

TOWN OF PROSPER PERSONNEL POLICIES AND PROCEDURES MANUAL	REFERENCE NO. 9.09 PAGE NO. 1 of 10
Chapter 9: MISCELLANEOUS	INITIAL EFFECTIVE DATE: SEPTEMBER 24, 2013
Title: CASH HANDLING POLICY AND PROCEDURES	LAST REVISION DATE:

Purpose: The purpose of this policy is to set forth minimum standards to ensure clear and consistent practice within the Town for handling of cash, credit card transactions, and checks. Overall compliance with this policy will allow the Town to prevent or detect losses related to cash handling, and to assign responsibility to an individual in a timely manner in order to minimize losses.

This policy and the procedures outlined herein will ensure adequate internal controls to account for the handling of Town cash and to maintain public trust. The term "Town Cash" applies to currency, coins, checks, charge payments, other electronic payment media, and other negotiable instruments payable in money to the Town. The procedures to enforce the Cash Handling Policy and Procedures are to include but are not limited to those outlined below:

- A random drawer audit conducted under the direction of the Finance Department.
- Any deficiencies in regard to the set procedures will be reported to the Accounting Manager in the form of a memorandum outlining the deficiencies.
- The Accounting Manager will notify the Department/Division Head involved and explain these deficiencies, and the Department/Division Head will be responsible for taking appropriate action to correct deficiencies.
- If in a subsequent audit these deficiencies still exist, the Accounting Manager will advise the Finance Director that the deficiencies still exist.
- The Accounting Manager and the Finance Director will notify the Department/Division Head involved, and the Town Manager of the existing situation.
- The Town Manager will review the existing situation, and may take appropriate action to resolve deficiencies and ensure that the procedures as outlined are administered properly.

Any exceptions to this policy shall only be allowed with written approval from the Town Manager.

I. Delegation of Authority

The Finance Director is authorized to promulgate rules for establishing procedures for the receipt, handling and deposit by Town employees of Town cash into the Town treasury for: the method of documentation on all such transactions; regular reporting to the Accounting Manager; inspection of departmental cash records, including overages or shortages (See Section VI., Item D. Losses/Shortages/Overages); and inspection of departmental practices and procedures in handling Town cash. The Finance Director, or an authorized designee, may enforce these rules through on-site inspections.

The Town of Prosper is required by law to receive, retain, and disburse all Town revenue and keep detailed records of these transactions. The Finance Department is charged with the responsibility to safeguard all Town funds. The Finance Department will be conducting periodic, unannounced cash drawer audits.

The responsibility and accountability of the daily collection of funds is delegated to the custodian, and the custodian's supervisor. The Department Director is accountable for funds handled under his/her authority.

II. Roles and Responsibilities

There should be a clear segregation of duties. No single person should handle a transaction from beginning to end.

A. Town Personnel

Any Town employee who is involved with any aspect of cash handling in the normal scope and course of duties is responsible for the following:

1. ensuring the delivery or deposit is made in compliance with Section VI. Regulation of Deposits;
2. complying with rules promulgated by the Finance Department for handling and processing Town cash;
3. notifying the employee's supervisor or department/division head of any loss or theft of Town money immediately upon discovery, with written notice given no later than 24 hours after discovery; and
4. being subject to disciplinary action, up to and including termination, for failure to comply with this policy and procedures, and internal procedures established by departments.

B. Finance Department

The Finance Department is responsible for the following:

1. overseeing the design and implementation of cash handling controls to safeguard Town assets;
2. providing training on this policy and procedures;
3. monitoring compliance with this policy and procedures through internal/external audits and investigations;
4. Ensuring compliance with other related policies (such as the Red Flag Policy); and
5. assisting departments in writing cash handling procedures and other internal controls over cash handling.

