

SBA

SOP 20 05 3

Imprest Fund and Cashier Procedures

Office of the Chief Financial Officer

U.S. Small Business Administration

**SMALL BUSINESS ADMINISTRATION
STANDARD OPERATING PROCEDURE
NATIONAL**

**SUBJECT:
IMPREST FUND
AND
CASHIER
PROCEDURES**

S.O.P.

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INTRODUCTION

1. **Purpose:** This SOP prescribes the policy and procedures that govern the imprest fund and internal control of cash and negotiable instruments.
2. **Personnel Concerned:** Denver Finance Center in the Office of the Chief Financial Officer and other Headquarters and field office personnel who are associated with any of SBA's cashier functions.
3. **Directives Canceled:** SOP 20 05 2.
4. **Originator:** Denver Finance Center, Office of the Chief Financial Officer.

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Chapter 1

Imprest Fund

1. What Is an Imprest Fund?

An imprest fund is the method currently employed to allow an office to make reimbursements for small cash purchases or miscellaneous payments. This fund is replenished on a revolving basis when a reimbursement voucher is submitted to the Denver Finance Center (DFC). This chapter explains the administrative policy, procedures, and requirements for handling an imprest fund. For more information see also SOP 00 11, "Small Purchases Contracts, Grants, and Cooperative Agreements."

2. What Does Designation Mean?

Office heads designate employees as cashiers by using the SF 211, "Request for Change or Establishment of Imprest Fund." However, an employee may not function as a cashier or alternate until the Administrative Accounting Branch (AAB), DFC processes the SF 211. To distinguish between imprest fund and other cashier functions in the SBA, the imprest cashier must be referred to as "Imprest Cashier" on all documents. For example, this title will be used on the OF 1129, "Cashier Reimbursement Voucher and/or Accountability Report."

3. Who Determines the Need for the Imprest Fund?

The office head determines the need for the fund and the amount as validated through transactional volume by the DFC.

4. How Do I Establish an Imprest Fund?

The SF 211 is used to establish the imprest fund, the dollar amount, and to designate a cashier for the fund.

5. How Does the Office Head Decide the Amount of the Fund?

The fund amount is generally twice the amount required for 1 month's expenses.

6. What Are the Criteria for Cashier Designation?

- a. An employee may not function as a cashier until the SF 211 is processed by AAB.
- b. The principal and alternate cashiers cannot be the same people.
- c. The alternate cashier functions in the absence of the principal cashier and follows the same procedures and regulations.

- d. Only designated cashiers are authorized to administer the fund.
- e. Employees with procurement authority should not be designated as principal or alternate cashier.

7. What Are My Responsibilities as the Imprest Cashier?

While acting as a cashier, **you are personally liable (legally responsible)** for all Government money coming into your possession and obligated to faithfully perform your duties. If an overage occurs, you must deduct the amount of the overage from your request when you submit your OF 1129 voucher to AAB. Since you have lowered your reimbursement request, the overage becomes part of your imprest fund. In the event of a loss, shortage, or theft of imprest funds, you must report all facts immediately to your supervisor and to your administrative officer or equivalent. This individual should report the loss to the local police and the Federal Protective Service (if available in your area), particularly if there has been unmistakable indication of criminal activity.

8. What Are Supervisors' Responsibilities Regarding Imprest Fund Transactions?

Your supervisor is responsible for overseeing the imprest activity. This includes reviewing disbursements claimed prior to approving the OF 1129 and facilitating spot inspections and audits.

9. What Are the Limitations on Cash Payments from the Imprest Fund?

Cash payments must not exceed \$150 for any one purchase. This may be increased to \$300 for emergency payments if approved by the DFC Director.

10. What Sections of the SF 211 Do I Need to Complete?

a. Section I:

Field	Information
Name and Location of Disbursing Officer	John Doe Director, San Francisco Financial Center
Name of Cashier	Name of employee designated as principal cashier or alternate cashier (separate SF 211s are required for each employee)
Agency	Small Business Administration
Address	Enter your office address
Phone No.	Enter the principal cashier's phone number

b. Section II, Section III, Section IV, and Section V.

- (1) See instructions on back of SF 211.
- (2) The AAB Chief or designee must sign in the space provided in Sections IV and V.

c. Mailing the SF 211.

- (1) You keep the last copy of the SF 211.
- (2) The remaining four copies of SF 211 are sent to:
Chief, AAB
Small Business Administration
PO Box 748
Denver, CO 80201

11. How Is the Fund Amount Increased/Decreased?

The office head reviews the fund periodically to determine if the fund is adequately meeting the needs of the office.

- a. Use the average monthly disbursements for the previous 6 months as a guide. If the average monthly disbursements are less than half the amount of the fund, consider reducing the fund. If the disbursements are more than half, you should request an increase of the fund or submit a voucher twice a month until you receive notification from the DFC that an increase is necessary.
- b. The office head must submit a memorandum justifying any change (either an increase or a decrease to the fund). An SF 211 must be completed and submitted with the memo.
- c. To reduce the fund if it is too large or no longer needed:
 - (1) Purchase a cashier's check or money order payable to the Small Business Administration for the excess (this amount must be in whole dollars, NO cents);
 - (2) Indicate on the OF 1129 the amount of the reduction or liquidation;
 - (3) Complete SF 211 showing the decrease in Section V; and
 - (4) Send the OF 1129 and SF 211 together to AAB for processing.

12. When Am I Allowed to Use the Imprest Fund?

- a. When vendors do not honor the Government purchase card or a Government Bill of Lading (GBL). If available, use the convenience checks issued through the Government purchase card company. If this is not an option for your office, try to arrange with the Office of Procurement and Grants Management (OPGM) for a purchase order.
- b. For payments of fees for money orders or cashier's checks to mail collections which were received as currency or coin.
- c. For payments for stamps and other U.S. Postal Service charges when:
 - (1) Stamp meter is broken; or
 - (2) A pre-addressed stamped envelope is enclosed in letters to direct loan borrowers when additional documents are required or to parties regarding trustee foreclosures.
- d. For transportation tokens or passes, or mileage for use of a privately owned vehicle when used for conducting official business. This type of expense must be pre-approved by the office head and submitted on an SF 1164, "Claim for Reimbursement for Expenditures on Official Business."

