

SUBJECT: : Cash Handling Policy

DATE ISSUED: : August 21, 2018

SECTION: : C

SECTION 1: PURPOSE

The purpose of this cash handling policy is to provide all City departments with guidelines for handling cash when it is received by a City department. This policy provides information on how and when to collect and secure payments in accordance with legal and policy requirements. All cash collection processes shall be performed within the delegated scope of authority and in compliance with all federal, State, and City laws, regulations, policies and generally accepted accounting principles. All documentation shall be maintained in accordance with the City's record storage and retention requirements. The Finance Department shall be the point of contact for questions concerning this policy.

SECTION 2: CASH MANAGEMENT CITYWIDE

The City has instituted this policy to safeguard the resources received and manage those resources according to their intended purposes. This policy is designed to protect against theft, fraud, loss or unauthorized use of cash or cash equivalents that the City has received. The policy shall enhance the accuracy and reliability of the City's financial records by reducing the risk of errors and irregularities in the accounting process. The City's financial records shall report cash flows and cash balances accurately and timely. This policy shall help ensure that enough cash is available to meet operating needs and maturing liabilities.

SECTION 3: DEFINITION OF CASH

For the purposes of this document, "cash" is any device that stores value and can be transferred between parties through a mutually agreed medium of exchange. In day-to-day business operations performed by City departments, "cash" is received in the forms of:

- Coins and bills (US currency),
- Credit cards,
- Debit cards,
- Checks (personal checks, cashier's checks, money orders), or

- Electronic funds transfer (EFT) in the forms of wire, automated clearing house (ACH), etc.

“Cash” can be received by City departments through:

- In-person, over-the-counter, or point-of-sale transactions,
- Online, electronic, or interactive voice response (IVR) phone system transactions, or
- Mailed remittances.

All cash received by any official or employee of the City for, or in connection with the business of, the City, shall be deposited to a City bank account no later than five business days after its receipt.

Upon receipt, Departments shall immediately endorse checks, money orders, and other negotiable instruments that are being deposited, with the City of Tracy bank deposit check scanner, to prevent them from being negotiated or endorsed by someone other than the department.

Cash receipt transactions shall be recorded in the City’s financial system on or about the same time the cash is deposited. Exceptions to the time requirement for recording cash receipt transactions may be granted with pre-approval from an Accountant, but cash receipts must be recorded in the financial system no later than five business days after the receipt of funds.

SECTION 4: INITIAL RECEIPT AND DEPOSIT

Cash taken in over the counter (and via mail and drop box) shall be rung up in the cash register and relevant information documented. This cash and information will be later reported and found in the *Settlement Report*. At close of business, the register must be closed and the register totals shall be listed by cashier name, cash drawer, and payment type. Similarly, log sheets for the day are to be totaled and printed.

Each cashiering site location is responsible for reconciling its daily receipts and, where applicable, preparing the deposit. A *Daily Cash Balance* spreadsheet is to be used to reconcile the deposit for the day to the register total and the total of all log sheets.

After the deposit is prepared, the deposit and/or cash shall be stored in a secure location until it is delivered to the Finance Department. The Finance Department shall secure deposits in a drop safe until picked up by the City’s armored courier service for delivery to the bank. All deposits and/or cash shall be delivered to the Finance Department within two working days of receipt.

SECTION 5: CASH HANDLING

Segregation of duties for each part of the cash handling process also requires that all transactions and supporting documents are accurately and properly recorded in department documents and systems. Departments shall enforce dual custody and segregation of duties for handling and managing cash by ensuring the proper safeguards are in place. These safeguards are as follows:

CITY OF TRACY
ADMINISTRATIVE POLICY AND PROCEDURE MANUAL

-
- Each cashier will count all cash transactions at the end of each day and reconcile to the financial system daily cash reports;
 - A second employee shall observe and verify a cashier's cash count for end-of-day balancing;
 - Two employees shall certify cash counts for all deposits prepared for armored courier pickup;
 - Two employees shall certify cash acceptance for armored courier shipments;
 - Employees present during cash counts and acceptances shall sign directly on the cash count forms;
 - Employees shall sign reconciliation documents verifying the employees' presence during the cash deposit reconciliation and that totals agree;
 - Back-up staff shall be identified in case of an absence of any key employees;
 - Only employees who need the combination to the safe shall have access to the safe;
 - At least two staff shall be present to open a safe.

Departments shall provide for daily processing of cash receipts and account receivable transactions to ensure the accurate recording of transactions. Cash received shall be recorded in the same accounting period.

Departments shall report timely reconciliation to the general ledger, other supporting accounting ledgers and the bank to detect errors, fraud or misuse. When determining which reconciliation method to use, Departments shall consider the type of cash being received, the use of large amounts of cash, the length of time between receipt and deposit, and the safeguards in place for securing the cash.. Departments may require daily department reconciliation and a monthly bank reconciliation to ensure accuracy of the accounting records.

SECTION 6: CREDIT CARD ACCEPTANCE

The City accepts credit and debit cards with a credit card logo as a form of payment. The City and all Departments accepting credit cards shall meet Payment Card Industry Data Security Standards (PCI-DSS). This standard applies to all entities that store, process or transmit cardholder data. Cardholder data refers to any information printed, processed, transmitted or stored in any form on a payment card. The City is expected to protect cardholder data and to prevent unauthorized use, whether the data is printed or stored locally, or transmitted over a public network to a remote server or service provider. The City-approved merchant account vendor shall be used by City Departments to accept credit/debit cards using Visa or MasterCard. If a Department chooses to use a vendor for electronic processing, it shall obtain approval from the Finance Department prior to contracting with the vendor and the vendor must be PCI-DSS compliant. Departments shall not store payment card data unless it is absolutely necessary to meet the needs of the business function.

SECTION 7: SMALL COIN ACCEPTANCE

In the interest of time and cost, employees of the City of Tracy are NOT required:

1. To accept more than \$10.00 in half dollars, quarters or dimes, or
2. To accept pennies or nickels in excess of 25¢.

SECTION 8: DOCUMENTATION REQUIRED

All source documents relating to the receipt and deposit of cash shall be maintained by each City Department, and whenever possible, City departments shall use pre-numbered documents. All documents shall be accounted for and promptly forwarded to the Finance Department with the cash receipt form for daily deposit and verification. The cash receipt procedures approved by the Finance Department shall be used and the document shall include accounting entries.

SECTION 9: PHYSICAL SECURITY AND CUSTODY OF CASH

Departments shall analyze the security needs of each cash collection point and strengthen security controls whenever necessary. This might include installing security cameras that can monitor all areas where cash is collected and handled and securing the safe and cash registers or drawers. In addition,

- Cashier areas must be restricted to cashier personnel and other authorized persons,
- During business hours, all active cash drawers shall be secured in a locked drawer at the cashier window, including during lunches and breaks,
- The key or passcode to the cash drawer shall remain in the sole custody of the cashier and shall never be given to anyone else or left in the drawer when the cashier is away from the window, and
- Unused cash drawers shall remain in the vault storage.

Departments shall establish physical security to safeguard cash. Departments shall utilize safes, vaults and/or safety deposit boxes for cash and establish approved procedures to determine individual access. These procedures shall be written and periodically reviewed and updated.