

# **CITY OF WHITE SETTLEMENT**



## **INTERNAL CONTROLS & CASH HANDLING POLICY**

## **PREFACE**

The intent of the City of White Settlement's Internal Controls & 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 the City's 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.

## **REVIEW & CITY MANAGER APPROVAL**

2009  
March 2021

**I. PURPOSE**

The goal of this Internal Controls & Cash Handling Policy is to ensure adequate internal controls by effectively safeguarding, depositing, and accounting for Cash on behalf of the City of White Settlement and to maintain public trust. Additionally, this policy will provide guidance to departments on improving the 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” applies to currency, coin, check, money order, credit card, electronic funds, and other negotiable instruments payable to the City.

**II. ADMINISTRATIVE PROCEDURES**

Enforcement of the cash management program will include but is limited to the following:

- A. A random drawer audit conducted under the direction of the Finance Director.
- B. Any deficiencies regarding the set procedures will be reported to the Finance Director and the City Manager in the form of a memorandum outlining the deficiencies.
- C. 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.
- D. If in a subsequent audit these deficiencies still exist, the Director of Finance will advise the Department Head that the deficiencies still exist.
- E. The Finance Director and the Department Head will notify the City Manager of the existing situation.
- F. The City Manager will review the existing situation and may take appropriate action to resolve deficiencies and ensure that the procedures as outlined are administered properly.

**III. DELEGATION OF AUTHORITY**

- A. The Finance Director is authorized to promulgate rules and establish procedures for (1) the receipt, handling and deposit by City officers and employees of City Cash into the City Treasury and the method of documentation on all such transactions; (2) regular reporting to the Finance Director; (3) certifying and rescinding certification by the Finance Director of

all City officers and employees who are authorized to receive or handle City funds in the regular course of their employment or departmental activities; (4) inspection of departmental cash records, including overages or shortages; (5) inspection of departmental practices and procedures in handling City Cash; (6) and contracting with agents to collect City Cash and their collection procedures. The Finance Director may enforce these rules through on-site inspections; by rescinding certification of any officer or employee who fails to comply with the Finance Director's procedures and, in the event of noncompliance by a department or office, requiring that payments be authorized by the Finance Director, or deposited at his/her office.

- B. The Finance Director is required to receive, retain, and disburse all City revenue and keep detailed records of these transactions. The Finance Director is charged with the responsibility of overseeing the proper receipting and to safeguard all City funds.
- C. The Finance Director is responsible for the administration of the cash management program; however, he/she may delegate applicable responsibilities as appropriate to members of the Finance Department.
- D. Through certification, the responsibility and accountability of the daily collection of funds is delegated to the cashier/custodians.

#### IV. DUTIES OF CITY DEPARTMENT HEADS

The Director of any City department who anticipates receiving City Cash on a regular basis in the course of its activities shall:

- A. Assign the receiving of City Cash only to those persons who are certified by the Finance Director for performing these functions;
- B. Collaborate with the Finance Director to establish and maintain a system of procedures, documentation and reporting on receipts handling and deposit of City Cash;
- C. Notify the Finance Director and Police Department of any theft of City Cash **no later than twenty-four hours after discovery.**
- D. Allow the Finance Director or designee to make on-site inspections and observe the processing of City Cash, and to make inspections of departmental collection records.

#### V. DUTIES OF CITY PERSONNEL

Any City officer or employee, who receives City Cash in the normal scope and course of his/her duties, shall:

- A. Count their money and store in a secure place (preferably a safe). Departments at City Hall will turn in the tills and/or cash boxes on the same day to Utility Billing no later than 5:05 p.m.
- B. Comply with rules promulgated by the Finance Director for handling and processing of City Cash and for documentation and dissemination of records, and with departmental internal procedures, established in conformity with the Finance Director procedures;
- C. Notify the employee's Department Head and Finance Director of any loss or theft of City money **no later than twenty-four hours after discovery**;
- D. Be subject to disciplinary action, up to and including termination for failure to comply with each department's operating policies, Finance Director's procedures and/or duties described in this policy.

