**Deschutes County Administrative Policy No. F-11**
**Effective Date:   March 19, 2007**

# CASH HANDLING PRACTICES POLICY

STATEMENT OF POLICY
It is the policy of Deschutes County to ensure that County directors and managers design, implement and monitor effective cash handling controls.

APPLICABILITY
This policy applies to all County departments and County service districts under the governance of the Board of County Commissioners.

POLICY AND PROCEDURE
This policy sets out overall guidance on cash handling practices.

Cash includes the following:
- Currency (paper money and coin)
- Checks
- Credit card slips
- Money orders
- Travelers checks
- Bank drafts, etc.

1) County directors and managers shall design, implement and monitor effective cash handling controls. Cash handling procedures shall be distributed to all appropriate staff.

2) Management will periodically review internal control policies and procedures pertaining to cash to ensure they are working as intended.   It is critical that managers promote an effective internal control environment. Effective internal controls minimize the potential for errors or irregularities to occur, and if they do occur, will detect such errors or irregularities in a timely manner during the normal course of business.

3) To assist directors and managers establish and monitor their cash handling systems, the Internal Audit Program shall develop and circulate a Cash Handling Guide (Guide), which is attached hereto and incorporated herein as Exhibit A. The Guide highlights the internal controls that are required by County departments.

   Management should utilize the Guide and checklist as a reference. Some items may not apply to every cash handling system, depending on the quantity of the cash transactions and the functions of the department. Implementation of some of these controls may not be possible due to limited resources. In these cases, compensating controls shall be developed.

4) Exemptions from implementing any internal control policy or procedure must be granted in writing by the County Administrator or his/her designee.

5) Required procedures:
   a) Cash shall be turned over to the Finance Department or deposited in a designated bank depository within 24 hours of receipt in accordance with Finance policy P-1999-075.

b) Receipts provided to parties remitting payment must be pre-numbered and include the County and departments name in accordance with Finance policy P-1999-075. Unused receipts shall be kept in a secured area.

c) Any and all bank accounts used to transact County business shall be approved in accordance with policy F-7.

d) Any cash overage or shortage identified during reconciliation should be reported to Finance in accordance with policy F-9

Approved by the Deschutes County Board of Commissioners March 19, 2007

Dave Kanner
County Administrator
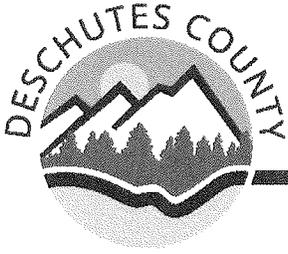
## ASSIGNMENT / TRANSFER / DISSOLUTION of Cash Drawers and Petty Cash Boxes

LOCATION_____

EMPLOYEE _____

1. **Cash**

   Cash is an amount of money issued to a custodian, within a department, to be used on a daily basis as a petty cash fund, change fund, or for accepting payments. The responsibility for security of the cash rests with the custodian of the cash.

2. **Use of Cash**

   Cash must be used to make change when needed, or as payments are accepted.

   Cash **must not be used** for any of the following items. (These are common examples. The list is not intended to be all-inclusive.)

   - Reimbursement of travel expenses
   - Cashing personal checks
   - Making loans to staff – such as payroll advances
   - Making purchases and sales -- i.e., the purchase and sale of stamps to departmental personnel

3. **Control of the Cash**

   It is Deschutes County's policy that custodians take the initiative in protecting and controlling cash assigned (Policy F-8 [Petty Cash] and Policy F-11[Cash Handling Practices Policy & Appendix A]).

   The following steps should be implemented, at a minimum, to ensure cash is safe and secure at all times. Additional controls may be implemented by departments to ensure cash is safeguarded.

   - Keeping the cash in a secure location (locked-up during the day and overnight).
   - Restricting access to the cash to only the custodian.
   - Replenishing appropriate cash bills on a timely basis. (Exchanging larger bills for smaller ones).
   - Counting and/or balancing cash to the financial system receipts on a daily basis.
   - Reporting cash shortage/overage to the Finance Department (see Section 4 of instructions).
   - Recording receipts promptly and depositing within 24 hours of receipt.
   - Immediately endorsing checks received with a county bank depository stamp.
   - Temporary reassignment between two parties of the cash should be documented in writing.
   - Submitting for reimbursement on a timely basis (applies to petty cash boxes, Policy F-8)

4.  **Cash Balance**
    The total cash drawer should always be **$**_____, plus any current payments received, or, in the case of petty cash, expense receipts.  If the cash is found to be in an over/short situation due to an error, then the overage/shortage will be reported, along with an explanation (See Cash Over/Short Policy F-9).

5.  **Audits**
    The cash is subject to random audits by internal staff, internal auditors, and by external auditors.

