

## **CASH HANDLING POLICY**

### **I. PURPOSE**

To assist all City departments by defining and communicating what is an acceptable level of control for cash-handling operations, this policy provides rules and guidance. Due to the decentralized nature of revenue collection within the City, procedures vary from location to location. Although the customer service impact of this structure is positive, the various control environments sometimes fall below what is acceptable to City management.

The objectives of this policy are to set forth minimum standards to ensure clear and consistent practice within the City for the handling of cash and for limiting not only the City's losses, but also the City's involvement in investigations of losses of funds. This policy will serve to standardize a sound system of cash controls within the City as well as to provide guidance to departments on improving cash handler skill and accountability. Overall compliance with this policy will allow the City to prevent or detect losses related to cash handling and to assign responsibility to an individual in a timely manner in order to minimize losses.

Further, the ability to ascertain individual accountability for each loss will reduce the impact of failing to protect honest employees from unnecessary suspicion. A sound system of cash controls should protect and support employees who do their job with integrity. Employees not involved in cash errors and/or irregularities deserve to work in an organization that insists on a control system that can show their innocence when errors and/or irregularities do occur.

Specifically, this policy is designed to avoid the following types of circumstances:

- A loss or losses of funds,
- An inability to detect missing funds,
- Detection of missing funds when recovery is no longer possible,
- An inability to determine who is responsible for a loss or losses, or
- An inability to investigate losses.

### **II. RESPONSIBILITIES**

Cash received by the City should be guarded carefully. Each employee, from a front-line cash handler to a Department Manager, is expected to demonstrate a positive attitude in protecting the assets of the City. A clear responsibility lies with management to install and maintain a cash-handling control system that will prevent, detect, or deter fraud.

#### **A. DEPARTMENT MANAGERS HAVE THE RESPONSIBILITY TO:**

1. Ensure the safeguarding of City funds.
2. Require clearly written and approved procedures for all areas of their department's cash-handling operation.

## **CASH HANDLING POLICY (continued)**

### **II. RESPONSIBILITIES (continued)**

#### **A. DEPARTMENT MANAGERS HAVE THE RESPONSIBILITY TO: (continued)**

3. Ensure that procedures in place in their departments comply with this policy and to assume accountability for exceptions to and deviations from this policy.
4. In the event of a loss, assure compliance with the procedures detailed in the City's administrative bulletin on reporting fraud.

#### **B. CASH HANDLERS HAVE THE RESPONSIBILITY TO:**

1. Use due diligence in handling City assets so that reasonable protection is provided to those assets at all times.
2. Report to their departmental management, or to the City Manager's Office, any instance which is deemed to be a serious failure to give proper care to cash, securities, or other valuables whether or not such failure has resulted in a loss.
3. Report to their departmental management, or to the City Manager's Office, any instance where a City employee has knowledge or suspicion of a defalcation or dishonest act by another City employee.

#### **C. OFFICE OF THE CITY AUDITOR HAS THE RESPONSIBILITY TO:**

1. Conduct whatever investigations or cash control reviews that are necessary.
2. Coordinate and collaborate with Midland Police Department where appropriate.
3. Review the policies and procedures of departments documenting exceptions to and deviations from this policy.
4. Upon request, assist departments with developing controls to mitigate the potential effects of exceptions or deviations from this policy.

### **III. DEFINITIONS**

- A. Cash handling - As used in this policy statement, describes the receiving, transmitting, safeguarding, and depositing of all funds of any type received by the City.
- B. Cash handler - As used in this policy statement, denotes any employee whose job description includes responsibility for receiving, transmitting, safeguarding, and/or depositing of City funds of any type.
- C. Cash Over/Short - A cash handler is short when an unintentional collection error is made, i.e., does not obtain physical custody of money or a change-making error. A cash handler is over when too much money is collected and the excess cannot immediately be returned to the customer.

## **CASH HANDLING POLICY (continued)**

### **III. DEFINITIONS (continued)**

- D. Loss of City money results when a cash handler obtains physical custody of money and then, due to negligence, an act of God (such as fire or flood), or a theft cannot deposit that money with the City. Leaving City money unattended and not property safeguarded is an example of cash handler's negligence that could result in a loss.
- E. Dual control describes processing where two individuals have responsibility for funds. The underlying theory is that the two individuals can vouch for each other's action. Theft is less likely in operations with dual control since it would require the complicity of two individuals.

One type of dual control is demonstrated when a safe requires two combinations or a combination and a key to open. When the combinations or combination and a key are assigned to two individuals, access requires dual control. In this circumstance, a vault or safe could not be opened without two people being present.

- F. Single control occurs when an individual is solely responsible for funds. Since only one person has access to the funds, that one individual can be held accountable in the event of a loss.

