



State of Arizona Accounting Manual

Topic 20 Current Assets
Section 11 **Imprest Funds, Revolving Funds and
Petty Cash**

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INTRODUCTION

“Revolving fund” is used, upon different occasions, to refer to a variety of different types of funds and activities. It is at times used to refer to self-funding activities, such as enterprise funds, internal service funds or 90/10 operations. At other times, it refers to a fund designated as a revolving fund by statute, such as the Public Assistance and Administration Revolving Fund.

This section of SAAM, however, will limit the use of the term revolving fund to those types of funds and activities contemplated by A.R.S. § 35-193 that commonly include petty cash, register cash and other imprest funds, such as small balance segregated checking accounts and zero balance bank accounts (ZBAs). These types of funds generally may be characterized by the facts that they are typically relatively small, limited in how they may be used, and of a fixed amount.

POLICIES

1. To the extent practicable, the use of revolving funds of the type discussed herein should be limited to petty cash, register cash, certain ZBAs and similar imprest funds. Small purchases should be accomplished using the P-Card.
2. The amount of a revolving fund should be as small as circumstances permit.
3. Revolving fund disbursements shall be limited to emergency situations that cannot be accommodated through normal channels due to time constraints.
4. Revolving funds are not to be used to circumvent procurement, travel or accounting policies, procedures and requirements.
5. The total cash on hand plus the fund's total activity (invoices, cash register receipts, etc.) must equal the total authorized dollar amount of the fund or account.
6. Each revolving fund must have a custodian.
 - 6.1. The revolving fund custodian is the person listed as such on the Form GAO-33.
 - 6.2. The revolving fund custodian must be in a high level of authority, such as possessed by the chief financial officer, who can be held to a high level of accountability.

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- 6.3. The revolving fund custodian (and ultimately the agency director) shall be held financially and legally liable for the fund.
7. An agency head has the discretion of sub-dividing an agency revolving fund into smaller sub-funds within the agency.
 - 7.1. The agency head and revolving fund custodian may, jointly, appoint revolving sub-fund custodians to monitor and manage sub-funds within the agency.
 - 7.2. The agency head and the revolving fund custodian continue to have the responsibility for ensuring accountability for these sub-funds as prescribed in this section of SAAM.
 - 7.3. The subdivision of a revolving fund into smaller revolving sub-funds does not increase the authorized overall amount of the agency's revolving fund.
 - 7.4. An agency that designates (a) sub-fund custodian(s) must distinguish the sub-fund custodian(s) from the fund custodian and develop internal policies and procedures to ensure that the sub-fund custodian(s) is (are) aware of the responsibilities and liabilities associated with the function.
 - 7.5. The revolving sub-fund custodian must report to the revolving fund custodian at least monthly.
8. The following apply to all revolving funds and revolving sub-funds:
 - 8.1. The fund custodian and the agency head shall certify that the revolving fund and any revolving sub-funds will be administered in accordance with the policies and procedures established by ADOA.
 - 8.2. The revolving fund custodian and the agency head shall certify that the revolving fund and any revolving sub-funds will be used for the purpose of making change or for small cash outlays for postage, supplies, and the like.
 - 8.3. Revolving funds are State monies and any disbursements made from them must comply with all statutes, rules and policies governing the safeguarding of State money and its disbursement.
 - 8.4. A revolving fund may consist of cash, a change fund, a checking account or any combination thereof.
 - 8.5. A supervisory official of a budget unit shall apply to the GAO to provide a revolving fund in an amount that will allow the budget unit to pay relatively small operating expense items for the purpose established under procedures prescribed herein.
 - 8.6. The application (Form GAO-33) for a revolving fund shall state the following:

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- 8.6.1. The purpose of the revolving fund.
- 8.6.2. The necessary amount.
- 8.6.3. The revolving fund custodian who will be charged with the handling of and accounting for the revolving fund.
- 8.6.4. The appropriation and/or the fund to which the disbursement that funds the revolving fund is to be charged.
- 8.7. The GAO shall review the application as to purpose and reasonableness of the amount requested and, if applicable, may draw a warrant to the order of the officer applying therefor, and charge the amount thereof to the appropriation and/or the fund of that budget unit as requested.
- 8.8. Whenever there is a change in a revolving fund custodian, a Form GAO-33 documenting the change must be filed.
9. The GAO will not approve an amount of more than fifty thousand dollars (\$50,000) for a budget unit without approval of the JLBC.
10. A revolving fund established under this section does not revert to the State general fund at the end of the fiscal year.
11. At the request of the ADOA Director or the State Comptroller, the revolving fund custodian or agency head shall return to the State Treasurer the full amount of the revolving fund or amount requested. Until such request has been honored, A.R.S. § 35-193 requires that no claims for services (i.e., payroll) rendered by the applying supervisory official or the agency head be paid.
12. In accordance with A.R.S. § 41-735, all revolving funds are subject to audit by ADOA.
13. Disbursements from and reimbursements to revolving funds.
 - 13.1. A revolving fund is established for the purpose of making minor emergency disbursements that cannot be accommodated through normal channels due to time constraints. When revolving funds are used, the disbursement process is not complete until claims for payment are made from State funds and the revolving fund is reimbursed for the emergency activity.
 - 13.2. The petty cash drawer or change fund portion of the imprest account must be five hundred dollars (\$500) or less per location unless prior approval has been obtained from the GAO.

