted separately.