C. Department/Division Heads

Department/Division Heads who anticipate receiving Town cash on a regular basis in the course of its activities shall be responsible for the following:

1. safeguarding Town assets;
2. adhering to this policy and procedures;
3. assigning an employee as custodian receiving Town money;
4. collaborating with the Finance Department to develop and implement a system of departmental procedures, documentation, and reporting on receipts handling and deposit of Town money, in accordance with this policy and procedures;
5. consulting with the Finance Department regarding new cash handling processes before implementation (e.g. credit cards, e-commerce, etc.);
6. evaluating reported instances of non-compliance with this policy and procedures, or with departmental cash handling procedures, and investigating to determine if instances can be resolved internally, and ensuring all instances are reported to the Finance Department;
7. notifying the Police Department and Finance Department of any loss or theft (See Section VI., Item D. Losses/Shortages/Overages) of Town cash immediately upon discovery, with written notice given no later than twenty-four hours after discovery; and

8. allowing the Finance Director, or an authorized designee, to conduct on-site inspections and observe the processing of Town cash, and to make inspections of departmental collection records.

D. Cash Handlers

All cash handlers shall comply with this policy and procedures, and with internal procedures established in conformity with this policy and procedures by their respective departments, and shall be responsible for the following:

1. safeguarding Town assets;
2. adhering to this policy and procedures, and department cash handling procedures;
3. reporting instances of non-compliance with this policy and procedures, or departmental cash handling procedures, to departmental management;
4. reporting instances of non-compliance with this policy and procedures, or departmental cash handling procedures, to the Finance Department, if no action is taken or non-compliance exists after reporting to departmental management; and
5. reporting any other misuse of Town assets or dishonest acts by another Town employee to departmental management and the Finance Department.

III. Liability for Loss

The department/division heads have the primary responsibility for the care and liability for loss of Town cash in its custody, until deposited with the Finance Department, or their designation location.

Compliance with this policy and procedures, and internal procedures approved by the Executive Staff, establishes a presumption that a Town department/division exercised due diligence in its custody and care of Town cash.

IV. Establishing, Terminating, and Securing Cash Funds

A. Establishment/Increase of Cash Funds

All requests for the establishment of cash funds, (i.e. change funds and petty cash funds) must be made to the Accounting Manager. The Accounting Manager will maintain a complete listing of all cash funds. The department/division location, custodian and the amount of the cash fund are to be maintained on this written listing, along with the access code.

1. A check request should be submitted to the Accounting Manager for the amount of the funds requested.
2. A written memorandum to the Accounting Manager from the Department/Division Head requesting the establishment of a cash fund shall be forwarded with the check request for consideration. The memorandum should explain the need for the establishment or increase of the fund, and identify the designated fund custodian. A copy of the memorandum should be submitted with the original and the check request.
3. The copy of the memorandum attached to the check request will be filed with the check copy in the Finance Department.

4. No cash funds are to be established out of cash receipts by any department/division.
5. Upon establishment of a cash fund, a fund custodian should be appointed by the Department/Division Head. Cash funds must have one fund custodian responsible for the disbursement of cash.
6. In the absence of the fund custodian, the supervisor should make all disbursements for the cash fund.
7. Should it become necessary to change fund custodians, the supervisor should notify the Accounting Manager, and request an audit of the cash fund to be performed prior to transferring the cash fund to a new custodian.
8. Upon receipt of the money, the new custodian will sign the departmental custodian list maintained by the Accounting Manager.

B. Termination of Cash Funds

1. The Department/Division Head should notify the Accounting Manager that the cash fund is to be closed, and request that an audit be performed before closing the cash fund. The Department/Division Head should furnish the Accounting Manager with a memorandum outlining the reasons for closing the cash fund.
2. The Accounting Manager will perform an audit of the cash fund, and provide the Department/Division Head with a copy of the final cash audit count sheet. Any shortages or variances are to be investigated and resolved by the Department/Division Head and the Accounting Manager. If the shortages or variances cannot be resolved, the Department/Division Head is to provide a written explanation to the effect that a shortage or variance occurred, which could not be resolved. This response should be addressed to the Accounting Manager. A copy of the written explanation should be forwarded to the Finance Director and Town Manager. If the Division Head authored the memo, the Department Head should also receive a copy of the written explanation.
3. Upon completion of the cash audit, the cash custodian should deposit any cash on hand with the Finance Department.
4. The Accounting Manager will provide the Finance Department with a copy of the final audit paperwork, which details the ledger accounts to be used for recording the deposit to close the cash fund. The original monies will go back to a balance sheet account. A copy of the Department/Division Head's memorandum outlining the reasons for closing the cash fund will also be provided to the Finance Department. A copy of the final cash audit paperwork and the Department/Division Head's memorandum should also be attached to the deposit entry as supporting documentation.

