

**CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: Discussion D 4
DATE: June 10, 2010
SUBJECT: Cash Handling Policy
CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

ISSUE:

The issue before the Council is the adoption of a Cash Handling Policy.

SUMMARY:

The City manages finances in accordance with the State Auditor's Budgeting, Accounting and Reporting System (BARS). This provides the guidelines for daily operations.

The State Auditor also encourages the development of internal policies to provide consistency in day to day operations and transactions. The City has developed policy to cover issues such as investments, credit card use, travel, dress code and purchases.

The Finance Department has been working on developing a procedures manual to insure that all staff members process financial transactions in the same manner. The goal this year is to establish policy for cash handling, petty cash and utility billing.

The Cash Handling policy has been reviewed by the Front Office Committee (this is a group of the employees that regularly work in the front office) and the recommendation was to forward the policy to the Council for review. The comments from the City Attorney have been incorporated into the policy.

STAFF RECOMMENDATION

Staff recommends the Council approve a resolution to adopt a Cash Handling Policy

Attachments: A. Cash Handling Policy

City of Sultan - Cash Handling

Effective Date:

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Purpose

Strong internal controls for cash collection are necessary to prevent mishandling of city funds and are designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process. The City cash handling policy requires that departments receiving cash be approved by the Finance Department and be designated as cash collection points. A cash collection point is defined as a department that handles cash on a regular basis.

"Cash" is defined as coin, currency, checks, and credit card transactions.

Required procedures for cash collection include the following:

- Accounting for cash as is it received.
- Adequate separation of duties which includes cash collecting, depositing and reconciling.
- Proper pre-numbered receipts given for any cash received.
- Approval of any voided cash receipts by area supervisor.
- Deposit of cash promptly into an authorized City account.
- Reconciliation of validated deposit forms to supporting documentation and to the account statement.

- Approval by the Finance Department of any changes in cash handling procedures.
- Proper safeguarding of cash.

The use of non-city checking or other bank accounts by City personnel for depositing City cash is prohibited. The Finance Department will conduct periodic reviews of cash handling procedures.

Who Should Know About This Policy

Any official or administrator with responsibilities for managing City cash receipts and those employees who are entrusted with the receipt, deposit and reconciliation of cash for City related activities.

Procedure

Establishing Cash Collection Points

The Finance Department must authorize all cash collection points. The main cash collection point will be City Hall. Additional departments (i.e. Police Department, off site events such as the annual Cleanup Day) may require status as a cash collection point if city funds are collected. Prior to authorization the department must submit a request to the Finance Department that includes:

- Reason(s) why cash collection point is needed.
- A list of those positions involved with the cash collection point, a description of their duties and how segregation of duties will be maintained.
- Whether there is a need for a change advance.
- A description of the reconciliation process, including frequency of reconciliation.
- A description of the process for safeguarding cash until it is deposited.
- A schedule of how often cash deposits will be made.

The request will be reviewed, and if appropriate, approved by the Finance Department.

Procedures for Cash Collection Points

The following list of procedures is required for the operation of cash collection points:

- All cash received must be recorded through a cash register when one is available, or the customer must be presented a pre-numbered receipt form with a duplicate record being retained by the city. All numbered receipts must be accounted for, including voided receipts.

Approved pre-numbered receipts are provided by the Finance Office. Redi-form receipts are not acceptable.

- The cash collection point must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing and reconciling.
- The funds received must be reconciled to the cash register ("Z" tapes) or to the pre-numbered receipts at the end of the day or at the end of each shift. Cash must be reconciled separately from checks/credit cards by comparing actual cash received to the cash total from the cash register tape or to the sum of the cash sales from the manual receipts.
- All checks, cash and credit card receipts must be protected by using a cash register or safe until they are deposited. A secure area for processing and safeguarding funds received is to be provided and restricted to authorized personnel.
- Checks must be made payable to the City of Sultan (COS) and must be endorsed promptly with a restrictive endorsement stamp payable to the City. The endorsement stamps should be ordered through the Finance Department.
- Checks or credit card transactions will not be cashed or written for more than the amount of purchase.
- Collections of more than \$500.00 must be deposited to the within 24 hours, and amounts less than \$500.00 must be deposited no less than weekly.
- All funds must be deposited intact, and not intermingled or substituted with other funds.
- Refunds or expenditures must be paid through the appropriate budget with a City generated check.
- The Finance Department will issue a receipt of deposit to be used for reconciliation of the supporting documentation to the deposit and to the monthly statements of account.