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- 13.3. Change funds are to be used primarily for making change when it is necessary during the day for collection of fees in the agency's regular course of business. Change funds should remain constant and should be removed at the end of the day from the receipts in the register. Any differences in the cash receipts affect the day's receipts and not the change fund.
- 13.4. Revolving funds are not to be used for any unapproved transactions; prohibited transactions include, but are not limited to:
- 13.4.1. Transactions that can reasonably be conducted by some other means, such as a payment in the normal course of business or by use of the P-Card.
- 13.4.2. Except as may otherwise be provided, loans or advances to employees, contractors, etc.
- 13.4.3. Travel reimbursements.
- 13.4.4. Travel advances.
- 13.4.5. Travel expenses.
- 13.4.6. Payments to employees as compensation for personal services.
- 13.4.7. Subscriptions, memberships, registrations, dues, or tuition, or reimbursement to employees for such expenses.
- 13.4.8. Use as a clearing fund for any purpose.
- 13.4.9. Payments for services rendered by a contractor.
- 13.5. Revolving funds may be used to advance cash to an employee for compensation that has been earned, but not yet paid. This type of transaction:
- 13.5.1. Should occur rarely and only in emergency situations.
- 13.5.2. Requires the prior approval of one of the following or their authorized representatives: the ADOA Director or the State Comptroller.
- 13.5.3. Can be in an amount not to exceed the lesser of:
- 13.5.3.1. Eighty percent (80%) of an employee's net pay for a single pay period, or
- 13.5.3.2. Five hundred dollars (\$500).
- 13.6. With the exception of petty cash items, all disbursements from a revolving fund should be made using serially pre-numbered checks.

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13.6.1. When ordering checks, a second signature line as well as the statement "two signatures required for amounts over \$250" should be requested. As implied by this statement, two signatures should be required for revolving fund checks of an amount greater than two hundred fifty dollars (\$250).

13.6.2. Voided checks must be stamped or otherwise marked "VOID" and mutilated by cutting out the signature section of the check to prevent reuse. The voided checks should then be numerically filed with other canceled checks or attached to the appropriate check register.

13.6.3. The check register, stub or control log balances must be current at all times.

13.6.3.1. To correct any of the above, draw a single line through the error.

13.6.3.2. Any correction method that totally obscures the information to be corrected—such as erasure; abrasion; and cover-up tapes, films or liquids—is prohibited.

PROCEDURES

14. Establishing a revolving fund.

14.1. To request a revolving fund, the agency must submit a "Request for Revolving Fund," Form GAO-33.

14.2. The completed Form GAO-33 must be sent to the State Comptroller.

14.3. Upon approval, a copy of the approved Form GAO-33 will be returned to the applicant.

14.3.1. A claim can then be processed in the amount for which the revolving fund was approved.

14.3.2. The payee name to be used to record the disbursement to the revolving fund is the fund custodian named on the Form GAO-33.

14.3.3. Payment to the fund custodian should be made by paper warrant.

14.3.4. Object 7551 should be used to record the disbursement to the revolving fund custodian that funds the revolving fund.

14.3.4.1. Object 7551 should be used to establish or increase a revolving fund, but not, except as otherwise provided, to replenish it.

14.3.4.2. If both established and closed within the same fiscal year, object 7551 may also be used to close a revolving fund.

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14.3.4.3. Revenue source 4821 should be used when closing out a revolving fund in a fiscal year after it was first established.

14.3.5. The claim and its related disbursement should reflect a disbursement to: “[Agency Name] Revolving Fund; [Custodian Name], Custodian.” This should agree with the name in the AFIS vendor file.

15. *Establishing and maintaining a bank account (if a checking account is needed).*

15.1. Bank accounts established by any agency for any purpose must be approved by OST and GAO.

15.2. Once approved, a bank account may be established at any bank approved by the Arizona Department of Financial Institutions.