C. Security of Cash Funds

1. 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 custodian, and the Department/Division Head or supervisor have keys or combination, and access to the funds.
2. 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/Division Head or supervisor should have access to an employee's cash fund, in the event of their absence.
3. Only the designated custodian responsible for the cash fund and the Department/Division Head should maintain keys or combination, and have access to the funds.
4. Bank bags must be locked and kept out of sight when transporting Town funds for deposit to the Finance Department.

5. All funds must be reviewed randomly by the fund supervisor or designated personnel.

V. Regulation of Cash Funds

A. Petty Cash Funds

Petty cash funds are available for making emergency or immediate purchases of items that are not routinely carried by departments/divisions in their operating supplies inventory. Petty cash funds are not to be commingled with other cash funds. Petty cash funds are to be maintained only for this purpose, and no department/division shall possess a petty cash fund without establishing such a fund as outlined herein.

1. Maintenance of Petty Cash Funds

- a. Each petty cash fund must have one fund custodian responsible for the disbursement of cash. In the absence of the fund custodian, the Department/Division Head or supervisor, should make all disbursements from the petty cash fund.
- b. Each petty cash fund should have a set amount of funds to be accounted for, not to exceed \$200. The Finance Department will not process payment authorizations to reimburse petty cash if the request exceeds the established amount of the petty cash fund.
- c. The petty cash fund is to be reconciled on a monthly basis by the petty cash custodian. The Petty Cash Monthly Reconciliation Sheet is to be used as the transmittal document for reimbursement (see attached example). The petty cash custodian should sign the Petty Cash Monthly Reconciliation Sheet indicating each entry has supporting detail attached, and send the completed listing with supporting detail to the Finance Department for reimbursement. The Finance Department will review supporting details, account codes, and verify that the details agree with the total of requested reimbursement.
- d. The petty cash custodian should process a payment authorization at least once a month to reimburse their petty cash fund. The payment authorization requesting reimbursement of petty cash is to be processed with enough lead-time to prevent the remaining petty cash funds from being depleted, prior to the issuance of the reimbursement check. The custodian should retain a copy of the detail listing sent to the Finance Department for reconciliation purposes.
- e. All check payments to reimburse the petty cash fund are to be made payable to the Town of Prosper.

2. Petty Cash Reimbursement Procedures

- a. Cash reimbursements will be issued to the employee designated on the Petty Cash Voucher.
- b. The Petty Cash Voucher will be completed with "*Cash Reimbursement*" selected on the voucher, and include the name of the employee designated to receive the cash reimbursement, the amount of the cash reimbursement, a description of what was purchased, the account code, and the approval signature of the Department/Division Head.

- c. Each petty cash voucher must be accompanied by a receipt(s) upon reimbursement.
- d. When a cash reimbursement is issued, "*Cash Reimbursement*" and the dollar amount should be recorded on the receipt. The employee receiving the cash reimbursement must sign the "*Received By*" line on the receipt. The petty cash custodian will then sign the voucher as cash is actually disbursed from the fund.
- e. The petty cash custodian will match the Petty Cash Voucher to the receipt, and complete the transaction in the normal manner.
- f. Reimbursements for purchases made from the petty cash fund are not to exceed \$50.00. Splitting of purchases to avoid exceeding the \$50.00 limit is considered a violation of this policy.

