



Chapter 40 - E-Commerce: Electronic Acceptance and Disbursement of State Funds/Benefits

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E-Commerce

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40.10.40
July 1, 2010

Responsibilities of the Office of Financial Management

The Office of Financial Management (OFM) has the following responsibilities related to e-commerce activities by state agencies:

1. Develop administrative and accounting policies and procedures for acceptance and/or disbursement of state funds/benefits via electronic means.
2. Approve, prior to implementation, the project and its expansions, if appropriate, for acceptance and/or disbursement of state funds/benefits via electronic means when economically feasible. Approval is required for both pilot and permanent projects.
3. Provide assistance to agencies in preparing an economic feasibility study (EFS) for e-commerce activities. Agencies are encouraged to work closely with their assigned OFM Accounting Consultant and the OFM E-Government Accounting Consultant. Additional resources are available on OFM's E-Commerce Resources website at: <http://www.ofm.wa.gov/resources/ecommerce.asp>.
4. Work with OST to respond to requests for fiscal information, as needed, on the electronic receipt and/or disbursement of funds/benefits by state agencies.

40.10.50
July 1, 2010

Responsibilities of the Office of the State Treasurer

The Office of the State Treasurer (OST) has the following responsibilities related to the electronic receipt and/or disbursement of funds/benefits by state agencies:

1. Negotiate master contracts or other contracts for receipts and disbursements by credit cards, debit cards, ACH transfers, or other electronic or technological means. Master contracts negotiated include, but are not limited to, depository and banking services, credit card and debit card acceptance, lockbox services, and ACH file processing. This responsibility may be delegated to agencies with OFM's concurrence. An agency delegated this responsibility should use its best efforts to minimize the financial impact of electronic transfers on the state agency, taxpayers, and the public who use its services. Refer to Chapter 65.

2. Work with OFM and state agencies in implementing new technologies for acceptance and/or disbursement of state funds/benefits via electronic means which include, but are not limited, to the following:
 - ACH transfers for both acceptance and disbursement of funds.
 - Credit cards and/or debit cards for acceptance of funds.
 - Remote deposit services for the deposit of checks to the state treasury or local bank accounts.
 - Prepaid debit cards for disbursement of funds.
3. Advise agencies of new cash management techniques, practices, procedures, and other efficient methods of collecting and disbursing state money to ensure maximum return on state investments.

40.20.30.c

Electronic payment types where an EFS is **NOT required** include, but are not limited to:

- **Wire transfers:**
 - Acceptance of wire transfers can be expensive and therefore should not be used routinely. Wire transfers can be processed into treasury and treasury trust accounts under special circumstances. Wires which are needed immediately and singular in nature do not require an EFS.

However, agencies considering a recurring or routine wire transfer **must complete** an EFS, and the agency must work with OST to ensure that there is not a less expensive alternative available.
 - Acceptance of wire transfers into local accounts must be on the list of services in the master contract that has been negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65 for information related to banking services.
- **Inter-agency payments (IAP).** IAP is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund transfers (IFT).** IFT is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.



40.30 Disbursement of Electronic Funds/Benefits by State Agencies

40.30.10

October 1, 2016

Methods of electronic funds disbursement

The disbursement of electronic funds includes all forms of disbursing monies and/or payment information through electronic means.

These vehicles include, but are not limited to:

- Automated clearing house transfers
- Wire transfers
- Electronic benefit transfers
- Payroll cards
- Prepaid debit cards
- State Purchase Card
- State Travel Card
- Fuel Cards

40.30.15

July 1, 2011

Automated clearing house transfers

The preferred method for agencies disbursing funds electronically is automated clearing house (ACH) transfers. This method is generally the least expensive method for disbursing funds electronically.

Agencies are **required** to evaluate ACH as the primary option for disbursing funds electronically.

An economic feasibility study (EFS) is **not required** to be submitted to the Office of Financial Management for approval for the following:

- Disbursement of funds by ACH through the Office of the State Treasurer (OST).
- Direct deposit (ACH) of employee's earnings. Refer to Subsection 25.70.20.

