

CASH HANDLING POLICY



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PREFACE

The intent of the City of Republic's Cash Handling Policy is to provide management with reasonable, but not absolute, assurance that resources are being utilized and accounted for accurately, appropriately, consistently, and completely. The reliability with which the City can place upon its financial records is further dependent upon the effectiveness of procedures and controls that must also ensure that transaction processes, in terms of cash, are not exposed to unauthorized access and use.

PURPOSE

The goal of this Cash Handling Policy is to ensure adequate internal controls by effectively safeguarding, depositing, and accounting for cash on behalf of the City of Republic and to maintain public trust. Additionally, this policy will provide guidance to departments on improving cash handler (hereby referred to as "cashier/custodian") skill and accountability, therefore limiting not only the City's losses, but also the City's involvement in investigations of losses of funds.

The term "Cash" is defined as currency, coin, check, money order, credit card, electronic funds, and other negotiable instruments payable in money to the City.

ADMINISTRATIVE PROCEDURES

The importance of the Cash Handling Policy is included but limited to the following:

- Random drawer audits conducted under the direction of the Finance Director.
- Any deficiencies in regards to the set procedures will be reported to the Finance Director and the City Administrator or their designee in the form of a memorandum outlining the deficiencies.
- The Finance Director will notify the Department Head involved and explain these deficiencies, and the Department Head will be responsible for taking appropriate action to correct deficiencies along with providing a plan of action moving forward with the employee and/or procedure and given to Human Resources to be kept in the employee's personnel file.
- The Finance Director will notify the City Administrator or their designee in the event of any cash overage or shortage or any recurring inconsistency in daily deposits that have been submitted to the Finance department that shows an area of weakness.

If in a subsequent audit these deficiencies still exist:

- The Finance Director will advise the Department Head that the deficiencies still exist and discuss a plan of action to be taken.

- The Finance Director will notify the City Administrator or their designee of the existing situation.
- The City Administrator or their designee will review the existing situation and may take appropriate action to resolve deficiencies and ensure that the procedures as outlined are administered properly.

DELEGATION OF AUTHORITY

The Finance Director is responsible for the administration of the cash handling policy; however, they may delegate applicable responsibilities as appropriate to Finance staff.

Through certification, the responsibility and accountability of the daily collection of funds is delegated to the cashier/custodians and their supervisors.

DUTIES OF CITY DEPARTMENT HEADS

The Director of any City department who anticipates receiving City cash on a regular basis during its activities shall:

- Ensure that all staff who will handle cash and cash receipting in any way review this document and sign a copy of the Cash Handling Certificate of Responsibility that will then be submitted to the Finance Department to have on file.
- Collaborate with the Finance Director to establish and maintain a system of procedures, documentation and reporting on cash handling and deposit of City money.
- Notify the Finance Director and Police Department of any theft of City cash upon discovery immediately.
- Allow the Finance Director or designee to make on-site cash audit and observe the process and or procedures of City cash, and to make audit documentation of departmental collection records to be reported to the City Administrator monthly.
- Notify the Finance Director of any change in personnel responsible for any cash funds so the Finance Department can conduct final countdown and take note of any change overs in staff.

DUTIES OF CITY PERSONNEL

Any cashier or employee who receives City cash in the normal scope and course of their duties, shall:

- Ensure safe keeping and balancing of their cash till/drawer daily. They are ultimately responsible for ensuring cash drawers are locked up and money is secure when they are

not at their desk. All cash drawers are to be locked and the key shall remain on the employee or turned into the supervisor prior to leaving the building.

- Departments that receipt cash in one drawer with more than one cashier or that have shift changes during the day shall conduct a cash drawer countdown prior to the staff changeover.
- Departments that receipt cash or cash equivalencies will count their money and store in a secure place (a safe on-site or submitted to City Hall) before the end of the business day.
- Comply with rules within this policy for documentation and dissemination of records, and with departmental internal procedures, established in conformity with this policy.
- Notify the employee's Department Head and Finance Director of any loss or theft of City money upon discovery.
- Be subject to disciplinary action up to and including termination for failure to comply with each department's operating policies and/or the duties described in this policy.