#### **VI. STANDARD CASH HANDLING PROCEDURE**

- A. Daily, cash handlers will conduct a blind, double count of deposits. At least two people will count the deposits in front of each other, in view of a camera (if possible). The deposits will then be sealed in a bank bag, with the applicable count recorded on the bag. Cash handlers will pay particular note to ensure date, amount, and payee are appropriate for checks.
- B. Once the deposit is secured in a bank bag, the cash handler will reconcile the amount to the daily activity. Any differences should be noted.
- C. The bags should be secured in a safe place, preferably a safe, until a member of the marshal's office or the police department is able to pick up the deposit and take it to the depository.
- D. A form detailing the total deposited amount and the daily activity should be given to Utility Billing to enter into the bank deposit ledger. Cash Collections documents will be saved on the S: drive under Cash Collections for each department.

#### **VII. LIABILITY FOR LOSS**

- A. As between a department and its officers and the Finance Director, the department has primary responsibility for care and liability for loss of City

Cash in its custody until deposited in the City Treasury or entrusted to a custodian certified by the Director of Finance.

- B. Compliance with the procedures approved by the Finance Director establishes a presumption that a City department or office exercised due care in its custody and care of City Cash.

#### VIII. CERTIFICATION OF CASHIERS & CUSTODIANS

- A. Only persons who are approved by the Finance Director shall receive and handle City Cash on a regular basis. **A signed Certificate of Responsibility must be obtained from the cashier/custodian and supervisor verifying receipt of this policy.**
- B. In addition, the Finance Director **may** require that the cashier/custodian complete a certification or training and/or pass an examination on: the secure processing of moneys, cash procedures and applicable departmental rules, and thereafter take refresher instruction or training at periodic intervals or when the need arises.

#### IX. ESTABLISHMENT/INCREASE OF CASH FUNDS

All requests for the establishment of cash funds must be made to the Finance Director. The Finance Director will maintain a complete listing of all cash funds. The department location, cashier/custodian and the amount of the cash funds are to be maintained upon this written listing.

- A. An initial request for establishment or request for increase should be submitted to the Finance Director for the amount of the funds requested.
- B. No funds are to be established out of cash receipts by any department.
- C. Upon establishment of a cash fund, a cashier/custodian should be appointed by the Finance Director. Should it become necessary to change cashier/custodians, the Department Head should notify the Finance Director and request an audit of the cash fund to be performed prior to transferring the cash fund to the new cashier/custodian.

#### X. TERMINATION OF CASH FUNDS

- A. 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.

- B. The Finance Director will perform an audit of the cash fund. Any shortages or variances are to be investigated and resolved by the Department Head and the Finance Director. **If the shortages or variances cannot be resolved, the Department Head is to provide a written explanation to the effect that a shortage or variance occurred, which he or she could not resolve, to the Finance Director.**
- C. Upon completion of the cash audit, the cashier/custodian should deposit any cash on hand with the Finance Department and provide a copy of the deposit slip to the Finance Director with any outstanding receipts.
- D. 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.

**XI. SECURITY OF CASH FUNDS**

- A. 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 Department Head have keys and access to the funds.
- B. Provisions should be made in departments where more than one cash fund exists to secure all funds which are not being utilized. Only the Department Head or his/her designated cashier/custodian should have access to an employee's cash fund in the event of their absence.
- C. All funds must be reviewed randomly.
- D. The use of surveillance cameras may be used to monitor city funds.

**XII. REGULATION OF PETTY CASH FUNDS**

Petty cash funds are available for making emergency or immediate purchases of items that are not easily obtained through normal purchasing channel. Petty cash funds are to be maintained only for this purpose. Currently, no department shall possess a petty cash fund. If a department wishes to request one, a request must be submitted to the Finance Director and guidelines established.

**XIII. REGULATION OF CHANGE FUNDS**

Change funds, or cash drawers, 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.