However, agencies are required to contact OST prior to implementing disbursement of ACH transfers:

- Agencies must coordinate with OST to ensure compliance with National Automated Clearing House Association (NACHA) rules.
- Agencies must ensure that all contract amendments needed on the Agreement for Concentration Account Services for treasury and treasury trust accounts have been made, or, if a local account is being utilized, ensure that disbursement by ACH is included in the list of services on the master contract negotiated by OST with the local bank.
- Coordination with OST for testing of the ACH file and other necessary procedures must also be undertaken.

Refer to Subsection 85.36.20 for additional information related to ACH disbursements. Refer to Chapter 65 for further information related to banking services.

40.30.20

July 1, 2010

Wire transfers

Disbursement by wire transfer can be expensive and therefore should not be used routinely. Wire transfers can be processed from treasury and treasury trust accounts under special circumstances. Wires which are needed immediately and singular in nature do not require an EFS.

However, agencies considering a recurring or routine wire transfer **must complete** an EFS, and the agency must work with OST to ensure that there is not a less expensive alternative available.

Disbursement by wire transfers out of local accounts must be on the list of services on the master contract negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65.

40.30.30

October 1, 2016

Electronic benefit transfers, payroll cards, stored value cards, and other electronic technologies

40.30.30.a

In general, unless specifically authorized by law, agencies wishing to disburse funds/benefits via electronic benefit transfers (EBTs), stored value cards, or any other electronic technology **must receive approval** by the Office of Financial Management (OFM) **prior to** implementation.

Payroll cards and expansions of existing processes **may also require** approval by OFM.

40.30.30.b

Electronic payment types where an economic feasibility study (EFS) **is required** include, but are not limited to:

- **Electronic benefit transfers (EBTs).** EBTs are a method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card.
- **Prepaid debit cards.** A card for which the prefunded value is associated with a bank account, which must be accessed for payment authorization. These cards can be reloadable or disposable, and include cards such as prepaid cards, flexible spending account cards, government benefit cards, etc. Contact OST's Cash Management Section regarding available contracts.

40.30.30.c

Electronic payment types where an **EFS may be required** include, but are not limited to:

- **Payroll cards.** A card for which employee's net pay is loaded and made accessible to an employee. Payroll cards are a form of a prepaid debit card. Contact OST's Cash Management Section regarding available contracts. Refer to Section 25.70 for more information regarding employee payment options.
- **Expansions of existing processes.** Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed. Contact OST's Cash Management Section regarding available master contracts.

40.30.30.d Electronic payment types where an **EFS is NOT required** include, but are not limited to:

- **Inter-agency payments (IAP).** IAP is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency or when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund transfers (IFT).** IFT is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.
- **Gift Cards.** Gift Cards may be used by agencies as a convenient means for incentives. An agency may also use gifts cards for administering special programs as long as there are no fees attached. The agency must ensure adequate internal controls are in place to safeguard the assets. Refer to Chapter 20 for more information on internal controls.

40.30.40
October 1, 2016

Purchase cards

40.30.40.a

Requirements

Agencies may only use credit and/or debit cards issued through the state charge card system and the fuel card program authorized by the Department of Enterprise Services (DES), unless there is specific authority which authorized an agency to independently contract for purchase card services.

Agencies must follow the DES policies and procedures on the use of purchase cards.

Purchase cards are to be used within the same statutes, rules, policies, and procedures as purchases by any other means of payment.

Agencies must develop internal policies and procedures in line with the purchase card policies and procedures set by DES. Internal policy should include, but not limited to:

- Internal control requirements in line with SAAM Chapter 20 and DES's policies and procedures.

- The agency established purchase card reporting structure/hierarchy for the agency and ensuring proper separation of duties. For example, a card user may not be the reviewer or approving official for their own transactions.
- Consideration of the State ethics laws.
- Disciplinary procedures related to unauthorized use of cards and card renewal procedures.

40.30.40.b Restrictions

Agencies may not use the purchase card to pay other state agencies or to make payments between internal departments within an agency.