- e. For travel advances when **ALL** of the following apply:
 - (1) Must be an emergency;
 - (2) The employee does not have a Government-issued charge card; and
 - (3) The amount cannot exceed \$100.
- f. In an emergency, the cashier may purchase money orders up to \$150 for small expenses in connection with care and preservation of collateral acquired or held as mortgage in possession. **The imprest fund is only used in an emergency when there is no time to obtain a U.S. Treasury check.**

13. When Am I Not Allowed to Use the Imprest Fund?

To pay for:

- a. Recoverable loan expenses (use CPC system);
- b. Non-recoverable loan expenses (use PN document in FFS);
- c. Repetitive items available from established supply sources;
- d. Payment of invoices for items already charged to SBA;
- e. Salaries, cashing checks, or common carrier bills of lading;
- f. Federal and/or Airborne Express, and other delivery services;
- g. U.S. Postal Service charges, except for mail delivered with postage due and items that cannot be processed through metered mail;
- h. Purchases that can only be made by a contracting officer;
- i. Quick Cash Awards (you must use FFS for payment);
- j. Local travel claims on the SF-1164 (you must use FFS for payment); and
- k. All other non-emergency items.

14. How Do I Document a Purchase Using the Imprest Fund?

- a. Complete an SF 1165, "Receipt for Cash-Subvoucher," for all transactions. You must also complete a SBA Form 2, "Requisition for Supplies, Services, and Federal Assistance," including the required signatures.
- b. Attach the sales receipt, vendor invoice, and SBA Form 2 (if applicable) to the SF 1165.
- c. Have the vendor sign the bottom right-hand corner of the SF 1165 if a receipt is not available.
- d. Local transportation costs must be reimbursed via local offices processing TL documents in FFS, which are supported by completed SF 1164.

15. Can I Advance Imprest Funds to Employees to Purchase Items?

Yes, but you must first follow these steps.

- a. Prepare an SBA Form 2 and obtain all appropriate approvals.
- b. Have the employee sign the "stub" portion of the SF 1165. This serves as the interim receipt for cash.
- c. Make sure the employee returns the receipt for the item purchased and any unused cash.
- d. Double check that the change plus the purchase price equals the money amount that you advanced.
- e. Mark the interim receipt stub "VOID" and give it back to the employee. This procedure ensures that you are fully able to account for the total amount of the imprest fund at all times. Your balance is made up of cash, unscheduled vouchers, and/or interim receipts.

16. What Documentation Do I Need to Accurately Complete the OF 1129?

- a. Receipts;
- b. SBA Form 2s;
- c. SF 1164s; and
- d. SF 1165s.

17. What Are the Applicable Regulations?

- a. You, as imprest cashier, must follow the guidelines contained in the Treasury Financial Manual.
- b. The fund may only be used for purposes authorized by SBA procedures.
- c. All SBA imprest cashiers are Class A cashiers. Class A cashiers receive an advance from the SBA appropriation for the imprest fund. They can only transfer funds from the imprest fund to an alternate cashier.

18. What About Accountability?

- a. How Do I Replenish My Imprest Fund?
 - (1) You must prepare an original OF 1129 and maintain a copy for your records.
 - (2) Your approving official must review the OF 1129 and supporting documentation to ensure the imprest reimbursement is correct.

- (3) The approving official and cashier must sign the original OF 1129 and initial the copy. Your approving official's title must be indicated on the form.
- (4) Submit the OF 1129 with supporting documentation to:
 U.S. Small Business Administration
 Denver Finance Center
 Administrative Accounting Branch
 PO Box 748
 Denver, CO 80201
- b. The OF 1129 serves as an accountability document. You, as the cashier, must ensure that you properly account for the fund; otherwise, your authorization to receive funds and serve as cashier will be revoked. You must maintain a file with copies of the OF 1129 and copies of the subvouchers for recordkeeping.
- c. How Do I Handle Refunds?
 In the event that you receive money back from a vendor, your refunds related to imprest fund expenditures will be processed as follows.
- (1) A refund that occurs for expenses incurred in the current month will be adjusted by DFC at the time of processing and will restore the imprest fund accordingly. No action on the part of the imprest fund cashier is required.
 - (2) If a refund occurs for expenses incurred in a previous month, you must submit a remittance to AAB for deposit back to the U.S. Treasury. A full explanation must accompany the remittance. Use a coin mailer if a refund is less than the cost of a money order or cashier's check.
- Note: The cashier has no authority to cash any check made payable to SBA or the Treasury. All such checks must be sent to AAB for deposit.**
- d. What Happens When a Cashier is Out for Less than 15 Days?
 The cashier must make a cash advance to the alternate cashier for an amount large enough to cover the funds during the absence. The advance must be made in the form of a memorandum receipt of funds.

e. What Happens When a Cashier is Out for More than 15 Days?

If the field office expects the principal cashier to be absent more than 15 days, the fund is transferred to the alternate cashier. The transfer includes all funds on hand in any form and is made as follows:

- (1) When the principal cashier prepares the OF 1129 in his or her name and completes the "Status of Fund" portion, a statement must be added to the certificate "and has been transferred to (name of alternate cashier) as of this date;"
- (2) The alternate cashier must verify receipt of funds by inserting on OF 1129: "Transfer of funds indicated has been received by me, (cashier name) incoming imprest cashier;" and
- (3) The cashier submits the OF 1129 to AAB in the usual manner.

f. What Happens When an Unexpected Absence of a Cashier Occurs?

When neither the cashier nor the alternate are available, an office head must designate a committee of three employees (one employee will act as the cashier) to make the transfer in the name of the principal cashier. The procedures for absence of more than 15 days will then apply.

g. What Are the Requirements for Permanent Transfer of Funds?