6.  **Hereby signing below I agree to the following:**

    - I have read and acknowledge Deschutes County's instructions for the cash.
    - I have read Deschutes County Policies **F-8** _____ **F-9** _____ **F-11** _____ (initial each policy)
    - I have verified and agree that the balance of the cash drawer assigned/transferred/dissolved is as stated below.
    - I acknowledge that I may be personally liable for any shortages to my cash drawer.

**New Custodian:**

Printed Name _____ Date_____

Signature _____

Work Phone/Email _____

Amount _____

**Resigning Custodian:**

Printed Name _____ Date_____

Signature _____

Amount _____

**Finance Department Authorizing Signature:**

Printed Name _____ Date_____

Signature _____

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February 2007

# EXHIBIT A - GUIDE FOR
# COUNTYWIDE CASH HANDLING PRACTICES

Many County departments receive "Cash" payments directly. County staff handle more than one hundred million dollars of receipts annually. Following are internal control procedures, implementation practices and reasons for implementation. Specific department procedures depend on the frequency, amount and type of "cash" payments.

Managers are responsible for designing, implementing and monitoring effective "cash" handling controls. In addition to designing and implementing effective cash handling systems, managers must periodically review their systems to ensure they are still working as intended. It is critical that managers promote an effective internal control environment. Effective internal controls minimize the potential for errors or irregularities to occur, and if they do occur, will detect such errors or irregularities in a timely manner during the normal course of business.

What is "Cash"? Cash includes the following:
- Currency (paper money and coin)
- Checks
- Credit card slips

- Money orders
- Travelers checks
- Bank drafts, etc...

To assist managers in establishing and monitoring the cash handling systems, the Internal Audit Program recommends that managers complete the attached checklist. Some items may not apply to every cash handling system depending on the amount of the cash transactions and the functions of the Department. Limited resources may also impact implementation of some of these controls. In these cases, compensating controls shall be developed to monitor the system.

*Please call if you would like input or recommendations*
*to improve your specific control environment.*

NOTE: **HIGHLIGHTED PROCEDURES ARE REQUIRED UNDER COUNTY POLICY**

# Checklist for Cash Receipts in County Departments

| | | Yes | No | N/A |
|---|---|---|---|---|
| **A.** | **Segregation of Duties**<br>*Represents the separation of incompatible duties and/or responsibilities and assures that one person is not able to conceal errors and/or irregularities.* | | | |
| | o   Are key duties of authorizing, processing, recording and reviewing transactions separated among individual employees?<br>　■　*No one person should handle a cash transaction from beginning to end. Duties should be sufficiently segregated so any one employee does not have custody, accounting and supervisory authority over the transaction.*<br>　■　*Individuals receiving cash do not prepare entries for non-cash accounting records, such as accounts receivable, the general ledger, or the general journal.*<br>　■　*In small departments, it is especially important to separate the handling of cash from the reconciliation of revenues.* | ☐ | ☐ | ☐ |
| | o   Are bank or finance receipts compared to the deposit record by someone other than the person preparing the deposit? | ☐ | ☐ | ☐ |
| | o   Can management (or anyone else) override controls over the receipt of cash? | ☐ | ☐ | ☐ |
| **B.** | **Change Funds**<br>*Represents cash held to provide change for customer receipts.* | | | |
| | Are change funds approved and for the amount approved? | ☐ | ☐ | ☐ |
| | Do the change funds on hand agree with what was authorized? | ☐ | ☐ | ☐ |
| | If cash is held overnight or accessible by others, is it re-counted by the custodian at the beginning and end of their shift? | ☐ | ☐ | ☐ |
| **C.** | **Physical safeguards**<br>*Physical controls in place to reduce risk that cash can be stolen.* | | | |
| | o   Is there is a designated custodian for cash and is the transfer of cash to other employees documented? | ☐ | ☐ | ☐ |
| | o   Does more than one person have unrestricted access to cash?<br>　■　*There should be sufficient safeguards to prevent access to cash by anyone other than person who collected it.*<br>　■　*There should be adequate accountability for movement of funds between people.* | ☐ | ☐ | ☐ |
| | o   Are appropriate safeguards employed to safeguard cash in County facilities depending on the amount and duration the cash are held?<br>　■　*Access should be limited.*<br>　■　*Possibilities include locking file cabinets, locking drawers, safes, etc...*<br>　■　*Consideration for surveillance – electronic or guards* | ☐ | ☐ | ☐ |
| | o   Logs are used to identify access and transactions with cash held in a safe. When possible, those activities are witnessed. | ☐ | ☐ | ☐ |
| | o   Do you arrange to have armored transport if large amounts of cash are moved? | ☐ | ☐ | ☐ |
| | o   Does a person independent of the cash receipt process regularly count the cash? | ☐ | ☐ | ☐ |
| | o   Has the department addressed potential robbery risk? | ☐ | ☐ | ☐ |
| **D.** | **Incoming Mail**<br>*Represents customer mail that has the potential to contain cash.* | | | |