Exceptions to this are as follows:

- When prior written approval is received from the Office of Financial Management based on the requirements in Subsection 40.40.10, or
- When the paying and/or receiving account is a local account, and the receiving agency has agreed to accept the inter-agency purchase card payments, or
- The Department of Transportation's *Good To Go!* Prepaid toll accounts. Agencies should actively manage/monitor their *Good To Go!* account. Agencies may not auto-replenish accounts. When replenishing the account, agencies should not exceed one month's estimated usage.

40.30.40.c Rebate/incentive programs

Each agency should establish a policy for accounting for any rebates/incentives received from any merchants or the issuing bank. The policy should address the individual business needs of the agency and should cover how the rebates are to be recorded. Note that all merchant losses on agency accounts may be deducted by the issuing bank when determining agency rebate amounts. Therefore an agency should make a reasonable effort to ensure that unauthorized or disputed transactions are promptly reported.

Rebates should be recorded as either a recovery of expenditures or miscellaneous revenue depending on the timing of the receipt of the rebate and/or the source of funds expended for the purchase card transactions.



Chapter 85 - Accounting Procedures

85.10 Budgetary Accounting Procedures

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Accounting Procedures

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85.65.46	Donations of consumable inventories	Jan. 1, 2014
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85.65.54	Assets that do not meet the state's capitalization policy	July 1, 2009
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85.72.40	Certificates of Participation (COP)	June 1, 2013
85.72.50	Vacation leave payable	July 1, 2009
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85.72.65	Compensatory time payable	July 1, 2009
85.72.70	Termination benefits	July 1, 2006

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85.74 Special Liabilities

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85.74.40	Claims and judgments	Oct. 1, 2011
85.74.50	Pollution remediation obligations	July 1, 2009
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85.80 Fund Equity

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85.85.25	Unearned revenues	June 1, 2015
85.85.30	Fund bond debt issuance and servicing	June 1, 2013
85.85.35	General obligation bond debt issuance and servicing	Jan. 1, 2011
85.85.40	Lease-purchase agreements	Mar. 17, 2010
85.85.45	Equipment Certificates of Participation (COP)	June 1, 2013
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85.90 Interfund/Interagency Activities

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85.95.70	Agency vendor payment revolving account	July 1, 2001



85.36 Disbursement Processing

85.36.10

July 1, 2000

Agency disbursement processes

Agency disbursement processes should minimize the cost of making disbursements by using the most cost effective means available. To optimize cash management, agencies should minimize early payments unless the early payments result in vendor discounts.

85.36.20

July 1, 2013

Disbursement mechanisms

Disbursement mechanisms available to state agencies include:

- **Treasury Warrants** - Refer to Subsection 85.36.30.
- **Local Checks** - Refer to Subsection 85.36.40.
- **Wire Transfers** - Approval by the Office of Financial Management may be required to disburse funds via this method. Refer to Subsection 40.30.20.
- **Automated Clearing House (ACH)** payments are electronic fund transfers from a state bank account to a payee's account at their designated financial institution. ACH payments should be used, if possible, for payments from treasury-type accounts to local accounts.
 - **AFRS ACH** payments are electronic fund transfers that originate in the Agency Financial Reporting System (AFRS). The ACH payment information is processed nightly and communicated electronically to the Office of the State Treasurer (OST), who passes the information to the state's ACH operator. The effective date of these payments is the second working day after initial processing. Any agency entering transactions into AFRS may issue ACH payments by utilizing statewide vendors. Agencies are responsible for including correct, meaningful remittance information (in the invoice number, invoice date, account number, and vendor message fields) so vendors can post payments accurately.

Accounting Procedures

- **OST ACH** payments are electronic fund transfers from treasury and treasury trust accounts that originate at OST. Agencies must inform OST and send an ACH JV **at least by 12:00 noon the day before** the effective date of the transfer. The effective date is the day funds will be transferred between bank accounts, and must be noted on the ACH JV. In cases where an agency prepares an ACH tape (or file) for OST, the tape (file) must be available to the treasurer **no later than two working days before** the effective date of the transfer. The ACH JV must be to OST the day before the effective date.
- **Inter-Agency Payments (IAP)** is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund Transfers (IFT)** is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.
- **Journal Vouchers (JV payments)** are to be used to generate ACH payments through OST to accounts outside the State Treasury. JVs are also used to transfer funds between agencies and between treasury and/or treasury trust accounts. Refer to Section 85.90 Interfund/ Interagency Activities.
- **State Charge Card System** is negotiated by the Department of Enterprise Services (DES) under a single vendor contract. All purchase card services should be obtained through participation in the statewide contract administered by DES, unless there is specific authority which authorized an agency to independently contract for purchase card services. Agencies must comply with the State Charge Card Services contract. More information about the state charge card system and specific contract requirements is available online at: <http://des.wa.gov/services/ContractingPurchasing/Purchasing/Pages/PurchasingVisaProgram.aspx>.

