

VILLAGE OF VICTORY

Cash Receipts Policy

Section 1. Collection Procedures

1-1 Centralize cash collections within a department or for the village as a whole, when possible.

Reason for control

Fewer location and fewer employees collecting cash reduces opportunities for theft to occur and provide better accountability over cash collections. To the extent practical and consistent with law, the cash collection function should be centralized in the office to the chief fiscal officer or treasurer.

1-2 Restrictively endorse checks as soon as they are received.

Reason for control

Immediately limiting the negotiability of checks ensures that checks received can only be deposited into a local government's bank account.

1-3 Instruct collectors that personal or payroll checks cannot be cashed from moneys in their cash drawers.

Reason for control

This policy makes it clear that employees may not temporarily "borrow" cash and cover the removal with a personal check, even if temporarily. It also reduces the risk of non collection on bad employee checks.

1-4 Instruct collectors not to accept checks for amounts over the amount due.

Reason for control

Local governments are not banks and providing "cash back" services to customers should not be allowed.

1-5 Where no other evidence satisfactory for the purpose of audit is available, a serially press-numbered duplicate receipt form should be issued for any cash, checks, or money orders received. One copy should be provided to the customer and one copy should be retained for audit purposes.

Reason for control

Duplicate receipt forms provide an audit trail for moneys received when the amounts collected cannot be confirmed by other records, such as tax bills or billing stubs and remittance advices.

1-6 The office copy of issued receipt forms should be periodically reviewed by supervisory personnel, and any gaps or missing receipt forms should be investigated. Both copies of voided receipts should also be retained.

Reason for control

A missing receipt form may indicate that a transaction has not been recorded or funds have been stolen and the receipt destroyed to hide the theft. A pattern of missing receipts is a red flag that should be investigated.

Section 2: Deposit Procedures

2-1 Secure undeposited cash and prepared deposits in a vault of safe (or other locked storage) until they are deposited in the bank. Restrict access to the vault or safe, or keep other storage methods locked when not in use.

Reason for control

Securing cash limits unauthorized access before it can be deposited in the bank.

2-2 Deposit cash timely.

Reason for control

Certain local government officers are required by law to deposit within certain timeframes. Consult with your local government attorney for guidance on laws specific to the village. However, while the statutory deadline is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit moneys as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

2-3 Deposit cash receipts intact.

Reason for control

“Intact” means that all cash collected since the last deposit must be deposited in the same form as it was collected (cash, check or money order). This practice deters the cashing of checks from the proceeds of collections.

2-4 Prepare and maintain detailed deposit slips. Deposit slips must be detailed enough to identify the composition of the deposit between cash collected and individual checks deposited.

Reason for control

Cash receipt transactions can be easily identified, traced and corrected if detailed deposit slips are prepared.

2-5 The person who performs the bank reconciliation should be the final custodian of all deposit slips.

Reason for control

Any discrepancies identified during bank reconciliations may be resolved by comparing the activity in the bank and accounting records to deposit slips.

2-6 The governing board should establish a charge for checks returned for non-sufficient funds (NSF). Notification of the NSF check charge should be included on all billings and posted in public view.

Reason for control

An NSF charge will deter customers from issuing checks that will not clear the bank and it will also help cover time spent by employees recouping NSF check funds.

Section 3: Record-Keeping Procedures

3-1 Record receipts in the accounting system timely.

Reason for control

Accountability over cash receipts is enhanced when cash is recorded in the accounting records as soon as practicable from the date cash is received. The longer receipts go without being entered into the accounting system; the greater the risk an employee could misappropriate funds.

3-2 Employees responsible for collecting cash and preparing bank deposits should not record cash transactions in the accounting records.

Reason for control

The basic rule in play here is the need to segregate asset custody from record-keeping duties. Segregating the duties of “receiving cash” from “recording cash transactions” prevents a single employee from stealing undeposited cash (or substituting checks received for cash taken) and altering cash receipts journals or other records to disguise the theft. Similarly, segregating the duties of preparing or making bank deposits from recording duties prevents an employee from removing cash from a bank deposit and altering accounting records to disguise the theft.

Adoption: Trustee Healy made a motion to approve the adoption of the cash receipts policy with Trustee Dewey seconded the motion. Vote: 3 – 0. All Ayes. Motion Passed.