15.3. If possible, any bank accounts established should be interest bearing.

15.4. If practical, bank accounts should be established at a branch of the State Servicing Bank.

15.5. When establishing a bank account, the revolving fund custodian should request, in writing, that any service charges, except those relating to the printing of checks, be waived. If this request is denied:

15.5.1. It should be requested that such denial be in writing.

15.5.2. The written denial, if received, should be retained by the agency.

15.5.3. The agency should consider using the services of another financial institution.

15.6. The agency should use object 6219 to reimburse the revolving fund for unavoidable service charges.

15.7. A revolving fund bank account must be set up so that bank statements have a cut-off date that coincides with year-end (i.e., for the period ending June 30, 20xx); do not set up bank accounts that have bank statement cut-off dates in the middle of the month.

15.8. Interest earned on the account must be deposited to the General Fund unless other arrangements are authorized by the State Comptroller. The interest deposit must be made at least annually, using a check from the revolving fund.

15.9. The bank account must be uniquely named as “[Agency Name] – Revolving Fund.”

15.10. The account name must be preprinted on checks with progressive check numbers.

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- 15.11. A signature card must be obtained from the bank and must be kept current. All authorized signers must be shown on the card, including the agency head, fund custodian and one or two sub-fund custodians as needed.
- 15.12. Each agency must establish policies to ensure that all signers on the checking account authorize disbursements from the revolving fund in accordance with applicable statutes, rules, policies and procedures.
- 15.13. Each agency that designates a sub-fund custodian must distinguish the sub-fund custodian(s) from the fund custodian and develop internal policies and procedures to ensure that the sub-fund custodian is aware of the responsibilities and liabilities associated with the revolving fund function.
- 15.14. If the checking account is a sub-account of the agency revolving fund, the title of the account shall be "[Agency Name- Organization Name or Location] - Revolving Fund" and the director's signature can be replaced by the manager or director of the facility or organization.
- 15.15. Any changes in the custodian or agency director must be communicated to the GAO using Form GAO-33 within thirty (30) days following the change.
16. Safeguarding the revolving fund.
- 16.1. Cash, checks and revolving fund records should be restricted to those who have the right and/or need to access them.
- 16.2. Adequate facilities must be provided for safeguarding cash and checks prior to deposit.
- 16.3. Change safe combinations and/or locks to files when deemed necessary to maintain security.
- 16.4. Restrict safe combinations and keep access to cash boxes and files to an essential number of employees.
- 16.5. Unused checks must be adequately safeguarded.
- 16.6. Unused checks should be in the custody of a person who does not sign checks manually, control the use of the facsimile signature plates or operate the facsimile signature machine.
- 16.7. If mechanical check signer is used, the facsimile signature plate shall be adequately secured and its use properly controlled.
- 16.8. For cash reimbursed to the revolving fund, refer to the Cash Receipts section for applicable cash control concepts.

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17. Vendor setup.

- 17.1. Before a warrant establishing a revolving fund can be drawn to the revolving fund custodian, the custodian must be set up as a vendor. This requires the agency to complete a Form GAO-33 and submit it to the GAO.
- 17.2. Once the above forms are approved, the GAO will establish the vendor in AFIS.
- 17.3. Changes to the revolving fund (e.g. change in revolving fund custodian) require the agency to complete a Form GAO-33, and submit it to the GAO.
18. Revolving fund procedures, such as making deposits, preparing checks, signing checks, and performing monthly reconciliations, must be segregated to the extent possible. No one individual should have complete authority over an entire revolving fund and/or petty cash fund transaction. (For example, the fund custodian should not be allowed to prepare requests for disbursements and record fund receipts. For another example, the individual preparing a revolving fund check should be different from the individual signing the check.)
19. A revolving fund custodian must be able to provide an adequate audit trail for all disbursements from a revolving fund.
20. All revolving fund disbursements must be properly authorized.
21. Like any other expenditures, all revolving fund disbursements must be for a valid public purpose and take into consideration any limitations imposed by availability of funds, budgetary limitations, allotments and appropriations as well as any applicable statutes, rules, policies, grants and other funding source restrictions.
22. All requests for disbursements from a revolving fund must be approved by the agency head or designee. Unauthorized disbursements from a revolving fund are not considered a legal obligation of the State; therefore, the fund custodian (and ultimately the agency head) is financially and legally liable for such activities.
23. All checks must be fully completed before being presented for signature(s). Checks missing essential elements (such as amount, payee or date) must not be signed.
24. When a person on the signature card is no longer authorized to sign checks, a new signature card must be obtained from the bank to update the authorized signatures. This must be done as soon as practicable.
25. Fund reimbursements of all disbursements from the petty cash drawer or checking account of the revolving fund must be supported by appropriate documentation.
26. No single revolving fund disbursement may exceed five hundred dollars (\$500).