Except as provided in Subsection 40.30.40, charge cards (e.g. purchase cards) may **not** be used for purchases between state agencies.

Accounting Procedures

Subsection 10.10.45 describes the use of charge cards for travel related expenses. Minimum requirements for agency purchase card programs are covered in DES policy. Agencies with central travel accounts and/or One Card programs should establish appropriate policies and controls.

- **Vehicle Fleet Credit Card** is also administered by DES. More information about the vehicle fleet credit card and specific contract requirements is available online at: <http://des.wa.gov/services/contracting-purchasing/purchasing/fleet-card>.
- **Prepaid Debit Cards** are cards for which the prefunded value is associated with a bank account, which must be accessed for payment authorization. These cards can be reloadable or disposable. Approval by the Office of Financial Management is required prior to disbursing funds via this method. Refer to Subsection 40.30.30.
- **Electronic Benefit Transfer (EBT)** payments are an alternative method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card. Approval by the Office of Financial Management is required prior to disbursing funds via this method. Refer to Subsection 40.30.30.

85.36.30

January 1, 2012

Treasury account requirements

85.36.30.a

For the purpose of this section, the term Treasury Account refers to both Treasury and Treasury Trust Accounts. The information that is required to be maintained by agencies may be retained in paper or electronic form.

85.36.30.b

The following documents are generated when processing Treasury Account disbursements:

- **Warrant** - A payment instrument for each invoice voucher or other evidence of indebtedness validated and released by the Office of the State Treasurer (OST) for payment.

Accounting Procedures

- **Agency Payment Register** - The document requested through Enterprise Reporting and used to record disbursements and account classifications of each transaction in detail. It also provides details on the payments issued including the vendor name, detailed expenditure/expense coding, type of payment (ACH, IAP, regular warrant, inserted warrant), ACH deposit date, and amount.
- **Vendor's Remittance Advice** - A document used to accompany each payment (ACH, IAP or warrant) to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the payment number, the invoice number, and other vendor information, as appropriate. The Vendor's Remittance Advice for ACH payments is emailed or mailed to vendors by Consolidated Mail Services. Agencies receiving IAPs receive an email notification.
- **Outstanding Warrant Record** - The document used to record warrants issued by the agency which are not yet redeemed by OST, canceled by the agency, or canceled by statute of limitation.

- 85.36.30.c The validated warrants are returned to the agency by OST or, if authorized by OST, by the Department of Enterprise Services. Agency Payment Register Summary and Agency Payment Register detail reports are available in Enterprise Reporting. Inserted warrants and their remittance advices are forwarded to Consolidated Mail Services for direct mailing to vendors.
- 85.36.30.d Upon receipt of the warrants, agencies are responsible for promptly forwarding warrants to the vendor or authorized payee.
- 85.36.30.e The validated warrant and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.
- 85.36.30.f The agency is to maintain the Agency Payment Register Summary, Official Agency Payment Register and a copy of the Vendor's Remittance Advice along with the detail source documents in accordance with record retention policies.
- 85.36.30.g A payment file by vendor (payee) is to be maintained. Agencies should have procedures in place to detect and avoid duplicate payments to vendors.

85.36.40

July 1, 2010

Local account requirements

85.36.40.a

The documents listed below are generated when processing Local Account disbursements. The information that is required to be maintained by agencies may be retained in paper or electronic form.

- **Check** - The payment instrument used for each invoice voucher or other evidence of indebtedness.
- **Vendor's Remittance Advice** - The document used to notify the payee of what is being paid. The Vendor's Remittance Advice is to reference the check number and the invoice number as appropriate.