If funds are under single control, they must not be accessible to others. Therefore, if a safe accessed by multiple cash handlers is used for overnight storage of funds under single control, those funds must be secured separately within the safe. This ensures that individuals with access to the safe do not also have access to the single-controlled funds.

- G. Segregation of duties ensures that no single person handles a transaction from beginning to end. If possible, the following four basic functional categories should be performed by different people within a cash-handling operation:

1. Authorization or approval of transactions,
2. Recording of transactions,
3. Custody of funds, and Segregation of duties ensures that no single person handles a transaction from beginning to end. If possible, the following four basic functional categories should be performed by different people within a cash-handling operation
4. Monitoring to ensure compliance with control procedures.

If one person does perform two or more of these functions, there is no independent check for mistakes, and errors and /or irregularities are very likely to go undiscovered for long periods. If it's not practical to maintain strict segregation of duties due to a limited staff size, then add other control measures. Additional control measures include rotation of duties among personnel and stricter supervision to include special spot checking of a cash handler's work.

## CASH HANDLING POLICY (continued)

### IV. CONTROL STANDARDS FOR CASH-HANDLING

- A. Procedures should be in place which will ensure that all payments received are processed and that any payment may be traced from initial receipt to final disposition. Each cash-handling operation shall include the following controls, as appropriate;
1. Maintain strict control over all receipts.
  2. Use receipts, either manual or cash register generated, for all intakes of money.
  3. At a minimum, when issuing manual receipts, use triplicate receipts to allow for a customer copy, cash-handler copy, and a copy that remains in the manual receipt book.
  4. Have a space indicating mode of payment of manual receipt forms.
  5. Be sure that receipts are signed or initialed by the person issuing. Receipts generated by a cash register should also indicate the person issuing.
  6. Encourage all customers to obtain receipts for their payments.
  7. Have a separate cash box/drawer/register for each person taking in money. Funds accepted by cashiers should be under single control of the cashier. Shared drawers or cash registers accessed by more than one individual are not acceptable. Tellers should have sole access to their funds.
  8. Maintain strict control over the access to funds. Never leave cash or checks unsecured.
  9. Place a restrictive endorsement on checks at the time of receipt.
  10. Use change funds for making change only. No checks of any type may be substituted for cash. Except when appropriately authorized based on City policy **SUBSTITUTING or CASHING OF CHECKS USING CITY CASH IS STRICTLY PROHIBITED**. There are currently two authorizations for the substitution of checks for cash:
    - a. City of Midland Credit Union checks for \$50.00 or less may be cashed at the Central Cashiers' Office based upon the availability of funds in the Central Cashiers' Office.
    - b. City of Midland checks issued to replenish petty cash funds may be substituted for cash in a deposit to replenish the petty cash fund.
  11. Departmental policy should set the amount of cash which any one cash handler may hold (may be based on a percent of normal daily transactions). When funds at a cash handler's work station exceed this amount, an additional deposit or transfer of funds to a safe should be made.

## **CASH HANDLING POLICY (continued)**

### **IV. CONTROL STANDARDS FOR CASH-HANDLING (continued)**

12. In an environment where a cash register is used, the cash handling supervisor should understand register capabilities and limitations. Cash registers should be in good repair with all mechanical controls fully functional.

13. Mail Processing Controls

Proper management of mail collection is particularly important because the person making the payment is not present, and no receipt is issued at the time of collection. Until control over the receipt of mail payments is established, mail processing shall be performed under dual control. At a minimum:

- a. Mail should be opened daily to expedite processing of payments received.
- b. Mail should be worked independently of over-the-counter receipts
- c. Checks should be restrictively endorsed as soon as possible after being opened.
- d. Procedures should be established to describe how payments which can not be accounted for upon receipt should be handled, ie., utility payment received without an accompanying utility bill or a parking fine paid without an accompanying ticket.

### **B. SAFEGUARDING FUNDS**

Strict control must be maintained over the access to funds at all times. Dual control over the processing and storage of all cash funds should be used, where practical. It is the City's policy that access to vaults and safes shall be limited and the following controls over the processing and storage of all cash funds should be used, where practical.

1. Individuals handling cash should be provided separate and secure work areas. When single control over cash is expected, each individual should be provided space to achieve single control.
2. Private areas should be provided for cash reconciliation and deposit preparation. Only authorized individuals should be allowed in cash-handling areas.
3. Physical facilities for any cash handling operation should be inspected by the Midland Policy Department and reasonable efforts made to comply with suggestions for improved safety.
4. Each cash handler is responsible to see that their cash drawer, cash bag, or cash box is locked when they leave their station. No funds are to be left unattended and unsecured.

