



PROJECT ADVANCE FUND PROCEDURES

I. Overview

Project Advance Funds are available for sponsor-funded and non-sponsor funded activities that require cash payments. The fund is governed by Section 2.7 of the Board of Regents Business Procedures Manual (BPM). 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 request 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 \(Section II\)](#)
- [Expenditures \(Section III\)](#)
- [Compliance \(Section IV\)](#)
- [Additional Required Documentation – Cash and Gift Cards \(Section V\)](#)
- [Reconciliation \(Section VI\)](#)
- [Security Guidelines \(Section VII\)](#)
- [Closing of Fund \(Section VIII\)](#)
- [Change of Custodian \(Section IX\)](#)
- [Definitions \(Section X\)](#)

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 Services (OFS) and issued directly to the employee. The establishment of a Project Advance fund requires that a full-time, permanent employee be designated as the Custodian of the fund. Part-time employees, temporary employees or student assistants cannot be Custodians.

To submit a Project Advance Request, the Custodian must complete the [Project Advance Form](#). The linked form summarizes the nature, purpose, anticipated expenses, and project timeline for OFS to confirm that establishing a Project Advance Fund is appropriate.

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.

By submitting the form, the Fund Custodian agrees to take personal responsibility for the Fund including:

- Using funds for approved purposes only.
- Keeping accurate records that meet all requirements.
- Keeping the funds and records in the approved secure location listed on the Fund Agreement Form.
- Accounting for all sums/documentation at all times.
- Reconciliation of funds on a quarterly basis from date of issue.
- Ensuring that there are adequate funds in the budget to cover expenses.
- Reconciling funds within 30 days of the project end date.

Once submitted, the Project Advance Form (including IRB approval if using human participants) will automatically route to Sponsored Programs Executive Director (if grant funded), Financial Compliance and Controller for required approvals.

Once fully executed, the Project Advance Fund Request Form will be sent to the Custodian, who will forward the form to their business manager/grant manager. The business manager/grant manager will facilitate submission of a Payment Request, using Account Code 132911. The Custodian should keep a copy of the approved Project Advance Request Form.

Once the Payment Request is submitted and approved, the Payment Request will be processed by Accounts Payable. Funds will be issued by check or electronic funds transfer (EFT). For EFT payments, allow up to three business days for the funds transfer to appear in the bank account once the payment has been issued.

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).

Notes:

- Fund disbursements should never exceed the “*Requested Amount of Fund*” listed in the Form.
- Project Advance Funds must be reconciled quarterly or at the end of each semester (see section VI).
- Project Advance Funds must be fully reconciled within 30 days of project termination date (see section VIII).

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 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.

Repetitive purchases of services in the same day from the same vendor totaling more than \$2,500 will be considered a violation of Procurement procedures.

Violations of Project Advance procedures may result in non-reimbursement or fund closure.

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

- Items covered by State or University contracts (https://fiscalservices.kennesaw.edu/procurement/university_contracts.php)
- Prohibited items (e.g. Alcohol; see complete list in P-Card Procedures – [Appendix B](#))
- Entertainment
- Personal-use items, such as coffee pots, refreshments, invitations, greeting cards, radios, holiday decorations, etc.
- Cut or potted flowers
- Employee travel reimbursements (meals, lodging, taxi, airfare)
- Per diem, fees and other service payments
- Gifts, awards or prizes for employees will require additional, prior approval
- Memberships/Subscriptions

- Cell phone or telephone reimbursements
- Personal check cashing
- KSU Faculty/Staff expense reimbursement check cashing
- Loans/Advances
- Catering (food and beverages may be purchased if in compliance with food policy; see [BPM section 19.8](#); (food approval form required)
- Payment for Personal Services of any kind
- Rent
- Sales Tax ([tax exemption certificate](#) must be provided to vendor at time of purchase).

IV. 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 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's rights to hold the funds.
- **Theft of Funds** – Should a theft of funds occur, inform the Kennesaw State Police Department of the theft immediately. Once a report has been issued, forward a copy of the police report to the Office of Fiscal Services Compliance Department and Payment Services Department. If the theft occurred due to the Custodian's failure to follow security guidelines stated in Section VII 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 person fulfils 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, requiring 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 accordance 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. If funds are collected through payroll deduction, the employee will no longer be eligible for future advances from the University.

