

City of Fredericksburg

Cash Handling

Purpose Statement

To provide direction for ensuring proper controls over all revenue sources and payment types by safeguarding, depositing and recording on a daily basis unless otherwise approved in writing from the Finance Department.

Scope

This procedure applies to all staff whose duties involve receipting, handling and/or processing of payments of any type inclusive of cash transactions.

Procedures

For the purposes of these procedures, “cash” will include:

- Currency
- Checks
- Money Orders
- Bank Drafts
- Web Payments
- Credit Card Transactions
- Debit Card Transactions

General Controls:

1. All payments should be deposited and/or processed within 24 hours of receipt
2. Documentation for each transaction may be generated manually (receipt form) or through the use of a cash register or computer that will provide detailed and/or summary information
3. Where practical, use automated systems (computer or cash register) to increase cash processing efficiency to provide more detailed support for reconciliations and provide an audit trail
4. Establish a starting cash drawer amount (cash float) requiring daily verification by the cashier responsible
5. Require collections for each individual cash drawer be reconciled daily, documented, signed off by the responsible cashier and deposited with the Finance department in a timely manner
6. All transactions will be receipted
7. Segregate duties between collection and deposit process
8. Daily reconciliation and counting of receipts should be done in a secure area

9. Cashier(s) are obligated to report overages and shortages on the daily cash reports. Significant overages or shortages should be brought to the attention of the Director of Finance by both the cashier and the finance department employee that reviews the daily cash report
10. Revenue reports are prepared by department staff on a daily or weekly basis and submitted to the Finance Department
11. During the monthly bank reconciliation, the revenue deposited will be reconciled with the revenue recorded in the G/L and any discrepancy will be followed up with the originating department

Security Controls – Cash Drawers, Safes & Lock Boxes:

1. Access to cash drawers should be limited to the cashier collecting the cash and/or the manager
2. Assign responsibility to the cashier for ensuring the security of the cash drawer after each use
3. Where possible, cash drawers should not be visible to the general public
4. Where possible, cashiers should have access to a security alarm or buzzer that would alert management or security personnel of robberies or any other threatening activities
5. At end of day, ensure cash drawer is locked and secured in a safe
6. Any un-deposited checks or cash will be stored in a secure facility at the end of each business day
7. Any “paid” or “received” stamps shall be stored and locked at the end of each business day
8. Safes must be kept in a secure area and shall be locked at all times when unattended
9. Only limited staff shall have safe combinations or keys to lock boxes where funds are being locked for safekeeping
10. Keys to lock boxes must be kept in a secure area

Petty Cash Funds:

Petty cash funds are available for making emergency or immediate purchases of small dollar items that are not routinely carried by departments in their operating supplies inventory. Petty cash funds are not to be commingled with other cash funds. Petty cash funds are to be maintained only for the purpose of providing petty cash as needed, and no department shall possess a petty cash fund without establishing such a fund as outlined herein.

1. Each petty cash fund must have one, and only one, fund custodian responsible for the disbursement of petty cash. In the absence of the fund custodian, the Department head, or their designee, should make all disbursements from the petty cash fund. Each person with whom the control of petty cash has been entrusted shall be held accountable for: a) making sure that the petty cash fund is properly balanced (cash on hand and vendor receipts equaling the authorized balance), and, b) that a vendor ticket or receipt is on hand for each petty cash disbursement made.

2. Each petty cash fund should have a set dollar amount of funds to be accounted for. The Finance Department will not process payment authorizations to reimburse petty cash if the request exceeds the established amount of the petty cash fund.
3. The petty cash fund must be reconciled on a regular basis by the petty cash custodian. A detailed listing of petty cash payouts is to be used as the transmittal document for reimbursement. The petty cash custodian must sign the detailed listing of petty cash payouts, attesting that each entry is properly coded and has full supporting detail attached. A check request for the petty cash amount and all supporting detail should be forwarded to the Finance Department for reimbursement. The Finance Department will review supporting detail, general ledger account codes, and verify that the support documentation agrees with the total amount of the requested reimbursement.
4. The payment authorization requesting reimbursement of petty cash is to be processed with enough lead-time to prevent the remaining petty cash funds from being depleted prior to the issuance of the reimbursement check. The custodian should retain a copy of the detail listing sent to the Finance Department for reconciliation purposes.
5. All check payments to reimburse the petty cash fund are to be made payable to the City of Fredericksburg.
6. Periodic unannounced counts of petty cash will be made by the Finance Department staff.