- (1) The office submits an OF 211 to designate a new cashier and revoke the authority of the outgoing cashier.
- (2) Once the new cashier is designated, the outgoing cashier must submit a final OF 1129 to transfer the funds to the new cashier.
- (3) If the office does not designate a new cashier, the office transfers the funds to the alternate cashier. The alternate cashier must be responsible for the fund until the office designates a new principal cashier.

19. How Do I Prepare a Reimbursement Voucher?

a. Supporting documentation must be numbered consecutively beginning with "1" at the beginning of the fiscal year. These documents are as follows:

- (1) SF 1165/Receipt for Cash-Subvoucher; and
- (2) SF 1164/Claim for Reimbursement for Expenditure on Official Business.

Note: The office must ensure all purchases are supported by an original bill, sales slip, cash register ticket, or invoice.

b. The reporting periods shown on the OF 1129 must be in consecutive order. The first day of the reporting period must be the day immediately following the last day of the previous report.

Note: If the reporting periods are not in order, the reimbursement voucher will be returned.

- c. The "Status of Fund" section of the OF 1129 must be completed as follows:
 - (1) The office must ensure that the amount of the current reimbursement voucher is in the space "This Voucher;"
 - (2) The remaining sections must reflect amounts such as: unpaid vouchers, interim receipt for cash, and cash on hand; and
 - (3) All amounts in the "Status of Fund" section must total the amount established for the office claiming reimbursement.
- d. Complete the accounting classification as follows:
 - (1) Business Loan Account - A summary of business loan and investment activity indicating loan number and broken down by recoverable and non-recoverable expense; and
 - (2) Disaster Loan Account - A summary of disaster loan funding activity with the same breakdown as d (1) above.
- e. List all subvouchers individually with accounting classification and amounts on the reverse side of OF 1129 or on attached letter size paper.
- f. Attach an adding machine tape summarizing all the subvouchers for each accounting group. Ensure that the adding machine tape totals the amount of the OF 1129 reimbursement.
- g. The summary of each accounting group must be on the face of the OF 1129. If necessary, attach a separate summary page on letter size paper. The summary must be as follows:
 - (1) Salary and Expense (S&E) Account;
 - (2) Business Loan Account;
 - (a) Non-recoverable Expense/Regular Loan Number; and
 - (b) Recoverable Expense/Regular Loan Number;
 - (3) Investment Activity;
 - (a) Non-recoverable Expense/Regular Loan Number; and
 - (b) Recoverable Expense/Regular Loan Number;
 - (4) Disaster Loan Account;
 - (a) Non-recoverable Expense/Regular Loan Number; and
 - (b) Recoverable Expense/Regular Loan Number; and
 - (5) Total (Amount of "This Voucher").
- h. The S&E account symbol is made up of: location code, activity account, and object class code (ex. 0101.53391.2590).

- (1) The office must use the following activity codes:
 - (a) Headquarters (varies based on the office organizations); and
 - (b) Field office (53391).

Other activity codes used: 99100 (disaster loan making) and 99200 (disaster loan servicing) activity codes are not charged to regular S&E funds.

- (2) The office uses the following object class codes:
 - (a) 2590/Petty Cash Expense; and
 - (b) 2591/Petty Cash Expense (SCORE/ACE).

Other object class codes used: 2570 (other contractual service); 2640 (supplies).

- i. The only items that apply to a non-recoverable loan expense are:
 - (1) A subvoucher for \$5.00 or less; and
 - (2) Participant share amount of \$5.00 or less.
- j. All loan expense items must have receipts for all items related to the loan. The receipt must indicate the following on a direct loan:
 - (1) Borrower's name and mailing address;
 - (2) Borrower's loan number and a prefix indicating type of loan; and
 - (3) Whether the expense is recoverable (transaction code 218 or 219) or non-recoverable (transaction code 211). **See SOP 20 19 for more details.**
- k. For guaranteed loans, the receipt must also indicate the above information and the following must be shown:
 - (1) Bank's name and mailing address; and
 - (2) Bank's percentage of participation.
- l. "No Amount Vouchers"

If the office has no transactions during the reporting period, the office must prepare a "No Amount" voucher. The voucher must be certified, approved, and sent to AAB in the usual manner.

Note: Copies of invoices are acceptable when a vendor's procedures require retention of the original. This fact must be noted on the copy.

20. How Are Imprest Items Recorded?

- a. All reimbursement vouchers relating to administrative expenses must be posted to an SBA Form 756, "Memorandum Obligations Record," before the voucher is sent to AAB.
- b. Loan expense items on the OF 1129 are not recorded as obligations because these costs must be charged against the business loan account.
- c. No charge is made against a field office allotment when a special authorization is obtained from the Director, Office of Administrative Services, for local purchases chargeable to the Headquarters allotment.

21. What Are Other Requirements for Submission of Reimbursement Vouchers?

- a. Some offices may submit two or more reimbursement vouchers during a month. If this is necessary, the office head should consider an increase to the fund.
- b. A copy of the OF 1129 must be held in the cashbox until the office receives the reimbursement check. Once the office receives the check, the check number, date, and amount must be entered on the bottom section of the voucher. The office will retain a copy of the OF 1129 in a separate file for one year.
- c. At the close of the fiscal year, the office must submit a reimbursement voucher for all disbursements made through September 30, not previously claimed.

22. How Do I Verify the Cash Balance?

- a. How Often Must I Perform a Verification of the Cash Balance in the Imprest Fund?

At least once per quarter. The verification must be unannounced.

- b. Who Performs the Verification?

- (1) In field offices, the office head designates two impartial employees to perform the verification. One employee must be someone other than an administrative employee, and neither employee can be the cashier's supervisor.
- (2) In Headquarters, two impartial Office of the Chief Financial Officer (OCFO) employees must perform the verification. Neither of these employees can be part of the cashier's office.
- (3) The cashier must be present and not leave the scene until the count is completed and the exact amount of cash on hand is determined.

c. Who Prepares the Verification Report?

- (1) The office head designates the employee to prepare this report, using SBA Form 688, "Verification of Cash - Imprest Fund and Receipts Processing." This employee should be someone other than the employees listed in 22b(1) above.
- (2) The report is signed by the office head and submitted to the DFC/AAB.
- (3) Any differences disclosed by the verification must be reported to the DFC Director.