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

1. The receipts should be clear and readable, with only one receipt per page. They should include the vendor's name, the date of purchase, as well as the quantity, description, unit price and the total amount of each item purchased.
2. Please record all receipts on the Project Advance Fund Log. The log should include the following:
 - Date of receipt
 - Amount
 - Vendor name
 - Description
 - Signature for hand delivered gift cards
 - Account Code
 - 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 – Gift Cards

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

- A. The preferred, acceptable documentation for dispersing gift cards to individuals includes receipts for the gift cards signed by participants or a log with multiple participants' signatures acknowledging receipt of funds.

If a recipient has opted to receive their gift card via email and is unable to sign a log, the custodian must provide a copy of the email or vendor's digital receipt sent to the recipient and return confirmation of receipt. This is to ensure that the gift cards are being distributed in accordance with the Project Advance Fund Log. When completing the Project Advance Fund Log, state "See Attached Email" in signature field. Receipts for Amazon gift cards that were emailed must show the status of 'Received' to be

considered adequately documented.

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).

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

- B. Disbursements to participants will be verified by two Kennesaw State University (KSU) employees: the fund Custodian and a second employee who shall serve as a witness to the disbursement. Both employees must sign the Project Advance Fund Log as witness to both the disbursement and participant’s signing the Project Advance Fund Log.

The Custodian processing the disbursement may not also serve as the witness. The disbursement and signing of the Project Advance Fund Log must take place as one transaction. If this is not possible, a memo explaining the reason the disbursement was not witnessed or not witnessed at the time of the signature should be submitted with the reconciliation.

- 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. This requires that cash or gift cards be kept in a locked, secure location until disbursed to participants. A fireproof safe is highly recommended for this purpose, especially when managing large amounts of cash.
- E. For audit purposes, the Custodian should keep a copy of all receipts in accordance with the IRS guidelines.

VI. Reconciliation of Project Advance Funds

A reconciliation of Project Advance Funds should be submitted quarterly, or at a minimum, every semester. Unused funds may be kept by the Custodian if the project is still open, and purchases related to the fund are still ongoing.

A final reconciliation must be received by May for advances issued against state funds and prior to the project end date for advances issued against grant funds.

Expended funds should be reconciled by turning in:

- the original Fully Executed Project Advance Fund Form
- the completed Project Advance Fund Log
- all applicable receipts
- signatures or email confirmation that participants received gift cards
- documentation proving the identity of the purchaser
- if applicable, Bursar's Office receipt of returned funds

Forward all documentation to the Business Manager who will facilitate submission of a payment request using supplier ID 0000011523, "KSU Other". Please add a comment in the Payment Request referencing who the reconciliation is for and the project number. The reconciliation will be entered using account 727140 for Human Subject Payments (gift cards), 783120 for Participant Support-Services, or 783110 for Participant Support reimbursement of expenses.

If the project is complete and there are unused funds, those funds should be returned to the Bursar's Office. A copy of the receipt provided by the Bursar's Office should be included in the final reconciliation/closing of the Project Advance Fund.

VII. Security Guidelines

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

- Cash/gift cards 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.
- The Custodian must keep a running log of expenditure dates, amounts, purpose, and balances in addition to receipts of the actual transaction.
- The total amount of the Project Advance Fund should always equal the cash on hand plus any gift card purchase receipts. All overages and shortages must be reported to OFS Payment Services immediately. 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.
- In the event of loss or theft of funds, the Custodian should immediately notify the Kennesaw State Police Department and the OFS Compliance and Payment Services Departments. Once a police report has been issued, forward a copy to OFS Compliance and the OFS Payment Services Department. Incident reports from the Police Department will be distributed within three days of the loss or theft to the Department Head and the Office of Fiscal Services.
- Custody of a Project Advance Funds cannot be transferred. Upon

departure/termination of the Custodian, funds must be returned to the Bursar's Office. 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](#) form (see section IX).

VIII. Closing a Project Advance Fund

To close a Project Advance Fund, the Custodian must follow steps outlined below:

1. Prepare final reconciliation by listing receipts on the Project Advance Fund Log. Determine the amount of the funds remaining due to the University.
2. Submit all remaining funds to the Bursar's Office and obtain a receipt for the funds returned.
3. Submit the final reconciliation and the Bursar's receipt through Payment Request. Follow the instructions for reconciliation in Section VI.
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 the project termination date unless, because of extenuating circumstances, the Office of Fiscal Services has approved additional time to complete the transactions. Such approval should be obtained through an email request (with justification) to the Executive Director or Vice President of Research and the Controller. Approval by the Executive Director or VP of Research and the Controller should be included in the paperwork submitted for closing the fund.

IX. Change of Custodian

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

X. 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.

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. Most 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, the OFS 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.