Petty Cash Reimbursement Procedures

1. A petty cash voucher must be completed to support all disbursements of cash from the petty cash fund.
2. The petty cash voucher must be completed in its entirety and approved by the Department head or designated employee with signature authority prior to the disbursement of any cash from the custodian.
3. A receipt ticket must accompany each petty cash voucher in order to qualify for petty cash reimbursement.
4. An employee that obtains petty cash funds in order to make a purchase must sign a petty cash voucher for each vendor ticket or invoice when the petty cash voucher is submitted to the petty cash custodian. The petty cash custodian will sign the voucher as well when the invoice or ticket is returned, acknowledging and registering that cash has been disbursed from the fund.
5. The Department head must approve fund reimbursement/disbursement for purchases made by the petty cash custodian.

Cash Advanced for Purchases Made with Petty Cash

1. When cash is advanced for the purpose of making petty cash purchases, a petty cash disbursement voucher must be issued and it must note that an advance of cash has been made. The person receiving the cash must sign the disbursement voucher as the person receiving funds. The custodian will retain the original copies until proof of purchase is made and the receipt is returned to the custodian. At the time the receipt for purchased goods and any change is returned and verified as correct by the custodian, the custodian will void the original petty

cash disbursement voucher and cross reference to a second petty cash disbursement voucher. The custodian will then prepare the second petty cash voucher recognizing a disbursement of funds for the amount of the returned receipt. The person who has purchased goods will then be given the signed original of the petty cash voucher.

2. Petty cash that is relinquished in advance is not to be held by any employee longer than one business day. Receipts and unused funds must be returned and be reconciled to vouchers within one business day.
3. Advances for purchases made from the petty cash fund are not to exceed \$50.00. Purchases that exceed \$50.00 should be purchased by normal purchasing procedures. Splitting of purchases to avoid exceeding the \$50.00 limit is considered a violation of this policy.

Petty Cash Restrictions

1. Loans to employees from the petty cash fund are strictly prohibited.
2. IOUs for employee's personal use to the petty cash fund are strictly prohibited.
3. Cashing personal checks for the department head, petty cash custodian or other employees from the petty cash fund is strictly prohibited.
4. Employees may be reimbursed for sales tax for petty cash purchases if the vendor has not been provided an exemption certificate. It is the responsibility of department heads to ensure that employees are aware of the City's exempt status.
5. Only one open petty cash voucher per person is allowed at any one time.
6. Traveling or training expenses, including use of personal vehicle, parking and entertainment, are not to be reimbursed from petty cash. These expenditures should be reimbursed by submitting the proper expense report form to the Finance Department for audit, approval and issuance of a reimbursement check.

Processing Checks, Money Orders, and Bank Drafts

City staff may accept checks only when the check is made payable to the City of Fredericksburg. Upon receipt of checks, money orders or bank drafts the receiver must:

1. Ensure the date, amount and payee are correct and that the check is signed by the customer
2. Stamp the back of the check with the department endorsement showing the City of Fredericksburg and the department name
3. For Manual Receipting:
Departments without access to automated systems (a cash register or computer) should use pre-numbered official City of Fredericksburg receipts with triplicate receipts, with the following completed:
 - i. Prepared by, department of staff taking the payment
 - ii. The payer's name and address
 - iii. Description of the item/service purchased
 - iv. Quantity and unit price if applicable
 - v. GL account number

- vi. Taxes if applicable
 - vii. Type of cash received (e.g. check, cash)
 - viii. Total amount of cash received
 - ix. Date of receipt of revenue
 - x. The signature of the person receiving the cash
4. The first copy of the receipt along with the payment should be forwarded to the Finance Department for deposit on a daily basis
 5. The second copy of the receipt is provided to the customer
 6. The third copy will remain with the originating department
 7. Departments shall file all receipts in numeric order for audit purposes
 8. If an error is made on a receipt or if the receipt must be cancelled, write "VOID" across the receipt ensuring that the word "VOID" is seen on the receipt including copies. The first copy of the voided receipt should be forwarded to the Finance Department. This receipt is then filed numerically
 9. Automated System Receipting:
If departments have an automated system or cash register, receipting will occur through those means, and the daily revenue reports and payments are sent to the Finance Department daily.

