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## ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

**Guideline C-01-1:** Cash Handling Internal Control Guidelines

**Issued by:** Auditor-Controller's Office

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It is the responsibility of County departments, agencies, and districts to have effective controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Financial System.

These guidelines supplement the Cash Handling policy and are established to provide a framework for cash handling, including suggested procedures, and major control points. These Guidelines must be followed to comply with the Policy for Cash Handling Controls. Some control points may not apply to all County departments, agencies and districts. County departments, agencies and districts must implement appropriate cash handling procedures based on their individual operations and requirements to ensure that proper internal controls are established to safeguard cash.

Contact the Auditor-Controller's Office Internal Audit Division (ACO-IA) with questions regarding cash handling control procedures and guidelines.

### I. Documentation of Cash Handling Procedures

Documentation of cash handling procedures should include, but not necessarily be limited to the following areas, as applicable:

- Description of the sources of cash received
- Description of all outside bank accounts, and/or investments held with trustees
- Cash receipts processes describing the methods of receiving customer payments and how customer deposits are processed:
  - Cash, checks
  - Debit and credit card payments
  - Online and ACH payments through third party electronic billing system, or Automatic Bill Pay, etc.
  - Payments by mail
  - Wire transfers
  - Lock box deposits
- Reconciliation of deposits
- Reconciliation of outside bank accounts
- Procedures for researching unidentified payments received
- Procedures for checks and ACH debits returned from banking system as well as credit/debit card charge backs
- Accounting procedures for recording collections and deposits
- Analytical review – completed by staff not handling cash to monitor daily cash balances and trends or variances
- Inventory control over receipt books
- Segregation of duties
- Security and fraud controls
- Emergency preparedness
- Staff training

- List of names and titles of all individuals involved in the cash handling process:
  - Collecting cash
  - Recording cash receipts
  - Depositing cash
  - Reconciling cash
  - With access to safes, vaults, etc.
  - Preparing accounting entries for financial system
  - Managing revolving funds

## **II. Cash Tracking Procedures**

- Perform and document beginning counts of the cash placed in each drawer
- Require employees to log out of the POS (Point of Sale) system when not in use
- Implement a cash management system that allows each cashier to have their own cash drawer and is independently responsible for any cash shortages and overages
- Cash registers should allow individual users to input a unique log-in code when conducting a transaction to assist in tracking shortages and overages, so discrepancies can be resolved

## **III. Payment Collections and Depositing of Cash**

- Establish procedures where supervisors routinely collect cash from the cash collection point, which will increase the location's ability to protect its cash collections, especially during busy times
- Require deposits of cash with the Treasurer or authorized outside bank account no later than the next business day after its receipt
- If your department's operations cannot meet the one-day requirement, please contact ACO-IA and document any alternative depositing schedule in your cash handling procedures. Upon review ACO-IA will recommend the Auditor-Controller or designee to deny or approve alternative depositing schedule

## **IV. Cash Receipts Books and Cash Register Receipts**

- Ensure copies of the sequentially numbered receipts are compared to cash collected
- Implement procedures related to customer receipt issuance at the location to systematically account for transactions. Such procedures may include:
  - Install a cash register that generates sequenced receipts that contain transaction amount, date, time, quantity, and description
    - Departments without cash registers must obtain prenumbered receipt books from the ACO front desk
  - Place a sign at each transaction location that receipts are required to be provided to customer
  - Maintain copies of issued receipts generated for accounting, balancing, verification, and auditing purposes
- Maintain original supporting documentation of cash receipts for minimum of five years if the support is not attached to the transaction recorded in the financial system

## V. Reconcile Collections Daily

- Ensure that cash, checks, and credit/debit card and electronic collections on cashier's balance sheet match the cashier's recap at the end of the day, document and resolve any discrepancies
- Ensure a supervisor review and approves any adjustments to financial reports and verifies that adjustments are appropriate, and discrepancies are adequately documented
- Cash reports should be forwarded to staff responsible for daily reconciliations:
  - Cashier Workstation Summary
  - Cashier Recap
  - Deposit Summary
  - Cash Summary
  - Check Summary
  - Credit Card Summary
  - Credit Card Detail
  - Phone Payments
  - Electronic Payments

## VI. Train Cash Handling Staff

- Ensure employees with cash handling responsibilities are adequately trained
- Ensure employees understand and maintain segregation of duties
- Implement a detailed annual training program of cash handling procedures
- Ensure back-up staff can perform cash handling responsibilities
- Keep a record of all training provided
- Train staff involved in collections to increase awareness and proper handling of contaminated, damaged, and counterfeit money
- Consider the purchase of a money counter with counterfeit bill detection if large quantities or sums of cash are collected

## VII. Segregation of Duties

Segregation of duties is an essential component of a department's internal controls. Segregation of duties requires that different staff have responsibility for different steps in the process.