| | | Yes | No | N/A |
|---|---|:---:|:---:|:---:|
| | o Is mail opened and distributed by a person other than the cashier or accounting personnel? | ☐ | ☐ | ☐ |
| | o When cash receipts are included in the mail, are they witnessed? | ☐ | ☐ | ☐ |
| | o Does a person independent of the accounting receive and log/account for the cash? | ☐ | ☐ | ☐ |
| | o If so, is such list used as a check against the deposit or receipt record? | ☐ | ☐ | ☐ |
| | o Does the person opening the mail restrictively endorse all check remittances FOR DEPOSIT ONLY? | ☐ | ☐ | ☐ |
| **E.** | **Receipting/collection controls**<br>*Represents controls over the amount of cash received over the course of the day. Cash lost or misappropriated prior to being receipted is more difficult to trace than cash that has been receipted.* | | | |
| | o Are receipts created/provided in all cases? | ☐ | ☐ | ☐ |
| | o **Are all receipts controlled by cash register, pre-numbered receipt slip or pre-numbered invoice or other equivalent means?**<br>▪ *All cash received should be evidenced through a controlled receipting process. (i.e. controlled by cash register, pre-numbered receipt slip or invoice or other equivalent means).* | ☐ | ☐ | ☐ |
| | o **Are receipt of payment forms pre-numbered and imprinted with the department name?**<br>▪ *This is County policy. The forms should usually be in triplicate {one provided to customer, one to accompany cash, one with receipt book for control}.* | ☐ | ☐ | ☐ |
| | o **Are all monetary instruments received for payment immediately endorsed with an appropriate county deposit stamp?**<br>▪ *Checks should be made payable to "Deschutes County-_____ department".*<br>▪ *All negotiable instruments received should be restrictively endorsed for the appropriate Deschutes County bank account.* | ☐ | ☐ | ☐ |
| | o Is receipt activity reviewed periodically for unusual fluctuations? | ☐ | ☐ | ☐ |
| | o **Are receipts recorded promptly and deposited intact within 24 hours as required by County policy?** | ☐ | ☐ | ☐ |
| | o Are all original voided or canceled receipts retained and accounted for in the records? Did a separate person authorize the void? | ☐ | ☐ | ☐ |
| | o Can cash be given back on negotiable instruments?<br>*(i.e. instrument written for more than service)* | ☐ | ☐ | ☐ |
| | o Do staff handling cash receipts use any of the receipts to pay for goods or services? | ☐ | ☐ | ☐ |
| | o Are cashiers allowed to cash their own personal checks or IOU's? | ☐ | ☐ | ☐ |
| | o Does someone monitor and control the sequence of receipt numbers being used to collect cash? | ☐ | ☐ | ☐ |
| | o Are in-use and unused manual receipt books controlled and safeguarded? | ☐ | ☐ | ☐ |

| | | | | |
|---|---|---|---|---|
| **F.** | **Accounts receivable (if applicable)**<br>*Represents credit established for customers to purchase services on account.* | | | |
| | o Are computerized accounting systems designed to limit authority and require supervisory approvals for adjustments, credits and write-offs? If not, is the activity periodically reviewed? | ☐ | ☐ | ☐ |
| | o Are there appropriate reports on accounts receivables and billing activity?<br>• *Billing systems should have adequate reporting systems to allow for follow-up on outstanding billings.* | ☐ | ☐ | ☐ |
| | o Are postings to accounts receivable system compared to a separate receipting log? | ☐ | ☐ | ☐ |
| | o Are changes to customer accounts overseen – additions, changes, deletions? | ☐ | ☐ | ☐ |
| **G.** | **Deposit /Reconciliation**<br>*Establishing how much cash should be present, counting how much is present and securing cash with County Finance or the County's bank (BOTC)* | | | |
| | o Are all potential cash receipt points identified and controlled? | ☐ | ☐ | ☐ |
| | o Is the make-up of the deposit (amounts of coin, cash denomination or monetary instruments) clearly documented? | ☐ | ☐ | ☐ |
| | o Does the cashier prepare duplicate deposit tickets so that the bank can validate one copy, and a person other than the cashier can verify the returned bank receipt against the duplicate deposit ticket? | ☐ | ☐ | ☐ |
| | o **Are all revenue, petty cash, and change cash overages and shortages reported to management {and FINANCE}? {County policy}** | ☐ | ☐ | ☐ |
| | o Are all cash overages/shortages identified by staff person and, if material, investigated?<br>• *If not material, management should be vigilant for patterns or trends with staff.* | ☐ | ☐ | ☐ |
| | o Is all cash collected deposited intact?<br>• *There should be no retaining, adding or substituting of cash.* | ☐ | ☐ | ☐ |
| | o Are reports of daily receipts compared on a test basis to bank statements to verify timeliness of deposits? {FINANCE} | ☐ | ☐ | ☐ |
| | o **Is cash accounted for and balanced to receipt records (register tapes, receipt books) on a daily basis?**<br>• *These may be manual or computerized processes. In cases where there are department accounting systems, those systems should be reconciled to activity reported to the Finance department through deposits.* | ☐ | ☐ | ☐ |
| | o Does an employee outside of the collection function periodically conduct a surprise cash count? | ☐ | ☐ | ☐ |
| | o Are tamper-proof deposit bags used for the deposit? | ☐ | ☐ | ☐ |
| | Accounting not determined/Suspense accounts:<br>o Does the department delay deposits if the accounting is not determined?<br>• *At times, the accounting may not be known when the cash is collected. The County encourages the department to deposit these amounts daily. For departments where this is a routine occurrence, suspense accounts may be created to hold the accounting of the deposit until a proper accounting can be made. Departments shall make efforts to reconcile and clear these entries in a timely fashion.* | ☐ | ☐ | ☐ |
| | Coordination with other departments<br>o Has the department considered sharing deposit duties with other departments to save time?<br>• *At those times, they should secure their cash separately in a tamperproof bank bag, noting the serial number and amounts for later reconciliation to the bank receipts.* | ☐ | ☐ | ☐ |
| **H.** | **Petty cash**<br>*Represents money available for minor purchases. Cash is replenished periodically based on appropriate receipts and accounting.* | | | |