3. Cash Advance Procedures

- a. Cash advances will be issued to the employee designated on the Petty Cash Voucher.
- b. The Petty Cash Voucher will be completed with "*Cash Advance*" selected on the voucher, and include the name of the employee designated to receive the cash advance, the amount of the cash advance, a description of the need, the account code, and the approval signature of the Department/Division Head.
- c. When a cash advance is given, "*Cash Advance*" and the dollar amount should be recorded on the receipt. The employee receiving the cash must sign the "*Received By*" line on the receipt.
- d. The petty cash custodian will sign the voucher as cash is actually disbursed from the fund, and retain the voucher with the #1 copy of the receipt. The recipient of cash will be given the #2 copy of the receipt.
- e. To complete the transaction, the recipient of cash will return the #2 copy of the receipt, along with receipts for purchase(s), to the petty cash custodian. The petty cash custodian will match the returned #2 copy with the corresponding voucher and #1 copy of the receipt, and then complete the transaction in the normal manner.
- f. Petty cash in advance is not to be held by any employee longer than one business day. Receipts and unused funds must be returned and be reconciled to vouchers within one business day. Only one open Petty Cash Voucher per person is allowed at any one time.
- g. Advances for purchases made from the petty cash fund are not to exceed \$50.00. Purchases which exceed \$50.00 should be purchased by normal purchasing procedures. Splitting of purchases to avoid exceeding the \$50.00 limit is considered a violation of this policy.

4. Filing of Official Record Documents

- a. Cash advances will be issued to the designated employee to file official documents on behalf of the Town with local, county, state or federal offices. The Town Manager will designate the employee.
- b. The Petty Cash Voucher will be completed with "*Cash Advance*" selected on the voucher, and include the name of the employee designated to

- receive the cash advance, the amount of the cash advance, a description of the need, the account code, and the approval signature of the Department/Division Head.
- c. The Cash Advance may be issued in total for greater than the \$50.00 maximum; however, the request per department/division must not exceed the \$200.00 petty cash limit.
 - d. When a cash advance is given, "*Cash Advance*" and the dollar amount should be recorded on the receipt. The employee receiving the cash must sign the "*Received By*" line on the receipt.
 - e. The petty cash custodian will sign the voucher as cash is actually disbursed from the fund, and retain the voucher with the #1 copy of the receipt. The recipient of cash will be given the #2 copy of the receipt.
 - f. Upon completion of the filing process, the recipient of cash will return the #2 copy of the receipt, along with receipts for filing fees, to the petty cash custodian. The petty cash custodian will match the returned #2 copy with the corresponding voucher and #1 copy of the receipt, and then complete the transaction in the normal manner.
 - g. Copies of documentation of the completed filed transactions will be distributed in a manner agreed upon between the department/division and the designated employee filing the official record documents.
5. Documents Which Serve as Support for Disbursement of Petty Cash
- a. A cash register receipt, provided that the date is current enough to support said purchase.
 - b. Cash receipt tickets from the place of purchase, provided that the date is current, items purchased are listed, and the ticket is signed by the employee as receiving said merchandise.
 - c. If an itemized receipt is not available, each item must be listed separately in the place provided for each item description, and the individual cost must be listed separately under item price on the petty cash voucher.
 - d. No refunds for purchases will be made without proof of purchase.
 - e. A petty cash voucher properly completed with authorizations for a cash advance.
6. Petty Cash Restrictions
- a. Loans to employees from the petty cash fund are **strictly prohibited**.
 - b. IOUs for employee's personal use to the petty cash fund are **strictly prohibited**.
 - c. Cashing personal checks for the Department/Division Head, supervisor, petty cash custodian, or other employees from the petty cash fund is **strictly prohibited**.
 - d. Employees are not to be reimbursed for sales tax. It is the responsibility of Department/Division Heads to ensure that employees are aware of the Town's tax exempt status.
 - e. Only one open petty cash voucher per person is allowed at any one time.
 - f. Expenditures for purchases made from the petty cash fund are not to exceed \$50.00. Purchases which exceed \$50.00 should be purchased

by normal purchasing procedures. Splitting of purchases to avoid exceeding the \$50.00 limit is considered a violation of this policy.

- g. Travel or training expenses, in general, are not to be reimbursed from petty cash. Reimbursement through petty cash will be allowed for miscellaneous day travel expenses (e.g. parking, gas, etc.) other than meal and mileage reimbursements, as long as these are the only travel expenses incurred. These expenditures should be reimbursed by submitting the proper expense report form to the Finance Department for audit, approval, and issuance of a reimbursement check. Petty cash funds may be used for official organized activities of the Town Council, or the various boards that function as part of Town government. Exceptions to this restriction will be accepted upon approval by the Town Manager.