A. Maintenance of a Change Fund

- 1) Each change fund should have one person responsible for that fund or drawer at any one given time. In the areas where more than one change fund is used, each employee should work out of his/her own change fund. Employees are not to work out of another employee's change fund.
- 2) Each change fund should be established for a set amount as outlined in this section, and this same amount should be maintained at all times. If an increase in a change fund is needed, a request should be sent to the Finance Director outlining the need and amount of funds requested is required.
- 3) **Change funds are not to be used as petty cash funds.** They are to be used only for making change.
- 4) Cash receipts are not to build up in a change fund. These receipts are to be removed and deposited as outlined in Section XIV: Regulation of Deposits.
- 5) Receipts for all cash should be utilized so that an audit may be done at any time and the amount of the change fund can be verified.

B. Cashing of Personal Checks from a Change Fund

- 1) Cashing of personal, payroll, and expense checks is strictly prohibited.

**XIV. REGULATION OF DEPOSITS**

The City of White Settlement collects cash through various departments in a decentralized manner; however, all cash is then turned in to Utility Billing for deposit to the bank no later than 11:00 a.m. on a daily basis. The Marshal's Office (Police backup) is responsible for taking the deposit. Other staff is not permitted to transport the deposit.

A. General Guidelines

- 1) Processing Payment
  - a. All checks received should be processed as follows:
    - Checks must be made payable to the City of White Settlement (COWS)

- Verify the check signor's name, address and phone number are printed on the check
  - No temporary checks should be accepted
  - Only checks drawn on U.S. financial institutions should be accepted
  - No third party checks or payroll checks should be accepted. Exceptions can be made for cashing third party checks at the discretion of the City Manager
  - Verify the numerical amount agrees to the written amount (written amount is the legal amount)
  - Must be endorsed immediately payable to the City of White Settlement
- b. All credit cards received should verify credit card name against driver's license.
  - c. Checks and credit cards will not be cashed or written for more than the amount of purchase.
  - d. City personnel will not accept over \$10 in unrolled coins or \$20 in rolled coins as a form of payment.
  - e. All bills in denominations of \$20 or greater should be examined using counterfeit detector pens.
  - f. All bills suspected of being counterfeit should be reported to supervisor.
  - g. Payments received by mail must be opened with two people present. If cash is received, cash must be counted by two people and must be stored in a safe or other secure place until it is deposited.
  - h. A receipt should be provided to each customer.
  - i. All voided transactions are to be approved and initialed by supervisor.
  - j. If cash collections system is down, department must provide hand written pre-numbered receipts to customers and enter payments into

the system once system is restored.

2) Balancing of Cash Receipts

- a. All funds collected must be balanced daily, by payment type, by comparing the total of cash, checks, and credit cards to the cash collection totals.
- b. Departments should use designated cash collections deposit form to record forms of payment collected.

3) Preparation of Deposits

- a. Cash must be recorded on the deposit slip.
- b. A calculator tape of checks should be included with the check bundle. Check total must be recorded on the deposit slip.
- c. Cash and Check total must match cash collection report by payment type.
- d. Deposit must be verified by someone not involved with collecting cash, opening mail, or reconciling the deposit.
- e. Deposit must be sealed in a bank provided sealed deposit bag. Bag must be sealed.
- f. All deposits should be ready for pick up daily for deposit to the bank no later than 11:00 a.m. on a daily basis. At no time shall cash be held.
- g. Utility Billing staff is responsible for recording each deposit bag received. The following items must be noted:
  - Initials of employee turning in the deposit
  - Date bag received
- h. Marshal's Office must take deposit to the bank daily no later than 4:00 p.m.
- i. Utility Billing staff will put each deposit bag into a locking deposit bag with deposit log verifying each bag is in locking deposit bag.