23. How Often Must I Reconcile?

The fund should be reconciled on a daily basis. The cashier must reconcile the fund, with an alternate cashier viewing the counting. If applicable, the alternate's fund should also be reconciled daily, with the principal cashier viewing the counting.

24. Will I Be Audited?

At the Inspector General's (IG) discretion, the Office of the Inspector General (OIG) will make unannounced audits of individual imprest funds on an intermittent basis.

25. What Do I Do if I Suspect an Unauthorized Use or Irregularity?

- a. You **MUST** report any apparent or suspected irregularity, which comes to your attention. Failure to do so can be cause for disciplinary action. See SOP 37 35, "Employee Responsibilities and Conduct," for more detailed information.
- b. Once any unauthorized use, irregularity, or improper accounting is discovered, it must immediately be reported to:
 - (1) The OIG;
 - (2) The DFC; and
 - (3) The office head for the office in which the fund is located.

26. Do I Have to Report Small Losses or Shortages?

No. Small (less than \$1.00) losses or shortages which might reasonably be the result of errors in change making do not have to be reported if there is no other indication of irregularity or improper action.

27. Could My Imprest Fund Be Impounded?

Yes. At the discretion of the officials involved, the fund can be impounded until the irregularity is resolved.

Chapter 2

Internal Control of Cash and Negotiable Instruments

1. Overview.

This chapter describes the necessary provisions for control over the imprest fund and Treasury checks. This chapter applies to all offices, including the Surety Bond Guarantee (SBG) Offices, unless otherwise specifically noted.

2. What Are the Safeguards of Cash and Negotiable Checks?

- a. Office heads will provide appropriate facilities (see g. below) for the use of the principal and alternate cashiers. Designate one supervisor as custodian of the duplicate keys and an alternate supervisor in the supervisor's absence. In case of an emergency, the custodian supervisor opens the metal cashbox in the presence of witnesses.
- b. You must have a combination lock safe or cabinet under exclusive control of the cashier(s) and a metal cashbox that can be locked. [Note: SBG is not required to have a metal cashbox.]
- c. You, as the cashier, place the combination and a duplicate key to the cashbox in a sealed envelope. You then initial and date the manila envelope across the seal flap, and place transparent tape across the flap to detect tampering.
- d. The envelope is placed in a safe or lock-cabinet controlled by the office head or an appropriate official.
- e. The safe combination will be:
 - (1) Changed annually and at such times as required by the "Annual Inspection of Facilities for Safeguarding Public Funds;"
 - (2) Memorized by the cashier rather than carried on his or her person or stored; and
 - (3) Given to designated supervisor (and alternate) for use in case of an emergency. The combination is placed in a sealed envelope and handled in a similar manner as the duplicate key.
- f. You can use the safe for both cash and negotiable instruments. It must be locked at all times when not under immediate control of authorized persons.
- g. Cashier Location.
Where appropriate, ceiling-high or bank-type partitions should be used to hinder unauthorized personnel from entering. In small offices where physical separation is impractical, it is important that unauthorized personnel do not have access to the cashier without being observed by other SBA employees.

- h. Imprest funds must NOT:
- (1) Be deposited in a bank;
 - (2) Be combined with other funds;
 - (3) Be used to cash checks; or
 - (4) Be used to make change (unless the change is the result of an official authorized transaction).

3. Who Does Periodic Reviews of Facilities and Space?

Under Treasury Circular No. 150, concerning safeguarding of imprest funds, the head of each office having an imprest fund should have an annual inspection made as of March 31. The field head should designate someone other than the employee responsible for the custody and control of the imprest fund to make this inspection. The inspection, to be coordinated with the annual review, should take into consideration the factors set forth in the "Annual Inspection of Facilities for Safeguarding Public Funds." The review is reported to the Director, DFC, within 10 days of completion.

4. Who Supervises the Cashier?

The office head is responsible for ensuring adequate supervision over the cashier's cash and negotiable instrument functions. This supervision is performed by the cashier's supervisor, or other individual designated by the office head, and will include the review requirements described in this SOP.

5. How Do I Handle Loan Disbursement and Special Circumstance Checks?

a. Who Handles the Checks Before Distribution?

The AAB, Denver, is responsible for the receipt of checks for court cases, cash receipts and all checks requiring special instructions.

b. What is Required by the Field Office for Control and Safeguarding of Checks Received?

The cashier is responsible for safe control when a field office receives a check. The cashier must:

- (1) Record the receipt of the check on SBA Form 564;
- (2) Enter on SBA Form 1416:

- (a) Loan disbursement/closing;
 - (b) The date of check;
 - (c) Check number; and
 - (d) Date the checks were received;
- (3) Maintain physical control over the check until it is forwarded for deposit to DFC.

c. How are Headquarters-Serviced Loan Checks Handled?

The Headquarters Cashier follows the same procedures as the field cashiers, EXCEPT the checks are mailed directly to the payees instead of DFC.

6. What Should I Do if My Imprest Reimbursement Check Has Been Lost, Stolen, Destroyed, Mutilated, or Defaced?

[Note: This does not apply to SBG.]

a. Who Do I Notify?

- (1) Immediately notify AAB outlining, in detail, the circumstances surrounding the case. Written, faxed, or e-mailed statements are accepted.
- (2) Attach mutilated or defaced checks to your written notification.
- (3) Include as much as possible of the following when reporting lost or stolen checks:
 - (a) Check number;
 - (b) Date of check;
 - (c) Amount; and
 - (d) Name(s) of payee(s).
- (4) Submit your statement to:
 - Chief, AAB
 - Small Business Administration
 - PO Box 748
 - Denver, CO 80201

b. When Will Damaged Checks be Canceled?

The U.S. Treasury will automatically cancel all checks outstanding and non-negotiated after 12 months from the date of issuance. This is called "Limited Payability."

7. How Are Payments Received?

a. How and When Is Incoming Mail Recorded?