85.36.40.b

Agencies are to maintain a file containing copies of Vendor's Remittance Advices for each check.

85.36.40.c

A payment file by vendor (payee) is also to be maintained. Agencies should have procedures in place to detect and avoid duplicate payments to vendors.

85.36.40.d

The signed check and vendor copy of the Vendor's Remittance Advice are to be released only to the vendor or other authorized payee.

85.36.50

July 1, 2010

Recording

85.36.50.a

The Official Agency Payment Register or local account Check Register constitutes the basis for recording expenditures/expenses.

Expenditure/expense transactions are to be recorded in the General Ledger and the Subsidiary Allotment and Expenditure/Expense Ledgers. Refer to Subsection 85.42.30 for an illustrative entry to record expenditure/expense disbursements.

85.36.50.b The following information, at a minimum, is to be recorded in the Subsidiary Allotment and Expenditure/Expense ledgers:

- Payment and/or check register date,
- Payment and/or check register number reference,
- Voucher number reference,
- Appropriate expenditure coding, and
- Amount of disbursement.

85.50.30 Undeposited receipts

May 1, 1999

85.50.30.a

Undeposited receipts consist of the following:

- Cash receipts on hand, and
- Monies in transmittal accounts pending deposit in the OST concentration account.

85.50.30.b

Undeposited receipts exclude monies that have not been entered into the agency's records. These include: unopened mail transmittals; non-validated receipts; and monies received by personnel operating outside of the agency's accounting office and not forwarded for deposit to the accounting office. It should be noted, however, that the statutory provisions controlling the depositing of state monies, as prescribed in RCW 43.01.050, are to be observed at all times. Refer to Subsection 85.50.10.

85.50.40 Reconciliation of cash receipts and deposits

July 1, 2011

85.50.40.a

Daily, cash is to be counted and reconciled with the appropriate records reflecting the day's transactions. All differences are to be investigated to ascertain the reason for the discrepancy. Procedures for recording cash over and short are prescribed in Subsection 85.20.10 of this manual.

85.50.40.b

Agencies are to review the GL Code Series 71XX "In-Process" report timely. To aid in this reconciliation, agencies receive AFRS report DTR9002 - Unbalanced In-Process Reconciliation Report. Report DTR9002 shows in detail outstanding in-process transactions for both the agency and the OST.

85.50.40.c

Accounts maintained in financial institutions or credit unions, including petty cash accounts, are to be promptly reconciled with agency records on a monthly basis. The balance shown on the bank statement may not agree with the agency's book balance.

Variations can occur because of outstanding checks, deposits in transit, bank service charges, or other adjustments. Adjusting entries may be required when entries appear on the bank statement without corresponding entries in the agency's books. Adjusting entries, if necessary, are to be promptly prepared and recorded in the agency's records.

85.50.50

July 1, 2011

Petty cash - general information

- 85.50.50.a Agencies may maintain two types of cash accounts within the petty cash regulations.
- **Change Accounts** - Used solely for making change in across-the-counter cash transactions.
 - **Petty Cash (Imprest) Accounts** - Used to make payments when issuing a warrant/check is not practical or timely. With specific OFM approval, used to load prepaid debit cards.
- 85.50.50.b Petty cash account regulations are prescribed in Chapter 42.26 RCW.
- 85.50.50.c The agency head (or authorized designee) is to issue and maintain on file a letter designating the individual assigned as custodian, the amount of the petty cash account, and the purpose for which the monies will be spent.
- 85.50.50.d The agency head (or authorized designee) is responsible for the proper use of petty cash. Agencies are to establish petty cash internal control procedures in accordance with OFM's prescribed policies. Refer to Chapter 20 of this manual.
- 85.50.50.e Only minimal amounts of cash are to be kept on hand. Petty cash accounts in excess of \$100 must be maintained in a checking account in a local financial institution or credit union that is a public depository (refer to Subsection 85.50.10.c) unless the agency has a safe, vault, or money chest that is used to safeguard petty cash. Whenever possible, all petty cash accounts are to be maintained in a bank account. Bank accounts are to be opened in the name of the agency, not an individual.
- 85.50.50.f In limited circumstances, a petty cash account may be used to load money onto a prepaid debit card. The use of prepaid debit cards in conjunction with a petty cash account requires pre-approval by OFM through the Economic Feasibility Study (EFS) process. Refer to Section 40.40.
- 85.50.50.g If a state auditor's report discloses that the amount of an agency's petty cash account is excessive or its use is in violation of regulations, the Director (or official designee) of OFM may require the elimination of, or reduction in the amount of, the petty cash account.