B. 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 no later than twenty-four hours after discovery.**

- 1) A shortage is an unintentional collection error such as a change making error. An overage occurs when a cash handler has collected too much City Cash and cannot immediately return the excess to a specific customer.
- 2) On the other hand, a loss of City Cash occurs when a cash handler has obtained physical custody of City Cash and then due to reasons like negligence, an act of God or an unlawful action, cannot deposit that money with the City.
- 3) An example of negligence is leaving City Cash unattended and not properly safeguarding that money from loss.
- 4) All cash shortages/overages shall be recorded using the over/(short) account and recorded through the cash collections systems.
- 5) The Finance Department may require cashiers/custodians repay a “shortage or loss.” Finance will verify that the repayment does not violate DOL wage guidelines.
- 6) Repeated issues with losses and shortages will result in disciplinary action in accordance with City 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.

**XV. REGULATION OF RETURN CHECKS /ACH PAYMENTS / CREDIT CARDS**

- A. All returned payments will be charged a return payment fee as determined by the City Council. The 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 White Settlement.
- B. Finance Department will provide a copy of the returned payment to the appropriate department.

- C. The department is responsible for notifying customer of returned payment, correcting sub-ledger of return payment, requesting and processing additional payment with returned payment fee, or if necessary terminating/cancelling services for returned payment. The fee, plus the base amount of check, will be payable to the City by means of cash, money order or cashier's check.
- D. If a customer, taxpayer or employee fails to honor the returned payment within thirty days, the check will be turned over for collection or criminal sanctions, depending on which option is applicable.
- E. If a customer, taxpayer, or employee has two (2) returned payments using the same payment method, a department may suspend the customer, taxpayer, or employee's use of payment method as a method of payment.

**XVI. REGULATION OF REFUNDS**

- A. Transactions involving use of credit cards will not be under any circumstances given a cash refund but will be processed as a credit utilizing the same credit card as the original transaction unless a refund check is needed.
- B. All other refund requests will be processed by the Finance Department and issued a refund check if approved.
- C. Refunds shall be completed by charging the revenue general ledger account that was originally credited.

**XVII. ACTION TAKEN IN EVENT OF THEFT**

The danger of security and loss is a constant threat when handling money. Fund custodians are expected to safeguard City funds against loss. Custodians should be familiar with what to do in times of emergency. In these circumstances, **protecting human life should be the first concern.** Thefts are to be reported and handled in compliance with the City of White Settlement's Fraud Policy. 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 his/her conclusions on improvements to cash handling procedures. The report will be discussed for implementation with the related department head in an effort to prevent future thefts from occurring.

**XVIII. RECORDS RETENTION**

All cash receipts and related documents must be maintained in accordance with Record Retention schedules.

**CITY OF WHITE SETTLEMENT**  
CASH HANDLING CERTIFICATE OF RESPONSIBILITY  
(Appendix A)

I have read and understand the City of White Settlement Internal Controls & Cash Handling Policy. A copy of the Internal Controls & 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 White Settlement's Internal Controls & Cash Handling Policy for the following purpose(s):

*Please Initial*

\_\_\_\_\_ Cash Drawer/Change Fund  
\_\_\_\_\_ Petty Cash Fund  
\_\_\_\_\_ 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 White Settlement's Internal Controls & Cash Handling Policy.

Training/Exam Date (If Applicable): \_\_\_\_\_

Employee Name: \_\_\_\_\_  
Employee Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Department Head Name: \_\_\_\_\_  
Department Head Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Finance Director Name: \_\_\_\_\_  
Finance Director Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Department Deposit  
4/1/2020

BATCH TYPE	CASH	CHECKS	TOTAL DEPOSIT	CREDIT CARDS	OTHER	TOTAL CASH RECEIPTS
Till 1	\$ -	\$ -	\$ -	-	\$ -	\$ -
Till 2	\$ -	\$ -	\$ -	-	\$ -	\$ -
Till 3	\$ -	\$ -	\$ -	-	\$ -	\$ -
Till 4	\$ -	\$ -	\$ -	-	\$ -	\$ -
Till 5	\$ -	\$ -	\$ -	-	\$ -	\$ -
Till 6	\$ -	\$ -	\$ -	-	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	-	\$ -	\$ -

Completed By: \_\_\_\_\_

Date: \_\_\_\_\_

Approved By: \_\_\_\_\_

Date: \_\_\_\_\_