On a daily basis, at least two employees (if possible) open mail at the designated mail control point. The office head assigns appropriate personnel for this assignment. These employees record all registered, certified express, insured mail, and mail containing cash, checks or other negotiable items on SBA Form 9, "Incoming Negotiable Register and Insured Mail." After the mail is opened, incoming cash and checks are given to cashier. **Cashiers do not open office mail, except under unusual circumstances approved by DFC.** An example would be lack of available staff to perform these duties. Waivers to allow cashiers to open office mail may be requested under these circumstances by submitting a written request for such a waiver to DFC.

b. How Often Must I Send Payments to DFC?

The cashier sends all payments totaling more than \$5,000.00 to the DFC on the day of receipt. You may hold payments totaling less than \$5,000.00 in the safe for up to 1 week. You must send all payments you are holding to the DFC by Thursday of each week. Complete SBA Form 573 and send it with the payments. [Note: This does not apply to SBG.]

c. When Do I Not Send Payments to DFC?

You must send **all** payments to DFC.

d. What Types of Payments Could I Receive?

(1) Business and Disaster Loans:

- (a) Regular Loan Payments;
- (b) Guarantee Fee Payments;
- (c) Cash Collateral Items;
- (d) Proceeds from the Sale of Collateral;
- (e) Rent Income from Collateral;
- (f) Bid Deposits;
- (g) Post-Dated Checks -- Do not send to the DFC until check is negotiable; and
- (h) Insurance Loss Drafts.

(2) Surety Bond Guarantee (SBG):

- (a) Contractor Guarantee Fees;
- (b) Surety Guarantee Fees; and
- (c) Not Sufficient Funds Checks.

- (3) Administrative Reimbursements:
 - (a) Travel Advance Repayments;
 - (b) Jury Duty Fees; and
 - (c) Miscellaneous Payments.
 - (4) Section 8(A) Advance Repayments.
 - (5) Small Business Investment Company (SBIC).
 - (6) Pollution Control (PC).
 - (7) Photocopy Payments.
 - (8) Uniform Commercial Code Payments.
 - (9) Lease Guarantee (LG) Payments.
 - (10) Business Assistance Trust Fund (BATF):
 - (a) Publication Payments; and
 - (b) Reimbursements for Training.
- e. How and Where Do I Send Payments?
- You must use Express Mail (United States Postal Service) or any overnight service that provides a tracking mechanism to send payments.
- Send completed SBA forms and payments to the correct address.
- | | |
|------------------------------------|------------------------------------|
| SBA Form 573: | SBA Form 1106: |
| U.S. Small Business Administration | U.S. Small Business Administration |
| P.O. Box 205 | P.O. Box 490 |
| Denver, CO 80201 | Denver, CO 80201 |
- f. What Other Types of Checks Might I Receive?
- [Note: This does not apply to SBG.]
- (1) Travel Reimbursement Checks:
If an employee lists the office address on the SF 1012, "Travel Voucher," the reimbursement check is received by mail in the SBA office. This type of check must be forwarded to the addressee unopened. To record the check, use the traveler name and other identifying information showing through the envelope window.
 - (2) Employee Award Checks:
Upon receipt of this type of check, you, as the cashier, must forward the check to the office head for further distribution.

8. What Is the Process for Issuing Receipts?

[Note: This does not apply to SBG.]

a. What Do I Do When I, As Cashier, Receive Walk-In Payments?

You must complete an SBA Form 230 whenever a cash payment is received.

b. What Is SBA Form 230?

SBA Form 230 is the official receipt for payments made in person.

c. How Do I Complete SBA Form 230?

The form is multi-part and is completed and distributed as follows:

<u>Copy</u>	<u>Distribution</u>
White (Original)	To the person making the payment.
Blue (Second)	Cashiers copy. To be signed by cashier as evidence that payment was received.
Green (Third)	Office copy. To be maintained separately from the cashier's office.
Buff (Fourth)	Remains in the receipt book for 4 years.

You are responsible for ensuring that all copies of the SBA Form 230 are legible for processing and auditing. In the case of errors or a mutilated form, you mark the receipt "VOID" and retain all copies in the book for 4 years. **Destroy all receipts 4 years after the last receipt is completed.**

d. Safe-Keeping and Accountability for Receipts.

(1) How Do I Safeguard the Blank Receipts?

Receipts must have controlled access by authorized personnel only. You are responsible for ensuring that all receipt books are accounted for and that there is an adequate supply on hand.

(2) How Do I Account for the Receipts?

You must maintain a log recording the receipt and disposition of all receipt books.

(3) How Do I Order More Forms?

Follow the procedures outlined in SOP 00 09, "Warehouse Management," for ordering forms and publications.

9. How Do I Process Payments?

a. What Forms Do I Use to Process Payments?

- (1) SBA Form 573 - You must use the SBA Form 573, "Cash Collateral and Abeyance Item Register," for all payments except Surety Bond Guarantee Payments. See appendix 2 for instructions on completion.

- (2) SBA Form 1106 - You must use the SBA Form 1106 only for Surety Bond Guarantee Payments.

b. How Do I Process Cash Received?

- (1) Convert cash to cashiers check or money order.
- (2) Reimburse the cashiers check or money order fee from the imprest fund. Do NOT deduct fees from remittance.
- (3) Attach all supporting documentation to the SBA Form 573.

c. How Do I Process Items to be Returned?

Items to be returned come from two sources: within your office or from the DFC. The office head or designee must authorize the release of collateral on paid in full loans.

- (1) If the item is from within your office, record on a SBA Form 9 that the item has been returned. Return the item to the customer with a letter of explanation. Mail the letter and item "Return Receipt Requested."
- (2) If the DFC returns the item to you, a completed SBA Form 895, "Cash Collateral and Abeyance Items," or a completed SBA Form 895A for Surety Bond payments will accompany the item. Follow the instructions on the form.

d. Whom Do I Contact Regarding Disposition of Payments?

Contact the responsible loan officer.

10. How Do I Control Payments?

a. What Physical Controls Are Required?