STANDARD CASH HANDLING PROCEDURE

- Before entry, cash handlers will pay particular attention to ensure date, amount in the legal line and box are the same, and payee are appropriate for checks that are received. Checks should not be filled in or altered by a City employee at any time and all checks should be entered into the system using the legal line amount.
- Daily, the cash handlers will conduct a blind, double count of deposits. At least two people will count the deposits. The deposits will then be sealed in a bank bag with the applicable deposit slip filled out for deposit.
- Once the deposit is secured in a bank bag, the cash handler will reconcile the amount to the day's activity report from the software system they use to cashier. Any differences should be noted of the discrepancies.
- A form detailing the total deposited amount and the daily activity should be given to the Finance Department to be entered into the General ledger.
- The bags should be secured in a safe place, preferably a safe, until a member of the department is able to transport the bag to City Hall for deposit.
- Departments shall work with the Finance Department to submit their deposits via locked bank bags on the same day of receipt no later than 5:00 p.m. Monday-Friday. Each of these

deposits are then entered into the main operating ledger of the City.

- The Parks & Recreation department shall submit their deposits via locked bank bags to the Finance Department the following business day by 1:00 p.m. Monday – Friday.
- All monies received at City Hall will be counted down with one employee from Finance and one employee from the corresponding department present prior to being secured in the Finance safe for deposit.

REFUNDS

Generally, refunds should be submitted through the Finance Department with a memo requesting the refund that outlines who the refund should be issued to, reasoning behind the refund, the amount to be refunded, and a General Ledger code to post the refund against. Along with this memo, the department will also submit a copy of the original receipt of payment.

If a refund is to be issued from a department directly, a supervisor shall approve prior to the refund being issued and a reason shall be entered into the system or notated on the daily report and must be initialed by the approving supervisor. Finance will follow up on any refunds that look out of the norm.

Please refrain from voiding payments in the system. It is best practice to receipt a payment and issue a refund separately for better documentation.

No cash refunds shall be issued on any check or credit card payments at any time.

LIABILITY FOR LOSS

The department has primary responsibility for care and liability for loss of City cash in its custody until it is submitted to the Finance Department for deposit.

Compliance with this policy establishes that City departments will exercise due care in its custody and care of City cash.

CERTIFICATION OF CASHIERS & CUSTODIANS

All supervisors and their cash handlers must sign a Certificate of Responsibility verifying receipt of this policy. This policy shall be referenced often and reviewed to ensure compliance of cash handling.

REQUEST/INCREASE/CHANGE OF CASH FUNDS

All requests for the establishment of cash funds must be written and submitted to the Finance Director in a timely manner. The department must also include the date the cash funds will be needed. The Finance Director will maintain a complete listing of all cash funds. The department location, cashier/custodian and the amount of the cash fund are to be maintained upon a written listing.

- An initial request for establishment or request for increase should be submitted to the Finance Director for the amount of the funds needed. The Finance Director will review the request and approve or notify the department if there are any questions or concerns.
- No funds are to be established out of cash receipts by any department.

TERMINATION OF CASH FUNDS

The Department Head should notify the Finance Director that the cash fund is to be closed and request that an audit be performed prior to closing the cash fund.

- The Finance Director or their designee will perform an audit of the cash fund. Any variances are to be investigated and resolved by the Department Head and the Finance Director immediately.
- **If the variances cannot be resolved, the Department Head shall provide a written explanation regarding how the variance occurred, what investigation took place and why it could not be resolved, to the Finance Director within one week of cash fund closing.**
- Upon completion of the cash audit, the cash handler should deposit any cash on hand with the Finance Department and provide a copy of the deposit slip with any outstanding receipts.
- The Finance Director will provide the Finance Department with details of the expense accounts to be debited for preparation of a journal entry to close the cash fund. A copy of the details should also be attached to the journal entry as supporting documentation for auditing purposes.

SECURITY OF CASH FUNDS

- Cash funds are to be kept in locked boxes or drawers. The locked box is to be kept in a secure area where only the designated cashier/custodian and the Supervisor/Department Head have keys and access to the funds. Keys to funds shall not be in close proximity to the cash drawers.
- Only the cash handler or person responsible for the cash fund and the Supervisor/Department head shall maintain keys and have access to the cash funds on hand.
- Bank bags must be secured and kept out of sight when transporting city funds for deposit to City Hall.
- All funds must be reviewed randomly by the responsible department head and are subject

to spot audits by Finance staff.

- The use of surveillance cameras may be used to monitor City funds.

REGULATION OF CHANGE/PETTY CASH FUNDS

Change funds are to be maintained for the purpose of making change. Change funds are not to be co-mingled with other cash funds. Change funds are to be maintained only for this purpose and no department shall possess a change fund without establishing such a fund with the Finance Director.

