

# Cash Disbursements System

Accounting procedures for cash payments are intended to ensure that cash is disbursed only by responsible persons. Cash is paid only after assurance, on the basis of documentary evidence, that the payment is a proper one for goods and services, which the Student Government/Client has received. *ALL* cash payments, except the very smallest (see **Petty Cash Procedures**) are made by check. Checks show specifically how much was paid and to whom, and the endorsements on cancelled checks are evidence that the payee received payment. Procedures for cash disbursements are as follows:

1. After all approvals have been obtained, the R.E.P./Encumbrance Request package is submitted to the SBI Accounting Office for payment. Except for petty cash expenditures, **all payments are made by Sub-Board I check.**
2. SBI Accounting Office personnel will review the R.E.P./Encumbrance Request package to insure compliance with all procedures. Any irregularities, insufficient documentation, missing information, or other questions will be brought to the attention of the Student Government/Client for resolution before payment is made. The officers of the Student Government/Client have a **fiduciary obligation** to insure that all expenditures are in compliance with these procedures, and may be held legally liable for any expenditures that are not in compliance.
3. After satisfactory review, the designated budgetary appropriation account is again checked for sufficient funds. If funds are insufficient to process the disbursement, the Student Government/Client will be notified. If funds are sufficient, the check is issued and signed by the SBI Accounting Office. The check, together with any remittance advice required by the vendor will be routed according to the instructions on the R.E.P. form.
4. An **Accounts Payable Voucher** showing the check number and check date, R.E.P. number, etc. is sent to the Student Government/Client for their records as verification that the check has been issued.

## **Deposits, Advances and Pre-payments:**

In unusual cases where a vendor requires a deposit or payment in advance, an Encumbrance Request form must be submitted according to the procedures in Section IV, *Encumbrance Approval System* (Page 29), with "*Advance*" clearly indicated on the form and the reason the advance is necessary. If the advance is subject to IRS 1099 regulations, the vendor must complete a valid W-9 or T.I.N. Form **before** payment is made. Sub-Board I will issue a Purchase Order (R.E.P.) Form to the Student Government/Client for completion and authorization. The completed, authorized Purchase Order/Encumbrance Request package is submitted to Sub-Board I for payment. Pending satisfactory review and availability of budgetary funds, Sub-Board I will issue the check. The check will be held in the SBI Accounting Office and **must** be picked up in person by a responsible individual. This individual will be required to sign a statement of liability personally guaranteeing the timely submission of valid documentation from the vendor and/or the return of the cash, together with proper evidence that the goods or services have been received.

**Reimbursement for purchases made by individuals (third party reimbursements):**

In cases where a vendor will not agree to extend credit for a purchase of goods, an Encumbrance Request form must be submitted prior to making the purchase for any amount which is over \$50 as described in Section I above. The Encumbrance Request form should identify the vendor as the individual (third party) who is to be reimbursed for the purchase, and the description must clearly indicate that the payment is to be a reimbursement. Sub-Board I will issue a R.E.P. form to the Student Government/Client. After completion and authorization of the R.E.P. form, the individual (third party) may make the purchase using his/her personal funds. The individual (third party) must submit valid original vendor documentation together with proof of payment (customer receipt, cancelled personal check, credit card statement, etc.) and proper evidence that goods have been received prior to reimbursement. **Payments for services or other 1099 payments greater than \$50 should *not* be made as reimbursements.** Since the vendor of record is the individual (third party) being reimbursed and is acting as an unauthorized independent contractor, Sub-Board I will require a W-9 or valid T.I.N. form from the individual (third party) being reimbursed for any payment subject to IRS 1099 regulations. The individual (third party) may ultimately be subject to income tax on payments received that exceed IRS limits. **IT IS IMPORTANT TO PLAN AHEAD TO AVOID SUCH SITUATIONS!**

**Exemption from New York State and local sales taxes:**

Because of the not-for-profit, tax exempt status of Sub-Board I, all purchases made by Student Governments who are members of Sub-Board I are exempt from paying New York State and local sales taxes on purchases. Vendors are required to obtain proof that the purchaser is qualified for such an exemption by obtaining a valid Sales Tax Exemption Certificate from the purchaser. Since the sales tax exemption certificate has been issued by New York State to Sub-Board I, and to avoid unauthorized use, the certificate must be completed and signed by Sub-Board I personnel. You may request a certificate for a specific purchase by notifying Sub-Board I in person or by phone, or by indicating your request on the Encumbrance Request form which you submit prior to making a purchase as in Section I above. Non-Student Government clients **are not** entitled to use Sub-Board's Sales Tax Exemption Certificate. They must apply to the State for their own certificates. **UNAUTHORIZED USE OF SUB-BOARD'S SALES TAX EXEMPTION WILL BE PURSUED TO THE FULLEST LEGAL EXTENT.**

**Purchases and sales of merchandise for fund-raising activities:**

Since some clubs and organizations may wish to sell merchandise such as t-shirts, mugs, posters, etc. as a means of fund-raising, certain procedures must be followed or the sale of such merchandise could be subject to collection and remittance of sales tax. New York State Sales Tax regulations regarding fund-raisers for exempt organizations state that if goods are sold in a shop or store environment for an indefinite period of time and are on perpetual display, sale of the merchandise is considered taxable. In order to avoid sales tax liability, organizations that are conducting a sale of merchandise to increase awareness of their cultural or educational mission must purchase the merchandise according to the procedures in Section IV, *Encumbrance Approval System* (Page 29). The Encumbrance Request form must clearly indicate whether the merchandise being purchased is for resale as a fund-raising activity. When the merchandise is received, the organization must take the merchandise to the Sub-Board I Ticket Office. The Ticket Office will then coordinate the sale either by selling the merchandise directly through the Ticket Office window; and/or by arranging for the organization to sell some or all of the merchandise on a consignment basis at a table or temporary location that cannot be construed as a shop or store. All proceeds from consignment sales **must** be reconciled with the merchandise sold and **must** be deposited at the Ticket Office. Upon Ticket Office verification of the sales, Sub-Board I will deposit the proceeds into the organization's budgetary revenue account. Since the Ticket Office is not a retail operation, the merchandise cannot be on display at the Ticket Office window, and the sale must be for a period **not to exceed six**

**months.** The organization may advertise the sale in the campus media as a fund-raising event. At the conclusion of the fund-raising period, the Ticket Office will return all goods to the sponsoring organization. Subsequent to this, the organization can destroy or give away the unsold merchandise. In any event, there should be adequate documentation to support the disposition of all unsold merchandise. Sub-Board I will not be responsible for any student or organization operating outside of these procedures. Any organization that does not comply with these procedures must apply for its own sales tax number and report all of their retail activity to New York State.

# Cash Disbursements Cycle at-a-glance