- (1) You must maintain proper records and physical control at all times over daily payments received.
- (2) You will receive all checks, drafts, cash, and negotiable items directly from the mail center.
- (3) You must be able to reconcile all payments received and recorded on the SBA Form 9 to the disposition of items on the SBA Forms 573 and 1106.

b. How Are Outstanding Payments Reconciled?

- (1) You must reconcile the SBA Form 9 receipts/returns with the SBA Form 573 and 1106 deposits on a daily basis (see appendix 2 for a sample format).
- (2) The total of the outstanding items must be supported by individual items. You must be able to account for every item received, being held, returned, and processed.

c. What is the Procedure for Reviewing Cashier's Receipts?

You are reviewed quarterly by an employee designated by the office head. The review verifies and documents the following areas.

- (1) That the reconciliation of the SBA Forms 9, 573, and 1106 are completed, as required.
- (2) That you maintain physical control over receipts, as required.
- (3) That receipts have been transmitted to the DFC in accordance with this SOP guidance on amount and frequency.

Chapter 3

Collateral Cashier

1. Who Is the Collateral Cashier?

The collateral cashier is an SBA employee appointed by the office director. The position can be either full-time or as a collateral duty, depending upon the needs of the office. This chapter does not apply to SBG.

2. What Is the Collateral Cashier's Responsibility?

The collateral cashier is responsible for the control and safekeeping of all collateral and custody documents, and negotiable items from the time they are received until they are released.

3. What Are Collateral Documents?

Collateral documents are those items pledged by a borrower and third parties to secure a loan. Collateral documents are evidence of the pledge and include, but are not limited to notes and modifications, deeds of trust, assignments of deeds of trust, stocks, bonds, guarantees, financing statements, assigned leases, and assigned life insurance policies.

4. What Are Custody Documents?

Custody documents are those documents kept in the collateral file that do not represent actual collateral. These documents are to be safeguarded because they pertain to some of the legal paperwork needed from the borrower to secure the loan. Examples are standby agreements with attached copy of the promissory note, title policies, lien searches, resolutions of the board of directors, certificates pertaining to partners and/or managers.

5. What Are Non-Custody Documents?

Non-custody documents provide additional information regarding the property used as collateral. You must retain these documents in the loan case file rather than in the collateral file. Examples include appraisals, environmental site assessments, and hazard insurance policies.

6. What Are Negotiable Items?

Negotiable items are documents that permit legal title to be transferred from one person to another by endorsement or possession. Examples include bonds and stocks traded over the counter on the New York Stock Exchange, American Stock Exchange, checks or the National Association of Securities Dealers Automated Quotation System.

7. What Documents Are Kept in the Collateral File?

Collateral and custody documents must be kept in the collateral file. All stock must also be secured in the collateral file. Most of the stock certificates received are stock in the borrower's company and is not traded on any stock exchange. This type of stock is given a value of \$1.00 and can be kept in the regular collateral file. If the stock has a market value, e.g. AT&T or a negotiable CD, it must be kept in the same locked area that the imprest fund cash box is located. This is to be secure and locked at all times.

8. Do I Need to Obtain a Safe Deposit Box at a Local Bank?

It is no longer necessary to maintain a lock box or safe deposit box at a local bank unless the circumstances fit your office's situation. An example of the need for a safe deposit box might be the large service centers.

9. When Are Documents Sent to the Collateral Cashier?

All documents must be sent to the collateral cashier immediately upon receipt into the office.

10. How Are Documents Sent to the Collateral Cashier?

The documents examiner or designated individual in each office must prepare SBA Form 649, Listing Collateral Documents, with two copies. Give the form and attached documents to the collateral cashier.

11. What Does the Collateral Cashier or Designee Do with SBA Form 649 and Attached Documents?

- a. Confirm documents were received by signing SBA Form 649. Contact the individual who prepared the SBA Form 649 to obtain a missing document.
- b. Prepare file folder indicating the name of the borrower and loan number.
- c. Attach SBA Form 649 to the left side of the file and all other documents to the right side.
- d. File documents making sure that all recording information is visible.

12. How Do I Handle Primary Notes, Debentures, and Other Obligating Instruments?

a. Responsibility for Safekeeping.

- (1) Field Offices. Original promissory notes and other obligating instruments (except those serviced by Investment Offices) should be held in the custody of the collateral cashier of the field office servicing the loan.
- (2) Headquarters. Original documents for the Small Business Investment Company (SBIC) program lending activities should be held in custody by the file room official in the Investment Division.

b. Trust Releases.

Temporary charge-outs of original obligating instruments to authorized personnel for purposes of servicing and administration should be recorded on SBA Form 440, "Trust Receipt." The signature of the employee to whom the document is released will be obtained on the SBA Form 440 in support of the release. Any such documents released under temporary charge-out should be returned to the custody of the appropriate collateral cashier or note and debenture custodian not later than the close of the business day. (For an exception to this, see #16.)

c. Transfer of Custody.

- (1) Between SBA Offices. When transfer of custody of original notes and other like obligating instruments between SBA offices is necessary, procedures concerning transfer of collateral folders should be observed. Use of certified mail with return receipt, UPS, FedEx, Airborne, or a similar service, to the cashier in the receiving SBA office is required. Remember not to send the case file and collateral must not be shipped together.
- (2) To Department of Justice. When an original obligating instrument is required by the Department of Justice in litigation cases, custody of the document should be transmitted via certified mail with a return receipt.

d. Integrity of Obligating Documents.

Original obligating instruments should not be endorsed or annotated in any manner, except as may be specifically authorized by operating procedures or by appropriate authority. In other words, do not write or mark on obligating documents.

e. Refunding Loans.

Upon payment of a note by a refunding loan, and receipt of SBA Form 397, "Notice of Fully Paid Account," from the Programmatic Accounting Branch, DFC, the collateral cashier should place the following notation on the note:

"Replaced By Refund Note Dated
In The Amount Of \$ _____"

This notation should be made in lieu of the "PAID" endorsement. The collateral cashier should then retain the original note in the borrower's collateral folder. The original note should not be released except upon written instructions from SBA counsel.

13. What Methods Must Be Used to Safeguard Collateral?

All collateral documents, custody documents, and negotiable items must be kept in a fireproof, combination lock safe, under the total control of the collateral cashier.