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27. Any disbursement from a revolving fund in excess of two hundred fifty dollars (\$250) must have the authorizing signatures of the agency head and the fund custodian.
 28. A check must not be made out to “cash” or “bearer.”
 29. A revolving fund must not be used for making loans (IOUs), to cash personal checks, or for any other unauthorized advances or purposes.
 30. A warrant drawn to reimburse the revolving fund must be restrictively endorsed immediately upon receipt.
 31. Appropriate object codes must be used when replenishing a revolving fund. The object codes should correctly reflect the nature of the expenditures for which the revolving fund monies were spent.
 32. Bank service charges, if any, are to be reimbursed like any other fund expenditures.
 33. Bank service charges are not to be offset with interest earned. Interest earned on a revolving fund, absent statutory authority to the contrary, must be deposited to the General Fund.
 34. Disbursement documents and reconciliations relating to a revolving fund should be filed and retained separately from those relating to other receipts and expenditures.
 35. The custodian and ultimately the agency head are responsible for the restoration of any shortages in a revolving fund.
 36. Change of revolving fund custodian.
 - 36.1. When an appointed fund custodian or custodian's address is changed, the agency head must complete and sign a Form GAO-33 and submit it to the GAO.
 - 36.2. Before changing the custodian, a reconciliation of the fund must be performed to substantiate the authorized imprest balance. A copy of this reconciliation, signed, if practicable, by the outgoing custodian, the incoming custodian and the agency head, must be attached to the Form GAO-33.
 - 36.3. A newly appointed revolving fund custodian must be made aware of his responsibilities and legal liabilities.
 - 36.4. The prior custodian is responsible for any shortage before the new custodian assumes the responsibility. If the former custodian has already left the agency or state service, the agency head is responsible by statute for the shortage.
 37. Monthly revolving fund and revolving fund bank account reconciliation.

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- 37.1. Upon availability of the monthly bank statement, monthly revolving fund bank and revolving fund reconciliations must be made. These reconciliations must be made within thirty (30) days of month-end.
- 37.2. Monthly bank and revolving fund reconciliations must be performed by someone other than the person responsible for receipts or disbursements. The preparer must sign and date the reconciliations.
- 37.3. The revolving fund and revolving fund bank reconciliations must be reviewed by an individual other than the preparer of the reconciliations. The reviewer must sign and date the reconciliations.
- 37.4. Annually, as part of the closing package, fiscal year end (June 30th) revolving fund:
- 37.4.1. Bank reconciliations must be sent to the GAO at gaoafr@azdoa.gov. (At its discretion, the GAO may require more frequent submittal of revolving fund bank reconciliations.)
- 37.4.2. Cash or bank balances not accounted for in AFIS (which, since policy requires maintaining such balances on AFIS, should be a very infrequent occurrence) must be reported to the GAO.
38. Revolving fund and revolving fund bank account shortages and overages.
- 38.1. Any overages or shortages in a revolving fund or revolving fund bank account should be fully explained in the reconciliation for the month in which the variance occurred.
- 38.2. All overages in a revolving fund or revolving fund bank account are to be immediately deposited to the fund that is the source of the revolving fund's monies.
- 38.3. Any fund shortage that remains for two (2) consecutive months must be resolved immediately. Resolution may include collection of the fund shortage from the fund custodian and/or agency head.
- 38.4. The agency must notify the GAO of all revolving fund or revolving fund bank account shortages and overages.
- 38.5. If excessive and/or repetitive shortages or overages persist in a revolving fund or revolving fund bank account, the agency must take appropriate action to resolve the problem. This may include relieving the current custodian of his duties involving the revolving fund or revolving fund bank account.
39. Elimination or reduction of the revolving fund or revolving fund bank account.
- 39.1. To decrease or eliminate a revolving fund or revolving fund bank account, complete and submit form GAO-33 to the GAO. Attach a copy of the deposit to

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show that the funds were returned to the fund that was the source of the revolving fund or revolving fund bank account.

- 39.2. The revenue source 4821 must be used to return the funds. Object 7551 may be used to return a revolving fund only to the extent that the fund was either established or increased in the fiscal year in which the funds are returned. Such a reduction or elimination of the revolving fund, using object 7551, must not be greater than the amount by which the revolving fund was established or increased in the same fiscal year. Object 7551 should never have a credit (negative) balance.