

RESOLUTION NO. _____

A RESOLUTION ESTABLISHING A POLICY FOR CASH
HANDLING FOR THE CITY OF KINGSPORT

WHEREAS, cash handling policies and procedures are an integral part of the city's internal control; and

WHEREAS, the cash handling policy set forth below will bring all cash collections under one umbrella policy, to clarify requirements for cash handling, to establish a training plan and to establish a monitoring plan.

WHEREAS, the policy will be reviewed annually and brought back to the board as updates are needed.

Now, therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. That the board hereby adopts for the City of Kingsport a cash handling policy as set forth herein:

Purpose and Scope

To establish a comprehensive city-wide policy over cash handling activities to govern operations at Customer Service which is an integral part of the Finance Department and all other locations throughout the city that collect Cash for the City of Kingsport including but not limited to Planning Department, Building Department, Police Department, Fire Department, Engineering, Landfill, Library, Transit, Allandale, Farmers Market, Carousel, Aquatic Center, Bays Mountain Park, Senior Center Main Campus, Senior Center Lynn View Campus, Cultural Arts, V. O. Dobbins Community Center, and Parks and Recreation.

This policy is intended to ensure the city maintains adequate internal controls over Cash handling. The objectives of all internal controls are to provide reliable reporting, effective and efficient operations, and compliance with applicable federal and state laws, regulations, contracts, and grant agreements.

This policy will address the main components of internal control including control environment, risk assessment, control activities, information and communication, and monitoring. The Board of Mayor and Alderman is establishing the control environment by adopting this overall policy. This policy will define objectives to identify risk related to cash handling. The steps and procedures listed in this policy provide the control activities to achieve objectives to reduce risk associated with cash. The adopted policy and procedures will be communicated to employees. Communication will include any required training. Monitoring will be maintained by supervisor reviews and approvals along with annual surprise cash counts performed by finance.

Definitions

For purposes of this cash handling policy the term Cash includes currency, checks, money orders, credit or debit card payments, ACH payments and any other electronic fund transfers.

For purposes of this cash handling policy the term Cashier includes full time employees, part time employees, interns, temp agency employees, volunteers and anyone else handling city cash.

Applicable State Law

Tennessee Code Annotated section 6-56-111 requires public funds to be deposited to the city bank account no later than three working days after receipt.

City Charter

Kingsport's City Charter assigns the duty to collect and receipt taxes and other revenue to the City Treasurer.

Central Depository

The Customer Service Center located in the main lobby of City Hall serves as the central depository for all other departments collecting cash. Offsite collections should be brought to customer service no later than two working days after receipt to allow for the funds to be deposited to the bank on the next day.

Training

Adequate training is essential to the success of any policy. New hires who handle cash will need to review this cash policy and document it by signing and dating a hard copy to be turned into Finance. Annual updates will be documented through City's LMS portal. Supervisors will need to set the example and work with new hires to ensure they understand the policy. Annual training should be given prior to the specific site's busiest collection period.

Establishment of a Change Fund or Petty Cash Fund

The department should contact finance to request a general ledger account be set up for a new cash account. Then the department should prepare a DPV to request a check to be issued to fund the new cash account. The check should be made out to the Cashier responsible for the cash fund. The Cashier must sign a form acknowledging receipt of funds and responsibility for funds. When the Cashier is no longer in responsible for the change fund or petty cash fund, the cash should be returned to customer service and a new check issued or have a new Cashier sign and date the form that the cash was turned over to them. The new form should be returned to finance.

Cash Shortage, Theft or Fraud

Minor amounts of cash over and short are expected to occur periodically due to errors counting change. These should be recorded to the cash over/short account for the day's receipts. Any cash shortage over \$50 or any theft or suspected fraud should be reported to City Treasurer. Cash shortages over \$100 are required to be reported in the city's annual comprehensive financial report.

Objectives Specifically Related to Cash

- Change funds and collections should be adequately safeguarded.
- Collections should be complete, accurate, and deposited timely.
- Collections should be recorded accurately and timely in the accounting system.

Risks Specifically Related to Cash

- Change funds and collections could be lost, stolen, or misappropriated.
- Collections could be recorded improperly.
- Collections may not be deposited to the bank in a timely manner.

Policies Specifically Related to Customer Service

- All cash drawers should be locked when unattended.
- All cash drawers should be locked in vault at end of day.
- Access to the vault should always be restricted.
- Cameras should monitor cashier line and vault.
- Deposit bag should be locked and secured until transported to the bank.
- Cash should never be left out in the open unattended.
- Cashiers should never put personal money anywhere near city funds.
- Each cashier should have their own cash drawer.
- All cash drawers should be closed out and counted daily.
- No checks should ever be cashed from the cash drawer.
- Petty Cash expenses should only be paid from the petty cash lockbox never from a cash drawer.
- Cash over or short should be posted to the applicable over/short general ledger account.
- All checks should be made out to "City of Kingsport".
- All checks should be imprinted with "City of Kingsport For Deposit Only".
- A receipt should be issued for each collection made.
- All receipts should be pre-numbered or have system generated numbers.
- All void transactions should be documented and approved by supervisor.

