

**DIRECTIVE NUMBER:** 300-02-18

**Date:** October 31, 2018

**TO:** Department of Labor Employees

**FROM:** Lana Gordon, Secretary of Labor

**SUBJECT**

Employee Use Funds

**PURPOSE**

To provide procedures for establishing, operating and reporting on agency employee use funds.

**AUTHORITATIVE REFERENCES**

K.S.A. 75-3080 and K.S.A. 75-3081

**GENERAL INFORMATION**

1. *Establishment of employee use fund*

- A. In accordance with K.S.A. 75-3080, a state agency may apply to the Director of Accounts and Reports for an employee use fund, which shall not be part of the state treasury. An application form ([DA-164](#)) must be submitted for approval to the Director of Accounts and Reports.
- B. Any KDOL Employee Use funds that are in existence at the time of the adoption of this Directive shall be consolidated into one fund which shall be administered pursuant to this Directive.

2. *Custodian of funds*

- A. The KDOL Chief Financial Officer shall appoint a custodian of the employee use fund. Responsibilities of the custodian include establishing internal controls over the moneys of these funds; designating KDOL employees to act as accountants, bookkeepers, or clerks; and maintaining the accounting records prescribed by the Director of Accounts and Reports.
- B. The generally accepted accounting principles of internal controls (separation of cashiering, bookkeeping, and reconciling functions) shall be adopted for managing the employee use fund. For example, the custodian designated (cashier) should be responsible for collecting or accepting cash, issuing receipts to the depositor, depositing or investing moneys in accounts of financial institutions, and drawing checks on such accounts. A separate accountant or bookkeeper should be responsible for recording deposit records, control ledger, and employee use records; while a third employee accountant or account clerk should be responsible for regularly reconciling the checkbook and savings balance(s) to the ledger account, etc.

3. *Accounting records*

- A. Appropriate records are required to record the fund transactions and provide a detailed account of its operations in accordance with generally accepted accounting principles.

B. Where appropriate, the following should be identifiable in the funds records:

- 1) Cash on hand
- 2) Cash in bank
- 3) Accounts receivable
- 4) Inventory
- 5) Equipment
- 6) Accumulated depreciation
- 7) Accounts payable
- 8) Retained earnings
- 9) Contributed Capital
- 10) Sales
- 11) Donations
- 12) Cost of Sales
- 13) Depreciation
- 14) Miscellaneous
- 15) Rent
- 16) Repairs and Maintenance
- 17) Supplies

4. *Reporting requirements*

- A. The custodian of each employees use fund shall prepare a statement of Revenues, Expenditures and Changes in Fund Balance or an income statement and balance sheet for the fund for the fiscal year just ended at June 30. One copy of the report is to be forwarded to the Division of Accounts and Reports, Central Accounting Services Section, and to the Secretary, by July 25 of each year.
- B. The financial statements should indicate the accounting methods used for computing depreciation and valuing inventory. The preferred methods are straight-line for depreciation and LIFO (last-in, first-out) for inventory, but custodian may select any of the generally accepted methods most suitable for their needs.
- C. Employee use funds shall be subject to audit as prescribed by the legislative post audit committee.

5. *Deposits and expenditures*

- A. Subject to procedures or limitations that the secretary of administration may prescribe, amounts deposited in an employee use fund may only be expended for employee activities and benefits approved by both the Secretary and the Chief Financial Officer.
- B. Moneys of employees use funds should be deposited in a bank, savings and loan association, or federally chartered savings bank approved by the Secretary. The bank, savings and loan association or savings bank should be insured by the federal government or an agency thereof, or invested in a credit union which is insured with an insurer or guarantee corporation as required under K.S.A. 17-2246.
- C. All disbursements must be by check from the fund bank account, and each check must be signed by the custodian or alternate designated by the Secretary.

- D. An employee use fund will be subject to exactly the same federal income tax treatment as the state agency to which it is attached. It will be responsibility of the Chief Financial Officer to report and remit any tax liability.
- E. Benefits distributed to employees through an employee use fund shall only be *de minimis* fringe benefits which are not required to be reported as income to the employee nor to have tax withheld. Items such as sending flowers on the death of an employee, sending special occasion cards or get well cards, sponsoring employee appreciation events, giving out small tokens in recognition of good work and employee of the month awards are considered *de minimis* fringes. Benefits shall not be in the form of cash or cash equivalents (gift certificates). In general, these will not be considered *de minimis* by the Internal Revenue Service.
- F. Except as otherwise prescribed by law and subject to limitations prescribed by the Secretary of Administration, the custodian may deposit in an employee use fund the following revenues:
  - 1) Gifts from employees and former employees of the state agency;
  - 2) profits from garage sales and similar employee fund raising activities which have been approved by the head of the state agency; and
  - 3) interest earnings arising from employee use funds deposited in a financial institution.

6. *Employee Use Fund Committee*

- A. All Building Committees that are in existence at the time of the adoption of this Directive are hereby dissolved.
- B. There is hereby established an Employee Use Fund Committee which shall meet at the call of the Chair and will make recommendations to the Secretary on expenditures for employee activities and benefits that are consistent with this Directive.
- C. The Employee Use Fund Committee shall consist of:
  - 1) The Secretary or designee;
  - 2) The Chief Financial Officer or designee;
  - 3) The Director of Employment Security or designee;
  - 4) The Director of Workers Compensation or designee;
  - 5) The Director of Labor Market Information Services or designee;
  - 6) The Director of Human Resources or designee;
  - 7) The Director of Communications or designee;
  - 8) The Chief Attorney or designee;
  - 9) The Chief Information Officer or designee; and
  - 10) The Director of Industrial Safety and Health or designee.

Each of the 401, 1309 and Eastman buildings shall have at least three representatives on the Employee Use Fund Committee.

- D. The Chair of the Employee Use Fund Committee shall be selected by the Secretary. The Chair shall serve for a term of one year. The Chair shall have responsibility for scheduling committee meetings and establishing meeting agendas. There shall be no limit to the number of terms a person may serve as Chair.

- E. A Quorum shall consist of five members of the committee. All requests for expenditure of employee use funds must be approved by a quorum of committee members and submitted for approval to the Secretary and Chief Financial Officer on the designated agency form.
- F. The Employee Use Committee will be assisted by non-voting building sub-committees for the 401, 1309 and Eastman buildings. Sub-committee members do not have to sit on the Employee Use Committee, but each sub-committee shall have a Chair from that building that serves on the Employee Use Committee. The sub-committees are intended to provide building specific planning and suggestions for the approval of the Employee Use Committee.

**CONTACT SOURCES**

Division of Accounts and Reports  
Administrative Operations Section  
Financial Integrity Team  
(785) 296-2311

Signature on file  
Lana Gordon, Secretary of Labor

Rescissions:	Expiration date: Continuous
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