14. When Must the Combination Be Changed?

The combination must be changed annually or when there is a change of collateral cashier or alternate cashier personnel.

15. How Are Folders Filed?

Collateral folders should be filed according to loan number. If there is more than one secured loan, a separate file must be prepared for each loan.

16. What Is the SBA Form 440, Trust Receipt, and When Is it Used?

The SBA Form 440 is a receipt given the collateral cashier when the collateral file or any document therein is removed from the control and safekeeping of the collateral cashier.

17. Can the Entire Collateral File Be Temporarily Removed from the Collateral Safe or Collateral File?

Yes, when an SBA employee completes SBA Form 440, "Trust Receipt," and leaves it with the collateral cashier. Collateral files and documents, custody documents, and negotiable items must be returned to the collateral cashier by the end of the workday, unless otherwise authorized on the trust receipt.

18. What Happens When a Document Is Permanently Removed from the Collateral File?

The collateral cashier receives an SBA Form 327, "Modification or Administrative Action," authorizing release of the document(s). The SBA Form 440, Trust Receipt, must also be completed. When the collateral document is removed from the collateral file, the SBA Forms 327 and 440 must take its place in the collateral file.

19. What Are Some Examples of When a Document Would Be Permanently Removed from the Collateral File?

A deed of trust or mortgage would be removed from the collateral file so the release could be recorded. A personal guaranty agreement would be removed when the guarantor is released from any further obligation for the repayment of the note.

20. What Happens When an SBA-Serviced Loan Is Paid in Full?

The collateral cashier receives SBA Form 397, "Notice of Fully Paid Account," stamps the note "paid in full," signs the paid-in-full certification, and gives the note and all documents in the collateral file to the legal division or portfolio management division, as appropriate. The collateral cashier completes SBA Form 397 and files it in the loan file. Make sure that the final payment clears prior to releasing the collateral documents.

21. Can Documents on a Paid-In-Full Loan Be Released Before SBA Form 397 Is Issued?

Yes, when the collateral cashier receives SBA Form 327, Modification or Administrative Action, authorizing release of the collateral documents, custody documents, and/or negotiable items. Once again, make sure final payment clears prior to release of any collateral.

22. What Happens When an SBA-Serviced Loan Is Paid By Compromise?

The collateral cashier receives a copy of SBA Form 327 authorizing this action and files it in the loan file. SBA counsel will type on the note that it is paid by compromise and the collateral cashier will sign this certification. The note and other necessary documents, as ascertained by counsel, will be permanently removed from the collateral file.

23. What Happens When an SBA-Serviced Loan Is Sold and Assigned to a Third Party?

The collateral cashier receives a copy of SBA Form 327 authorizing the release of documents to Legal. The 327 should then be filed in the loan file. SBA counsel will type the appropriate wording on the original note and the Chief, Portfolio Management Division, will sign. The note and other necessary documents, as ascertained by the counsel, will be permanently removed from the collateral file.

24. What Happens When an SBA-Serviced Loan Is Charged Off?

The collateral cashier receives SBA Form 328, "Notice of Charged-off Loans and Related Receivables." The entire collateral file is given to the portfolio management division or legal division, as appropriate. The collateral cashier completes SBA Form and files it in the loan file.

25. What Safekeeping Steps Are Necessary for Negotiable Items?

This type of collateral may be kept in a safe deposit box in a bank to prevent loss. The collateral cashier or designee keeps the safe deposit box keys. The collateral cashier or designee only in front of witnesses appointed by the office head may open the safe deposit box.

26. What Is SBA Form 219, Collateral Record, and Who Prepares It?

The collateral cashier prepares SBA Form 219 for receipt of negotiable items.

27. What Is SBA Form 223, Daily Register of Negotiable Collateral Items, and Who Maintains this Register?

SBA Form 223 is a chronological record of negotiable items received and released. Permanent releases must be on SBA Form 219 and temporary releases on SBA Form 440, "Trust Receipt." The collateral cashier or designated individual must maintain SBA Form 223.

28. How and Why Are Negotiable Collateral Items Valued?

Each item of negotiable collateral listed on SBA Form 219 must be assigned a value of \$1.00. This valuation is for control and identification purposes only. No other monetary value shall be shown for the items.

29. When Should Reconciliation and Inspection of Negotiable Items Take Place and Who Should Perform the Review?

The collateral cashier should balance all negotiable items once a month using an adding machine tape, which must be kept for the quarterly inspection discussed below.

30. How Must Negotiable Collateral Be Accounted For?

Reports must be kept and must be in balance at all times by comparing SBA Form 219 with SBA Form 223.

31. How Often Should the Report Be Verified?

This verification should be made at least every quarter, and should be done by an impartial employee, the findings noted, and the adding machine tapes retained for 3 years.

32. How Often Should Actual Negotiable Items Be Verified and By Whom?

This must be done annually or when there is a change in the collateral cashier, alternate collateral cashier or office director. An employee designated by the office director and someone other than the collateral cashier must document the inspection. The collateral cashier must keep the report for 3 years.

33. When Can a Collateral File Be Transferred to Another SBA Office?

When the loan file is transferred from one SBA office to another, an SBA Form 327 must be completed authorizing the transfer of the collateral file from one SBA office to another.

34. How Is a Collateral File Shipped to Another SBA Office?

By USPS via certified mail, UPS, FedEx, Airborne, or a similar service, to the collateral cashier in the receiving SBA office. The sending collateral cashier types a transmittal memo listing each collateral file, by loan name and number, and encloses a copy of the memo with the collateral file(s).

35. What Does the Collateral Cashier Do When S/He Receives a Collateral File From Another Office?

Acknowledges receipt of the file and sends (by mail, fax, or e-mail) notification to the collateral cashier in the sending SBA office.

36. Can a Collateral File Be Shipped in the Same Envelope as a Loan File?

No, collateral files and loan files must be shipped separately.