Maintenance of Change Funds

- Each change fund should have one person responsible for that fund or drawer at any one given time.
- Each change fund should be established for a set amount as outlined in this section, and the same amount should be maintained at all times. If an increase in a cash fund is needed, a written request should be sent to the Finance Director outlining the need and amount of funds requested is required.
- **Change funds are not to be used as petty cash funds.** They are to be used only for making change for City cash handling purposes and are not to be used to make change for paying customers.

Maintenance of Petty Cash Funds

- Cash receipts are not to build up in a petty cash fund. These receipts are to be removed and submitted to the Finance Department for reimbursement within the same period they are expensed.
- A log shall be kept for all Petty Cash Funds and reconciled out at least monthly by the responsible department who is assigned this petty cash fund along with spot audits from the Finance Department.
- Receipts for all cash should be utilized so that an audit may be done at any time and the amount of the petty cash fund can be verified.
- Cashing of personal, payroll, and expense checks is strictly prohibited.

REGULATION OF DEPOSITS

The City of Republic collects cash through various departments in a decentralized manner. However, all cash is then turned in to Finance Department for deposit to the bank no later than 5:00 p.m. on a daily basis. At no time shall cash be held overnight.

Several departments, such as the Municipal Court, Police, Animal Control, BUILDS, and Parks Departments collect cash through their individual department. The cash is then submitted to the Finance Department to be deposited at the bank and entered into the City-wide ledger by the following business day. All funds shall be secured in a locked safe overnight at City Hall.

Losses/Shortages/Overages

- The Finance Director makes a clear distinction between a “loss” and “shortage” of City money. This is determined by the cash handler’s ability to obtain physical custody of the money and how that person safeguards the money. **Cashiers/custodians must report all losses to the Finance Department upon discovery.**
- A shortage is an unintentional collection error such as a change making error. An overage occurs when a cash handler has collected too much money and cannot immediately return the excess to a specific customer.
- On the other hand, a loss of City money is when a cash handler has obtained physical custody of money and then due to reasons like negligence or an unlawful action cannot deposit that money with the City.
 - An example of negligence is leaving City money unattended and not properly safeguarding that money from loss.

Repeated issues with losses and shortages will result in disciplinary action based on the city’s disciplinary policy. The decision to issue employee discipline will be made after consideration of a variety of factors including, but not limited to, the severity of the misconduct, the employee’s past work performance and prior disciplinary history, the employee’s length of service, and any mitigating circumstances.

REGULATION OF RETURNED CHECKS

All returned checks will be charged a return check fee of \$20.00. This fee is applicable when a customer, taxpayer, or employee check for payment of fees, fines, court costs, taxes, utilities, or other charges has been dishonored by the maker’s bank and returned to the City of Republic. The fee, plus the base amount of the check, will be payable to the City by means of immediate funding sources such as cash, money order, cashier’s check, or credit card.

ACTION TAKEN IN EVENT OF THEFT

The danger of security and loss is a constant threat when handling money. Fund cash handlers are expected to safeguard City funds against loss. Cash handlers should be familiar with what to do in times of emergency. In these circumstances, **protecting human life should be the first concern.**

Following the complete investigation performed in accordance with the Fraud Policy, the Finance Director will conduct a review of the cash handling procedures and related internal controls and issue a report of

conclusions on improvements to any cash handling procedures. The report will be discussed for implementation with the related department head in an effort to prevent future thefts from occurring.

Theft from an outside source should be reported to the Police Department, Finance Department, and City Administrator or their designee immediately.

Theft from an employee should be confidentially reported to the Chief of Staff/HR Director, City Administrator or their designee, and Finance Director for proper courses of action and ensure proper documentation.

REFERENCE

This policy was drafted after reviewing other sources as examples.

City of Kennedale, Texas
Internal Controls & Cash Handling Policy



CITY OF REPUBLIC
CASH HANDLING CERTIFICATE OF RESPONSIBILITY

I have read and understand the City of Republic Cash Handling Policy. A copy of the Cash Handling Policy has been provided to me. I agree to be held responsible and accountable for the handling of City funds according to the City of Republic's Cash Handling Policy for the following purpose(s):

Please Initial

_____	Cash Drawer
_____	Change Fund
_____	Petty Cash
_____	Other

I have also been informed and understand that surveillance camera equipment and other devices may be used to monitor City funds.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document, as well as the City of Republic's Cash Handling Policy.

Training Date (If Applicable): _____

Employee Name (Print): _____

Employee Signature: _____

Date: _____

Department Head Name (Print): _____

Department Head Signature: _____

Date: _____

Finance Director Name (Print): _____

Finance Director Signature: _____

Date: _____