## **CASH HANDLING POLICY (continued)**

### **IV. CONTROL STANDARDS FOR CASH-HANDLING (continued)**

#### **B. SAFEGUARDING FUNDS (continued)**

5. During non-business hours and during business periods where access to cash is not required, all funds are required to be stored in a locked vault, safe or approved cash storage drawer.
6. Safes, vaults, or storage drawers should be positioned so that they are not visible to the general public. Partitions, rugs, or barriers should be positioned to hide cash storage receptacles.
7. Vault combinations should be limited to the smallest number of individuals practicable, given the business needs of the work unit.
8. Vault or safe combinations should never be written down in the cash-handling area. Safe combinations held by individuals who serve as back up to the everyday users of the safe, who may need to write down this combination, should keep the combination offsite of on their person.
9. When an individual who knows the vault or safe combination leaves the City employment, the safe combination should be changed promptly.
10. Cash handlers are to be in sole possession of their cash drawer, cash bag, or cash box key.
11. Duplicate keys will be placed in a locked key box under dual control.
12. It is the cash handler's responsibility to immediately notify their supervisor in the event a key is lost. No replacement key will be made, but the lock on the cash receptacle in question is to be promptly replaced.

#### **C. TRANSFERRING AND/OR TRANSPORTING FUNDS**

It is the City's policy to require witnessed cash counts and reconciliation's whenever City funds change hands. Whether transferring funds between cash handlers within a work unit or transporting funds between locations, individual accountability can only be maintained by protecting the chain of custody.

1. A cash count and reconciliation will occur whenever City funds change hands
2. Whether transferring funds between cash handlers within a work unit or transporting funds between locations, never allow the relinquishing custodian of the cash to leave before the receiving custodian has completed a cash count and reconciliation.
3. Both the relinquishing and receiving custodian of the cash will sign off on the cash count and reconciliation to complete the transfer of funds.

## **CASH HANDLING POLICY (continued)**

### **IV. CONTROL STANDARDS FOR CASH-HANDLING (continued)**

#### **C. TRANSFERRING AND/OR TRANSPORTING FUNDS (continued)**

4. Transfer of funds between locations or units should be performed under appropriate security. Regular cash deposits in excess of \$1,000 will be transported between departments to the City cashiers or between departments and the bank by armored car if possible.
5. All transports of cash between locations will be made in locked transport bags or sealed bank security bags. Couriers will not have keys to the transport bags; only the sending and receiving units will have keys.

#### **D. RECONCILING AND DEPOSITING FUNDS AND RECORDING TRANSACTIONS**

1. Any daily funds or accumulation of funds in excess of \$500 must be deposited daily. At a minimum, weekly deposits must be made even when the weekly accumulation of funds does not exceed \$500.
2. In an environment where a cash register is used, the cash handler's supervisor should maintain in his/her possession, and be responsible for, the key used to produce a cash register "Z" tape required to close out the register.
3. The cash handler's supervisor should ensure that the full "Z" tape sequence is accounted for in cash-handling environments where cash registers are used. Cash register "Z" tapes are sequentially numbered and maintain a running total of all transactions on the cash register. An unaccounted for "Z" tape may indicate a missing deposit.
4. Each cash handler should reconcile on a daily basis. A formal reconciliation should be prepared by the cashier and then approved by a supervisor. A supervisor's review should confirm that the amount of cash indicated on the reconciliation is accurate. Furthermore, the supervisor should ensure that the total receipts equal the cash totals. Finally, the supervisor should review and approve voids.
5. The cash-handling and accounts receivable functions should be separate.
6. Independent of the cash-handling operation, periodic reconciliation of bank accounts should be performed and reconciling items should be identified. Management information reports should be prepared and submitted to department management to ensure that all reconciling items are appropriately resolved.
7. Cash receipts documents should be prepared promptly and should be dated the same day as the funds are deposited in the bank. Additionally, the documents should be forwarded to the Finance Department or Central Cashiers' Office for prompt recording to the general ledger.

## **CASH HANDLING POLICY (continued)**

### **IV. CONTROL STANDARDS FOR CASH-HANDLING (continued)**

#### **E. HIRING, TRAINING, AND EVALUATING CASH-HANDLING POSITION.**

##### **1. Minimum Hiring Qualifications:**

An individual may not serve in a City cash-handling capacity with criminal history record information that reveals a recent (within last five years) and relevant (theft conviction of any kind) conviction.

##### **2. Cash-Handling Training -All individuals required to handle City funds should be properly trained to do so.**

#### **F. WRITTEN ROBBERY PROCEDURES**

##### **1. Each area handling cash should have written procedures for use should a robbery take place. Cash handlers should be instructed in how to act during and after a robbery to ensure their safety and that of co-workers.**

##### **2. Each department should consult with Midland Police Department on the development of robbery procedures for their cash-handling environment.**

#### **G. RECORD RETENTION REQUIREMENT**

##### **1. According to the Local Records Retention Schedule of the Texas Local Government Code, cash collection sites are required to retain records pertaining to cash handling for three years after the close of each fiscal year.**