Instructions

Cash received in person

- A receipt must be issued for each payment received. At a minimum, manual pre-numbered receipts must include the date, mode of payment (cash, check or credit card), and the

identification of the department and the person issuing the receipt. Machine generated receipts must contain similar information.

- All checks must be endorsed immediately with a restrictive endorsement stamp payable to The City.
- All voided transactions are to be approved and initialed by the area supervisor.
- Only authorized cashier are allowed access to a cash register or cash drawer.
- Cash must be kept in a the cash register or safe until it is deposited.

Cash received Through the Mail

- The mail must be opened as soon as possible and all checks must be endorsed with a restrictive endorsement stamp. All receipts of coin or currency received by mail or picked up in the payment drop boxes must be logged and verified by two people.
- If the cash is not credited directly into the appropriate City account or receipted through a cash register, a list of the checks, credit card transactions and or cash should be prepared in duplicate. The list should include the customer's name, amount received, and check number. One copy should be kept in a secure area and the other should accompany the deposit.
- Cash must be stored in a the cash register or safe until they are deposited. This includes a locked room with restricted access.

Balancing of Cash Receipts

- All funds collected must be balanced daily, by mode of payment, by comparing the total of the cash, checks and credit cards to the cash register totals, to the pre-numbered receipts totals and to the totals of the money received by mail.
- Over/short amounts must be separately recorded, and investigated and resolved to the extent possible. Two people will independently verify the amounts and reconcile the deposit. See Procedures for Cash Register Out of Balance Conditions.

Preparation of Deposits

- Checks must be made payable to The City of Sultan. A calculator tape of the checks should be included with the checks bundled together.
- Cash must be recorded on the deposit slip in the appropriate space.

- Attach a copy of the Transmittal Batch showing transaction totals for credit card receipts and record the total on the deposit slip.
- Someone not involved with collecting the cash, opening the mail or reconciling the deposit should prepare the deposit.
- The deposit must be delivered to the bank on a daily basis.
- Locking deposit bags are available at the Finance Department for use when depositing in the Night Drop Box.

Reconciliation of Cash Collected

- Compare the receipt issued by the Finance Department to the supporting documentation (copy of deposit slip, cash register "Z" tapes) and resolve any discrepancies.
- Compare the receipts to the monthly account statements.

Pre-Numbered Receipts

Pre-numbered receipts will be issued by the Finance Department and a log will be maintained that will include the number(s) of the receipts, and the date and name of the person receiving the receipts. All voided receipts must be accounted for.

Exceptions

The Finance Department must approve exceptions to these procedures. For example, in cases where there is not enough staff available to maintain complete separation of duties, an alternate process to safeguard City funds must be established and approved by the Finance Department.

Record Retention

All cash receipts and related documents must be maintained in accordance with Record Retention schedules. Cash register tapes, deposit slips, credit card receipts, copies of manual cash receipts, etc. should be kept for six years.



City of Sultan

Procedures for Cash Register Out of Balance Conditions

- a. Utility Clerk or other employee verify out of balance condition:
 - i. Re-add all figures on a reconciliation sheet using an adding machine.
 - ii. Verify beginning and ending sales figures from the register.
 - iii. Check the cash register tape or the cash drawer for any register over/under rings.
 - iv. Re-count money, making sure that no bills or checks are stuck under the cash drawer, all denominations are together, and no bills are commingled in the wrong slot (*i.e.*, \$10 bill in \$1 slot, etc.).
- b. Check the office area (trash cans, behind the counter, the floor area around the register, under the register) to see if a check or cash was dropped or misplaced.
- c. If any other employees were using the register, ask them if they had any over/under rings, or unusual transactions that could have resulted in the discrepancy.
- d. If any unauthorized office employees may have had access to the receipts, check with them to see if they used the receipts in any way.

NOTE: If this is the case, the matter should be reported immediately to the Deputy Finance Director. The Deputy Finance Director will notify the employee's supervisor immediately so that this situation does not re-occur.

- e. If the shortage still has not been reconciled by the Utility Clerk or other employee, the Deputy Finance Director will:
 - i. Follow steps a (i- iv), b, c, and d above.
 - ii. Notify the City Administrator and/or Mayor immediately upon substantiating the shortage.
 - iii. Record and report the discrepancy. For overages or shortages of \$25.00 or more, you must notify the Mayor.
 - iv. Shortages or overages must be officially documented and recorded the day of the occurrence in the departmental accounting records.