85.50.60

June 1, 2015

Accounting for petty cash in treasury accounts

85.50.60.a

Establishing Treasury Petty Cash Accounts

1. Requests for petty cash, or increases to petty cash, are made using the “Application and Authorization for Petty Cash Advance, Treasury Accounts” form that is available at the end of this subsection or through the Accounting Division of OFM. The completed form is submitted to the Accounting Division of OFM (the Director’s official designee) for approval. **Distribution of the total amount of approved petty cash within an agency is determined by the agency.**

Agencies requesting approval for petty cash accounts that will utilize prepaid debit cards should reference the EFS approval letter in the ‘Justification’ section of the application form.

2. After approval, OFM will return the signed original “Application and Authorization for Petty Cash Advance, Treasury Accounts” form to the agency. When the petty cash increase is approved, the agency is to produce a warrant to reclassify Treasury cash to GL Code 1130 “Petty Cash.” Refer to Subsection 85.65.14.a for an illustrative entry. The warrant is to be endorsed and cashed or deposited by the assigned custodian. OFM will send a copy of the signed form to the Office of State Treasurer.
3. Written accounting and control procedures for petty cash are to be developed and followed.
4. A petty cash account is not to be established for less than:
 - \$25; or
 - An amount that requires reimbursement more frequently than biweekly.

85.50.60.b

Authorized Uses of Treasury Petty Cash Accounts – With the exception of prepaid debit cards, the following are the authorized uses of Treasury petty cash:

1. Local market purchases of supplies and materials. These purchases may include: minor miscellaneous materials; supplies; fresh fruit and vegetables; and minor repairs and replacement parts for machinery and equipment not under state contract. Such payments may be made provided that:

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Accounting Procedures

- The purchase is within the limitations prescribed by the Department of Enterprise Services, and
 - The items purchased cannot be expediently paid through regular payment procedures.
2. Rail, air, common carrier, and bus express charges where carriers require payment at time of delivery.
 3. Postage due on mail. Postage due may be paid when it appears that it will be of benefit to the state to accept delivery of the mail.
 4. Salaries and wages due employees. Payment of salaries and wages may be made **only** when there has been an undue delay in processing the amount due an employee through normal payroll procedures. The employee must complete a supporting document requesting a miscellaneous payroll deduction for the full amount of the petty cash payment prior to the release of the check to the employee. The completed document is to be used to support the deduction of the amount due the petty cash account from the employee's pay.

The following information, at a minimum, is to be maintained on the supporting document:

- Typed authorization by employee for miscellaneous payroll deduction
- Name of the employee
- Amount due from the employee
- Date of the request
- Reason for the request
- Signature of the employee
- Signature of the petty cash custodian
- Signature of the person authorizing the disbursement

In the absence of an automated payroll calculation system which can be relied upon to accurately calculate net pay, the amount which can be disbursed from a petty cash account for this purpose is limited to 90% of the computed net pay due to the employee. The total amount disbursed to an employee for this purpose must be deducted from the employee's next scheduled pay in one lump sum; partial repayments are prohibited. Petty cash accounts are **not** to be used to pay employees in advance of established regular pay dates.