| | | | | | |
|---|---|---|---|---|---|
| | o | Is the amount of petty cash authorized and maintained at a specific level? | ☐ | ☐ | ☐ |
| | o | Are payments of cash from the petty cash fund supported by receipts? ☐☐ | ☐ | ☐ | ☐ |
| | o | Are persons other than custodians of cash funds prevented from having access to the funds? | ☐ | ☐ | ☐ |
| | o | Is replenishment made routinely though a reimbursement process? | ☐ | ☐ | ☐ |
| | o | At any point in time, does the cash on hand and the submitted receipts equal the authorized amount? | ☐ | ☐ | ☐ |
| | o | Is there a continuing need to utilize a petty cash fund? | ☐ | ☐ | ☐ |
| | | | | | |
| **I.** | **General Control Procedures**<br>*Control procedures not covered under the previous categories.* | | | | |
| | o | **Have you established written accounting procedures and practices governing the collection of cash?**<br>*Procedures should document the flow of receipts, receipting documents, controls over receipts, and the recording of transactions. Instructions should be comprehensive, generally understood and applied. Appropriate staff should acknowledge receipt and understanding of the procedures.* | ☐ | ☐ | ☐ |
| | o | Cash handlers should make themselves aware of US currency security features.<br>*Security features include:*<br>　▪ *watermark*<br>　▪ *Color shifting inks*<br>　▪ *Fine-line and micro printing*<br>　▪ *Off center portraits*<br>　▪ *Security thread*<br>*If you collect a significant amount of cash, Finance has highlighter pens that will identify counterfeit currency.* | ☐ | ☐ | ☐ |
| | o | Do cash custodians regularly take vacations? | ☐ | ☐ | ☐ |
| | | | | | |

## INTERNAL AUDIT PROPOSED MONITORING PROCESS
The Internal Audit Program intends to continue performing audits pertaining to cash handling throughout the County as follows:
1. Identify departments and specific employees with responsibilities to handle "Cash". Identify the approximate amount of "Cash" being handled.
2. Obtain Department's written procedures for handling cash.
3. Identify the flow of cash through the department.
4. Perform cash observations and closing cash counts. Some of these observations or counts would be done on a surprise basis and coordinated in advance with the Department head.
5. Identify how the department is receipting and accounting for "Cash" collections.
6. Compare deposit records for a selected period to Finance records.
    i. Identify if deposits were made in a timely manner (24 hours).
7. Review process for reconciling receipts to internal system records.
8. If a collection system exists – review process for billing, adjustment, posting of payments, and monitoring.
9. Identify that "Cash" is maintained in a secure place at all times.


## Current County policies:
P-1999-075    Invoicing, recording, collection and turnovers.
> *Receipts must be reconciled to internal revenue reports. No generic receipts. Receipts must be turned over to Finance or Bank within 24 hours.*

F-7    Opening bank accounts for Deschutes County
> *All bank accounts will be authorized by the Board of County Commissioners.*

F-9    Cash over/short reporting policy
> *Cash overage/shortage amounts will be reported to Finance. Template provided.*

F-8    Petty Cash
> *Procedures to be used to maintain a petty cash account.*
> *(Note: Similar process is used for imprest checking accounts.)*