APPENDIX 1

Index to Forms and Reports

Form Number	Form Name	Documentation Needed or Supplied on Form
SBA Form 2	Requisition for Supplies, Services, and Federal Assistance	Documents a purchase when using imprest funds. Must be completed with the SF 1165 (paragraph 1-14).
SBA Form 9	Incoming Negotiable Register and Insured Mail	To record all registered, certified express, insured mail and mail containing cash, checks or other negotiable items (paragraph 2-7(a)).
SBA Form 219	Collateral Record	Prepared by the collateral cashier for receipt of negotiable items (paragraph 3-25).
SBA Form 223	Daily Register Of Negotiable Collateral Items	A chronological record of negotiable items received and released (paragraph 3-26).
SBA Form 230	No title - numbered document	Used as a cash and cash receipt form. The official receipt for payments made in person (paragraph 2-8(b)).
SBA Form 327	Modification or Administrative Action	Must be filled out when a document is permanently removed from a collateral file (paragraph 3-17).
SBA Form 328	Notice of Charged-Off Loans and Related Receivables	Must be filled out by the collateral cashier and retained in the loan file (paragraph 3-23).
SBA Form 397	Notice of Fully Paid Account	To refund a loan (paragraph 3-11(e)).
SBA Form 440	Trust Receipt	To record temporary charge-outs of original obligating instruments to authorized personnel for purposes of servicing and administration (paragraph 3-11(b)).
SBA Form 564	Register of U.S. Treasury Loan Checks Pending Delivery	Assists in the safe control of checks received by field offices. Used to record the receipt of the check (paragraph 2-5(b)(1)).
SBA Form 573	Cash Collateral and Abeyance Item Register	To be filled out and sent in with payments to the Denver Finance Center (paragraph 2-9(a)(1)).
SBA Form 649	Listing Collateral Documents	Itemizes all the collateral documents received for that day (paragraph 3-9).
SBA Form 688	Verification of Cash - Imprest Fund and Receipts Processing	Reflects the cash balance of the imprest fund (paragraph 1-22(c)(1)).
SBA Form 756	Memorandum Obligations Record	Used to record imprest items (paragraph 1-20).

Appendix continued

Form Number	Form Name	Documentation Needed or Supplied on Form
SBA Form 895	Cash Collateral and Abeyance Items	To record if an item is returned to the SBA office (paragraph 2-9(c)(2)).
SBA Form 1106	Surety Bond Guarantee Fee Transmittal Document	Use only when processing a payment made with Surety Bond Guarantee payments (paragraph 2-9(a)(2)).
SBA Form 1416	Loan Disbursement/Closing	Assists in the safe control of checks received by field offices (paragraph 2-5(b)(2)).
SF 211	Request for Change or Establishment of Imprest Fund	Allows office heads to designate employees as cashiers (paragraph 1-2).
SF 1164	Claim for Reimbursement for Expenditures on Official Business	Used to submit transportation expenses when conducting official business (paragraph 1-12(h)).
SF 1165	Receipt for Cash-Subvoucher	Documents a purchase when using imprest funds (paragraph 1-14).
OF 1129	Cashier Reimbursement Voucher and/or Accountability Report	Serves as accountability document (paragraph 1-18).

Appendix 2

Instructions for Completion of SBA Form 573 "CASH COLLATERAL AND ABEYANCE ITEM REGISTER"

Complete SBA Form 573 for all remittances transmitted to DFC. The form must be typed or printed clearly. Use a control number established and maintained within your office (see CONTROL NO. below). Attach all supporting documentation received with the remittance to Form 573.

Mail the original to the DFC and keep the copy for office records.

When Should A Separate Form 573 Be Used?

Prepare a separate Form 573 for each loan type listed in the left column and indicate the type as instructed:

LOAN TYPE	INDICATE AS:
Loans in Regular Servicing	"X" for Regular Service
Loans in Liquidation or Charged-off Status	"X" for Liquidation or Charged-off Status
Salary and Expenses (S&E)	"S&E" in RED ink in upper right corner of form
Pollution Control (PC)	"PC" in RED ink in upper right corner of form
8(a)	"8(a)" in RED ink in upper right corner of form
Lease Guarantee (LG)	"LG" in RED ink in upper right corner of form
Care & Preservation of Collateral (CPC)	"CPC" in RED ink in upper right corner of form
Business Assistance Trust Fund (BATF)	"BATF" in RED ink in upper right corner of form

How Is The Form 573 Prepared?

Fill in the Header information and Columnar items according to the following table:

Appendix continued

H E A D E R	FIELD	REQUIRED
	OFFICE NO.	Enter the four-digit code identifying your office. First two digits represent region, second two digits represent district or branch office number (i.e. 0101, 0150, etc.).
	CASHIER	The name of the cashier preparing the form.
	FTS TEL. NO.	Enter your telephone number.
	STATUS	Indicate with an "X" if loans are REGULAR or LIQUIDATION. Record regular and liquidation loans on separate 573s.
	DATE	Enter the date the form is prepared.
	CONTROL NO.	Enter the assigned control number; first two digits are the fiscal year, the next three digits are sequential and start with 001 each fiscal year. Never use the same number twice during a fiscal year.

Appendix continued

C O L U M N S	DATE RECEIVED	Enter the date (MMDDYY) payment was received by the office.
	NAME OF BORROWER	Enter the name of the borrower as it is stated in the loan file.
	LOAN NUMBER	Enter the ten-digit loan number, SBIC, Pollution control, 8(a) or other number associated with the payment. In some cases, such as S&E, BATF or Misc. payments, there is no associated number. In these cases, leave this field blank.
	AMOUNT RECEIVED	Enter the amount of the payment received. Do not use \$ signs. If transaction code 307 is used, you must include a gross amount in the REMARKS column. A total of all payments transmitted must be placed at the bottom of the form.
	EFFECTIVE DATE	This is normally the same date as date received (see above). If it is different, the Loan Officer must justify the difference.
	TRANS CODE	Transaction codes are provided by Loan Officer. See SOP 20-19.
	CFO USE ONLY	Not applicable.
	DISPOSITION	Not applicable.
	REMARKS	Enter check or money order number. Also add remarks or special comments to aid processing.