Accounting Procedures

5. Travel advances to employees **when the need for an advance cannot be anticipated** in time to use regular travel advance procedures. A Travel Authorization Form (A40, A40-A), or its equivalent, is to be completed by the employee. The completed form is to be used to support reimbursement of the petty cash account. The total amount disbursed from the account for this purpose is not to exceed the amount approved on the form. Travel advances are not to impair the intended functioning of the petty cash account.
6. The authorized uses of petty cash prepaid debit cards must be specified in the agency petty cash authorization request and designated in the OFM approval letter.
7. Agencies may request, in writing, special authorization from the Director (or official designee) of OFM for petty cash accounts to be used for the following:
 - Change accounts in agencies dispensing goods, services, etc., over-the-counter direct to the public.
 - Grants or benefits to welfare, correction, or rehabilitation recipients provided that such payments are authorized by appropriations.
 - Refunds of erroneous or excessive payments, or other refunds authorized by law.
 - Other purposes where the establishment of a petty cash account would be of special benefit to the state.

85.50.60.c Petty cash and change accounts are **not** used for cashing personal and/or payroll checks or warrants.

85.50.60.d **Disbursement and Reconciliation Procedures for Treasury Petty Cash Accounts**

1. All disbursements from petty cash accounts are documented and supported by receipts or vouchers bearing the signature of the payee. The following is recorded on the supporting document: date; name of payee; purpose of disbursement; amount paid; signature of the person authorizing the disbursement; and the proper account distribution.
2. Transactions involving payment of salaries and wages are also supported with a completed miscellaneous payroll deduction document. Refer to Subsection 85.50.60.b #4.

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Accounting Procedures

3. Travel advances are supported with a properly completed Travel Authorization (A40, A40-A), or its equivalent.
4. Agencies are to establish written procedures to ensure that the above documents are transmitted promptly to the proper fiscal personnel for processing against the individual's pay or travel expense voucher.
5. A petty cash register reflecting the balance of the account is to be maintained.
6. **The total cash on hand, plus the amount of disbursements represented by the documentation, is to equal the authorized amount of the petty cash account.** The petty cash account is to be reconciled at least monthly. If a checking account is used, the petty cash account is to be promptly reconciled each month to the bank.
7. There are to be frequent, periodic audits of the petty cash account. The audits are to be performed by the agency's Internal Auditor or another individual (not the petty cash custodian) designated by the agency head.
8. An adequate audit trail is to be maintained.

85.50.60.e

Reimbursement of Treasury Petty Cash Accounts

1. Change accounts do not require replenishment, unless a theft or loss has occurred. Cash over and short which occur during the course of making change are cleared daily as part of the reconciliation and deposit of receipts. Refer to Subsection 85.20.10. The amount of the change account on hand should always equal the authorized amount.
2. To replenish a petty cash account for disbursements made, a Voucher Distribution Form (A19-2) is to be prepared. The A19-2 is to show the name of the agency and custodian as trustee of the account in place of the vendor name. All documents substantiating the disbursements are to be attached. The GL coding distribution is summarized and entered in the account code block of the form. The voucher is checked and approved for payment by someone other than the custodian. The amount of this voucher and the cash remaining in the petty cash account are to equal the authorized amount.
3. The accounting entries to record petty cash disbursements are the same as for other vendor payments.

Accounting Procedures

85.52.30.a **Acquisition** - The cost of non-current investments is to be recorded in the accounting records in GL Code 1210 “Investments.” Purchased accrued interest, if any, is to be recorded as a debit to GL Code 1316 “Interest and Dividends Receivable.” Refer to Subsection 85.65.18.a through d for illustrative entries.

85.52.30.b **Valuation** - Investments should generally be valued at fair value. Fair value is a market-based measurement. For some investments, observable market transactions or market information is available. In cases where there are no observable market transactions to provide pricing information, other approaches including the cost approach (the cost to acquire a comparable investment) or income approach (the current value of future cash flows or revenues) may be used.

Examples of investments to be valued at fair value include:

- Land and real estate held as an investment
- Common stock not required to be measured according to the equity method
- Open-end mutual funds.

Examples of investments to be valued at other than fair value include:

- Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.
- Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
- Investments of the state’s Local Government Investment Pool (LGIP), which meets the qualifying criteria of an external investment pool measured at amortized cost for financial reporting purposes.
- The LGIP transact with its participants at a stable net asset value per share.

Increases in the investment’s fair value are to be recorded by debiting GL Code 1280 “Valuation Allowance - Investments” and crediting GL Code 3220 “Non-cash Revenues,” Revenue Source Code 0413.