Counterfeit Cash and Foreign Currency

1. Staff shall not take currency which is suspicious, if taken in error, please contact the Director of Finance who will contact the police
2. Foreign Currency will not be accepted

Cash Loss

Staff are expected to take reasonable precautions not to lose funds in their care, and not to accept counterfeit funds. However, during the course of the daily reconciliation of cash to the revenue, shortages can occur. Depending on the value and reason for the cash loss, the following shall occur:

1. Cash loss identified as a cash shortage
 - a. Include cash discrepancies due to clerical errors, cash mishandling, loss of deposits, deposit not equal to cash identified at the bank
2. Cash shortages, which are identified by the department, should be recorded on the revenue sheet with a clear explanation. If the cash shortage is identified by the Finance Department staff or the bank, staff will investigate, notify the department and make the appropriate journal entry to record the shortage
3. Cash loss as a result of missing funds or theft must be reported directly to the Director of Finance for further investigation. The City Manager and the Director of Finance will determine who should be notified and the actions to be taken. In cases of suspected theft, the police department will be notified.
4. Large cash losses should be reported to the Director of Finance

Large Cash Transactions:

When clients attend the Customer Service Representatives counter with large cash remittances (greater than \$10,000), the following steps shall be utilized:

1. In a secured area, the client will be requested to count and sort the cash by denomination and give staff a total of the deposit
2. Two staff members will then recount and reconcile the cash total given by the client
3. Once this procedure has been completed a receipt be given

Segregation of Duties:

Persons collecting cash should not have any other responsibilities related to cash handling. Cash receipting functions should also be segregated from cash disbursement functions.

A different person should be involved in each step of the process:

- Cash collecting/receipting
- Cash depositing
- Reconciliation
- Billing

If there are not enough people to segregate the collecting, depositing and reconciling functions (a minimum of two staff are required) then mitigating controls should be developed. For example:

- Increased supervision or job rotation can be alternative controls

Credit Cards

Credit cards shall not be accepted as payments for the following revenue sources:

- Any fees or charges collected by the City on behalf of other third party
- Refundable deposits
- Security deposits
- Transactions over \$5,000, including tax

The service charges associated with the use of credit and debit cards will be charged to the department for which the revenue was taken.

New requests for acceptance of credit cards must be approved by the Director of Finance, who will review the request and determine if the volume, charges and service requirements are sufficient to warrant the acceptance.

When taking credit cards staff must do the following:

1. Check the expiration date on the credit card
2. Process through a POS machine, using the appropriate payment key (Visa or MC)

3. Have customer sign the credit card receipt, or key in their PIN in the case of a chip card
4. Ensure signature matches the card holder signature on the back of the card
5. Give customer the duplicate copy of the credit card receipt
6. Place original receipt in a safe place, for daily reconciliation of revenue

Staff must follow the Payment Card Industry Standards (PCI) and all internal City procedures in order to protect the card holder and the City.

NSF Checks, Bank Drafts, & Web Payments

The City is notified of non-sufficient funds through the return of checks, bank drafts, and web payments from the bank. The Finance Department staff will contact the applicable department, or the payer that issued the check. The utility department will place a door hanger on the payer's door for collection of NSF utility payments. The Finance Department will send letters to all other customers and seek a replacement check. All NSF checks, bank drafts, and web payments are subject to a \$30 fee.

Responsibilities

Staff

- Staff receiving funds on behalf of the City must adhere to this procedure, and must maintain records for audit

Director of Finance

- Establishing an effective internal control system. This includes:
 - Delegating responsibility for cash handling duties
 - Maintaining proper segregation of duties
 - Requiring that staff handling cash be properly trained
 - Requiring that staff follow all cash handling and depositing procedures
 - Reviewing receipts and reconciliations on a regular basis
 - Specifying the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages
 - Investigating unusual variations in revenue

Finance Department Staff

- Monitoring deposits to ensure cash is actually being deposited
- Performing timely bank account reconciliations and investigate any discrepancies between internal records and the bank's records

External Auditors

- Reviewing the City's cash management controls as needed