- Cashiers should instruct customers to use the credit card machine to swipe their own cards.
- Cashiers should be alert for counterfeit bills and use a counterfeit bill detector pen on bills \$20 or larger.
- Cashiers should be alert for any deposits being made to expense accounts.
- Cashiers should be alert for any questionable accounts or mistakes on department deposits.
- Cashiers should watch for any use of white out on department deposit reports.
- Collections received today should be balanced and deposited to the bank tomorrow.
- A supervisor should count cash before deposit is taken to the bank.
- When a police officer is unavailable, two customer service employees should transport the deposit together.
- The fiscal assistant supervisor over collections should reconcile and post daily cash reports.
- The accounting supervisor over customer service should review and approve cash reports.
- The cash and investment accountant should reconcile deposits to the bank statement.
- The chart of accounts codes should be reviewed with cashiers at least annually.

Policies Specifically Related to Off-Site Collections

Off-Site collections are often high volume low dollar transactions that would be rendered inefficient to follow the exact policies used for customer service. So certain allowances for reduced controls are necessary. Controls should still be in place to meet the objectives related to cash stated above.

- Off-Site locations should follow the policies above for customer service to the extent possible.
- Off-Site locations without a vault that hold cash overnight should have a safe bolted to the floor or wall.
- All cash should be locked in the safe at end of day.
- Access to the safe should be restricted.
- All cash drawers or cash bags should be locked when unattended.
- Cash should never be left out in the open unattended.
- Cashiers should never put personal money anywhere near city funds.
- Each cashier should have their own cash drawer.
- All cash drawers should be closed out and counted daily.
- Cash should be counted by two Cashiers.
- Off-Site locations should bring their deposit to customer service daily or no later than two business days.
- Off-Site deposit should include documentation from their applicable software to support the deposit.
- No white out should be used on the deposit form, reconciliation or software printout.
- Deposit forms should have printed name and signature.
- Cash from the change fund or collections should never be used to cash a check.
- Cash from the change fund or collections should never be used to pay for an expense.
- Cash from the change fund or collections should never be used to give a refund.
- Cash from other organizations such as friends groups should never be commingled with city cash.
- Cash collections should never be kept as a means to increase change fund.
- A DPV should be prepared to request a check when an increase is needed.
- A DPV should be prepared to request a refund check to be issued.
- A receipt should be issued for each collection made whenever possible.
- Exception to receipt requirement would be high traffic gate payments where time is critical.
- All receipts should be pre-numbered or have system generated numbers.
- All void transactions should be documented and approved by supervisor.
- Cashiers should be trained on cash handling policies and the software used at their location.

Policies Specifically Related to PCI Compliance

- Never ask for a customer's credit card information.
- Customers should be instructed to swipe their own card.
- Never take a customer's credit card information over the phone and instead direct customers how to pay online, use the Interactive Voice Response (IVR), or the JACK kiosk.

Policies Specifically Related to Petty Cash

- Petty Cash should be kept separate from other change funds.
- Petty Cash balance should be considered periodically to determine if it is sufficient.
- Petty Cash should be replenished monthly.

- To replenish petty cash turn in copy of reconciliation, reimbursement form, and original receipts with DPV.
- At all times the receipts, requisition forms, and cash in the petty cash box should match general ledger total.
- To receive petty cash, an employee must complete requisition form and have it signed by department head.
- The requisition should include estimated amount and general ledger account line.
- Receipt must be turned in to show vendor name, description of item purchased, unit price and total.
- Confirm receipt shows paid by cash.
- Any cash not used must be turned in with receipt.
- Sales tax will not be reimbursed.
- Employee making cash purchase should get copy of City's tax exemption.
- Petty Cash reimbursements are limited to \$100 without additional approval.
- Reimbursements over \$100 should get approval from city treasurer.

Communication and Monitoring

Any system of internal controls and related policies are only as good as the related communication and monitoring. Finance will strive to see that cash policies are communicated to applicable Cashiers and monitored routinely.

Policies Specific to Communications

- All Cashiers who handle cash should sign a copy of the cash handling policy to be placed in their Cashier file.
- Cashiers should be given adequate training to ensure they understand the cash handling policy.
- Failure to comply with cash handling policy could result in discipline including termination.

Policies Specific to Monitoring

- To the extent practical cameras should be installed to monitor cash handling.
- Cashier balancing reports should be reviewed by a supervisor.
- Any cash shortages or overages should be discussed with supervisor.
- Any cash shortages or overages over \$50 should be discussed with City Treasurer.
- Any cash shortages or overages over \$100 should be discussed with City Manager.
- The Customer Service Manager and off-site collection managers should routinely monitor cash collections and report any concerns to City Treasurer.
- The Customer Service Manager and off-site collection managers should specifically monitor void transactions to look for any suspicious activity.
- Any repeating occurrences of cash shortages or overages of smaller amounts should be discussed with treasurer.
- Documentation of Cashiers responsible for change funds or petty cash should be maintained by City Treasurer and updated as Cashiers change and reconciled to general ledger balances at least annually.
- Cash balances should be counted on a surprise basis at least annually.
- The cash handling policy should be reviewed at least annually.

Exceptions

This policy is written to obtain as much internal control over cash as possible. However, if a location or department feels they qualify for an exception from all or part of the policy, they should request the exception in writing to be considered by City Manager and City Treasurer. The request should document why the cost of following the policy outweighs the benefit or discuss a policy their cash is subject to that overrides this policy.

SECTION II. That the board finds that the actions authorized by this resolution are for a public purpose and will promote the health, comfort and prosperity of the citizens of the city.

SECTION III. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 16th day of July, 2024.

PATRICK W. SHULL, MAYOR

ATTEST:

ANGELA MARSHALL, DEPUTY CITY RECORDER

APPROVED AS TO FORM:

RODNEY B. ROWLETT, III, CITY ATTORNEY