Decreases are to be recorded by debiting GL Code 3220 “Non-cash Revenues,” Revenue Source Code 0413 and crediting GL Code 1280 “Valuation Allowance - Investments.” Refer to Subsection 85.65.22 for an illustrative entry.

Accounting Procedures

85.52.30.c **Sale or Exchange** - Sales or exchanges of non-current investments (refer to Subsection 85.65.24 for illustrative entries) are to be recognized on a trade date basis. Generally, gains and losses are to be recorded at the time of the sale using GL Code 3205 or 3210, Revenue Source Code 0413 for gains and losses.

85.52.40

July 1, 2015

Investment pools

85.52.40.a **Internal Investment Pools** - Internal investment pools are to follow the guidance for short-term and non-current investments as presented in Subsections 85.52.20 and 85.52.30, respectively. The equity position of each account participating in the investment pool should be reported as an asset in the participating account. Income and costs associated with internally pooled investments are to be accounted for in the accounts that report the investments unless legal or contractual provisions require transfer of amounts to another account.

85.52.40.b **External Investment Pools** - External investment pools commingle the moneys of more than one legally separate entity and invest, on behalf of the participants, in an investment portfolio. Investment positions in external investment pools that are not SEC-registered are to be determined by the fair value per share of the pool's underlying portfolio, unless the pool meets the portfolio maturity, quality, diversification, and liquidity requirements set forth in GASB 79 to measure all of its investments at amortized cost.

85.52.50

July 1, 2013

Permanent funds

85.52.50.a **Accounting for Losses** - In some cases, accounting for a negative net change in fund balance exclusive of unrealized gains and losses in permanent funds managed and invested by the State Investment Board (SIB) requires unique treatment in order to satisfy legal requirements. In these cases, to preclude the erosion of permanent fund corpus (GL Code 9110 "Nonspendable Permanent Fund Principal"), due to other than market fluctuations, at year end it is necessary to separately track a negative net change in fund balance exclusive of unrealized gains and losses in GL Code 9231 "Restricted for Permanent Funds – Realized Investment Losses" and amortize the loss against future beneficiary distributions on a straight-line basis over the weighted average life of the portfolio in the permanent fund.



85.80 Fund Equity

85.80.10

June 1, 2013

Fund Equity

- 85.80.10.a Fund equity represents the difference between fund assets and fund liabilities. Fund equity is reported differently for governmental and proprietary fund types.
- 85.80.10.b In governmental fund type accounts, fund equity is called fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. These classifications reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Adjustments to fund balance are made at the account level to identify the degree of constraint.
- 85.80.10.c In proprietary fund type accounts, fund equity is called net position. Net position is comprised of three components – net investment in capital assets; restricted; and unrestricted.
- 85.80.10.d For reporting at the government-wide level, fund equity is presented in the net position format consistent with proprietary funds.
- 85.80.10.e Except under specific circumstances, direct entries to fund equity, other than adjustments to record amounts that are nonspendable, restricted, committed or assigned, are not allowed. Examples of circumstances where direct entries to fund equity are allowed include implementation of new accounting standards and correction of material prior period errors. Refer to Subsection 90.20.15.
- 85.80.10.f Refer to Subsection 75.40.20 of this manual for a description of the various net asset general ledger codes.



85.85 Liabilities and Equity - Illustrative Entries

85.85.10

July 1, 2003

General

The entries in this section illustrate the recording of liabilities and equity in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only) (4310)		xxx

The entry would be reversed for In-Process debit amounts.

85.85.15

May 1, 1999

Establishment of short-term liabilities

To record the accrual of expenditures/expenses for goods and services from a vendor invoice. Refer to Subsection 85.70.20.c.

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Appropriate Short-term Payable GL Code (51XX)		xxx

85.85.20

May 1, 1999

Payment of short-term liabilities

To record payment of a short-term liability.

	Dr.	Cr.
Appropriate Short-term Payable GL Code (51XX)	xxx	
Cash in Bank (1110) or In-Process (71XX)		xxx
Cash Expenditures/Expenses (6510)	xxx	
Accrued Expenditures/Expenses (6505)		xxx