

UNIVERSITY *of* HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Finance and Accounting
AREA: Check and Cash Management

Number: 05.01.02

SUBJECT: Operational Cash Advances

I. PURPOSE AND SCOPE

This document defines a mechanism whereby university programs whose educational, research, or community service mission requires them to make operational expenditures in a remote location and/or for a short-term project or event (i.e., theatre production) may obtain the needed funds.

This document does not apply to advances made for individual or group travel; the policy and procedures related to obtaining advances for university travel purposes may be found in MAPPs 04.02.01A, 04.02.01.B, 04.02.01C, and 04.02.04.

This document does not apply to petty cash or change funds; the policy and procedures related to obtaining a petty cash or change fund may be found in MAPP 05.05.01.

II. POLICY STATEMENT

In limited circumstances, the university may advance funds to institutional programs demonstrating the need to make operational expenditures related to their function in a location remote from the University of Houston campus and/or for a special short-term purpose for which no other practical institutional mechanism is available. All such cases will require:

- Clear documentation of need and advance approval of Accounts Payable Department
- Designation of a fund custodian; and
- Careful monitoring and accountability for the funds disbursed, according to the prescribed procedures.

III. DEFINITIONS

- A. Cash: For the purposes of this document, institutional bank drafts (checks) or dollars and cents (currency).

- B. Fund custodian: The departmental employee specifically authorized to manage monies in a cash fund. The fund custodian is responsible for the fund's safekeeping and ensuring that monies are properly expended and accounted for.
- C. Operational cash advance: A funding advance, made through university check to the fund custodian, to provide for needed operational expenditures related to the mission of the university program incurred at a remote location and/or for a specific project or event. An operational advance is not to be used as a substitute for a travel advance or to pay travel costs.
- D. Operational expenditures: University expenditures for goods or services related to conducting research, teaching, community service, student service, special projects or events, or administrative operations. These expenditures may include site rental, equipment rental, local transportation, and other local operation expenses, the individual cost of which is \$2,000 or less. Such expenditures do not include salaries or personal expenditures unrelated to the departmental function. They may, in certain circumstances, include human subject payments. All payments must be made in compliance with MAPP 04.01.01 and MAPP 04.01.04.
- E. Remote location: Location sufficiently removed from the University of Houston campus to demonstrate impracticality of functioning through normal departmental operating procedures.
- F. Short-term: For a period not to exceed the time it takes to complete the special project or event including the prescribed seven days for preparing a final accounting of fund activities and returning any remaining cash upon return to campus or 30 calendar days, whichever is shorter.

IV. REQUEST FOR AND DISBURSEMENT OF THE FUNDS

- A. Accounts Payable may approve a written request for an operational cash advance submitted by a university program when a legitimate need is demonstrated. Request approval and the timing and distribution of the funds will be based upon the facts and circumstances of each case.
- B. Under normal circumstances, a written request must be made a minimum of 10 working days in advance of anticipated need to Accounts Payable. A purchase voucher for the amount requested that is approved by the authorized signatory must be attached to Addendum A, Operational Cash Advance Application and should contain the following information:
 - 1. Purpose of advance
 - 2. Date needed

3. Expected dates of remote/short-term operation
 4. Person responsible for funds (fund custodian)
 5. Security to be provided for funds
 6. Address and telephone number of operation at remote site
 7. Approval of the college/division administrator
 8. Approval of the principal investigator, where sponsored project funds are involved.
- C. A minimum of five working days should be allowed for check processing.
- D. The fund custodian will be responsible for the safekeeping of the funds disbursed and for ensuring funds are expended for the approved purpose in accordance with the guidelines outlined in this document and applicable provisions of MAPP 05.01.01

V. MANAGEMENT OF THE FUNDS

A. Responsibilities of Accounts Payable:

1. Accounts Payable will review and approve operational cash advance applications. All operational cash advances must be charged to Account #12102 Cost Center 00730/2080/H0160/F0842/NA.
2. A reconciliation of the operational advance account will be prepared each month by Accounts Payable.
3. The outstanding advances for each department will be separated and sent to the appropriate college/division business manager.
4. Past due advances not accounted for over 120 days will be reported by Accounts Payable to Payroll as taxable income in accordance with IRS regulations. Operational advances must still be accounted for, even if they are reported as income to the fund custodians.

B. Responsibilities of the fund custodian:

The fund custodian will have the following responsibilities:

1. Safe and secure storage of the fund at all times

- 2. Disbursement as necessary
- 3. Ensuring separateness of the fund from any other funds
- 4. Ensuring that each transaction is for the established fund purpose
- 5. Maintaining proper documentation (copies of each transaction, an expenditure log, receipts, etc.)
- 6. Notifying Accounts Payable of changes in custodian, location of fund, cost center, change(s) in the physical security of the fund, or any shortages/overages.
- 7. Preparing a final accounting of fund activities and returning any remaining cash to the University within seven days of return to campus or from the end of the special project or event.

Under no circumstances, may personal loans be made out of the operational cash advance. Operational cash advances may not be used to make personal (non-University) expenditures.

- C. Overages and Shortages: At all times the sum of cash on hand plus the receipts on hand must equal the amount disbursed. Shortages or overages of \$20.00 or more must be reported in writing in accordance with MAPP 05.01.01 on Cash Handling.

VI. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice President for Finance

Review: Every three years, on or before November 1

VII. APPROVAL

John M. Rudley
Vice President for Administration and Finance

Jay Gogue
President

Date of President's Approval: January 29, 2004

VIII. REFERENCES

MAPP 04.02.01A - Travel From State-Appropriated Funds
MAPP 04.02.01B - Travel Paid From Local Funds
MAPP 04.02.01C - Corporate Travel Card
MAPP 04.02.04 - Travel by University Teams and Groups
MAPP 05.01.01 - Cash Handling

Index Terms:

Cash advance
Human subjects payment
Lump sum advance
Operational advance
Remote site program
Stipends

Addendum A

Operational Cash Advance Application

Business Unit: _____

Department Name: _____

Amount: _____

Purpose of Advance: _____

Date Needed: _____

Dates of Project: _____
Begin Date End Date

Address/Phone of Fund Custodian: _____
Address Phone

Security Provided for Funds: _____

Default Cost Center: _____

Requested by:

Principal Investigator (if research grant)
Name Signature Date

Fund Responsibilities per MAPP 05.01.02 acknowledged by:

Fund Custodian
Name Signature Date

Approved by:

College/Division Business Administrator
Name Signature Date

Accounts Payable
Name Signature Date