B. Change Funds

Change funds, or cash drawers, are to be maintained for the purpose of making change. Change funds are not to be commingled with other cash funds. Change funds are to be maintained only for this purpose, and no department/division shall possess a change fund without establishing such a fund as outlined herein.

1. Maintenance of a Change Fund

- a. Each change fund must have one custodian responsible for the change fund at any one given time. In the absence of the fund custodian, the Department/Division Head or supervisor should make all disbursements from the change fund.
- b. Each change fund should be established for a set amount as requested on the check request, and this same amount should be maintained at all times.
- c. Change funds are not to be used as petty cash funds. They are to be used only for making change. Cash receipts are not to build-up in a change fund. These receipts are to be removed and deposited as outlined in the depository procedures (Section VI. Regulation of Deposits).
- d. 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.
- e. In the areas where more than one change fund is used, each custodian should work out of his/her own change fund only. Employees are not to work out of another employee's change fund.
- f. Only the custodian responsible for the change fund and the Department/Division Head or supervisor should maintain keys and have access to the change funds.

VI. Regulation of Deposits

Departmental deposits delivered to the Finance Department shall be made according to the procedure as outlined below. Town agencies or departments/divisions shall deliver their deposits daily to the Finance Department **before 9:30 a.m.** A deposit is required if total receipts on hand

are equal to or greater than \$200.00. All deposits must be verified by a Finance Department employee, while the employee delivering the deposits witnesses the verification.

Those departments that do not collect revenue on a daily basis, or whose deposit is not sufficient enough to make daily deposits, should make a deposit with the Finance Department at least weekly.

A. Preparation of Receipts

1. System generated receipts are preferred.
2. Receipts should be pre-numbered and have duplicate copies.
3. A receipt should be written for all payments received.
4. All receipts should be used in numerical order, and need to be accounted for, including any voided receipts.
5. The duplicate receipt copy should be submitted to the Finance Department with the corresponding deposit. Voided receipts should be submitted as well.
6. Account numbers should be listed on each receipt or a summary sheet turned in at the same time as the deposits.
7. "For Deposit Only" needs to be stamped on the back of each check.

B. Deposit and Verification of Receipts.

1. Deposits shall be made to the Finance Department.
2. When deposits are delivered, the Finance Department will verify the deposit by performing a recount of monies and a review of the receipts. Once a deposit is verified as correct, a copy of the summary sheet will be initialed by the Finance Department employee, and returned immediately to the person making the deposit for the department's/division's own record.
3. Each time a deposit is made, the bank bag will be returned to the person making the deposit. Each department/division shall have designated bags for their use only.

C. Maintenance of Bank Bags and Keys

1. Bank bags with deposits shall be kept locked at all times when not preparing or verifying deposits. The keys to the locked bank bags will be maintained by the designated persons for each depositing department/division, the Finance Department, and the bank.
2. The Finance Department is responsible for requesting a law enforcement escort of the deposits to the bank on a daily basis.
3. It will be the responsibility of the Department/Division Head to secure and limit access to bank bag keys. Access to these keys should be limited to the person or persons preparing the deposit. Personnel changes, which affect the possession of keys or the preparation, should be reported to the Accounting Manager.

D. Losses/Shortages/Overages

The Finance Department makes a clear distinction between a "Loss" and "Shortage" of Town money. This is determined by the cash handler's ability to obtain physical custody of the money, and how that person safeguards the money.

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 money and cannot immediately return the excess to a specific customer.
2. A loss of Town money is when a cash handler has obtained physical custody of money, and then due to reasons like negligence, an act of God, or an unlawful action, cannot deposit that money into the Town treasury.
3. Cash custodians must report all losses to their supervisor and department/division head immediately. A detailed statement as to the circumstances of the loss must be submitted within twenty-four hours of discovery.
4. Department/division heads or supervisors must report all losses to the Police Department, and to the Finance Director, immediately upon discovery, with written notice submitted within twenty-four hours of discovery.

The Town of Prosper Cash Handling Policy and Procedures is hereby approved this 24th day of September, 2013.



Harlan Jefferson, Town Manager