Departments must enforce dual custody and segregation of duties for handling and managing cash by implementing the following procedures as applicable:

- Prohibit employees responsible for collecting cash from also preparing bank deposits
- Supervisors should observe and verify each cashier's cash count for end-of-day balancing
- Cash counts and acceptances must be signed for by the individuals present to verify cash balances are accurate
- Conduct independent review of deposit reconciliations
- Deposits prepared for armored courier pickup must have cash counts verified by two employees
- Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is turnover of staff with safe combination)
- At least two staff should be present to open a safe unless security cameras or other measures are present in the room
- Identify backup staff in case of absence of key employees
- Establish policies to cover the absence of key employees
- Establish rotation of duties

## VIII. Security Controls

- Analyze the security requirements for each cash collection point and implement security controls as appropriate:
  - Install security cameras to monitor areas where cash is collected and handled, , and secure the safe, cash registers, and drawers
  - Restrict Cashier areas to Cashier personnel and authorized persons
  - Secure or lock Cashier access doors at all times
  - Active cash drawers should be secured in a locked drawer at the cashier's window during business hours including lunches and breaks
  - Cash drawer keys should remain in the sole custody of the cashier, and never be given to anyone or left in the drawer when the cashier is away from the window
  - Cashier and safe keys are kept in a secure location during non-business hours
  - Unused cash drawers must remain in the vault/secure storage during the day
- Avoid counting cash in public view, cover windows or move to a non-public location
- When practical require cashiers to close stations and take excess cash to a more secure location whenever cash accumulates above a specified threshold
- Establish procedures for safely transporting cash around the County campus as appropriate:
  - Utilize armored transport services provided through the County Treasury
  - Ensure that another employee or security officer accompanies an employee transporting large amounts of cash
  - Implement controls needed to minimize risk to staff's safety and protect cash
  - Cash should be transported in concealed bags or locked containers
- Enhance the Point of Sale (POS) systems to regularly prompt users to change their password consistent with County standards
- Emergency plan and procedures should be in place for any immediate evacuation needs

## IX. FRAUD CONTROLS

- Implement procedures to investigate suspected fraud or misappropriations and report to ACO-IA
  - Certain fraud concerns should be reported directly with District Attorney's Office. The fraud types that should be reported to District Attorney can be located in District's Attorney's website

### Counterfeit Currency

- Counterfeit Currency is considered a shortage. Equipment and procedures should be used to avoid acceptance of counterfeit currency
- Departments must evaluate trends of counterfeit moneys received, such as number, amount and situation (or transaction). These trends must be used to identify and implement measures to reduce the risk of receipt of counterfeit currency. Departments should consult the County Treasurer or the Secret Service for further information and procedures to follow when dealing with counterfeit currency
- If cash is suspected to be counterfeit, contact the County Treasury. Suspected counterfeit notes should not be returned to the customer. Avoid handling the note, place it in a protective covering and deliver it to the County Treasury to be sent to the U.S. Secret Service

## X. Cash Overages/Shortages

- All overages and shortages must be thoroughly reviewed, accounted for and reported promptly and separately
- The cash overage or shortage should be recorded in the County's financial system (using the account code 5875 Cash Overages/Shortages)
- Any cashier experiencing a cash overage or shortage must report this fact to their supervisor immediately upon discovery
- Cash overages and shortages of \$50 or more must be reported to the ACO-IA using the Cash Over and Short Form.
  - The report should describe the facts and circumstances related to the discrepancy, as known by the fund custodian, and should be forwarded to the ACO-IA no later than the close of business the day after the discrepancy is discovered
  - In the case of a cash overage, if the source of a cash overage is known, the department will initiate a refund with proper supporting documentation. Such refunds are payable by County check