

Presidential Directive 3-1993-1

Cash Handling Policies and Procedures

1. Purpose. To establish cash handling policies and procedures.
2. General Information. Many University departments receive cash payments and maintain cash funds. All employees involved with cash handling need to have a basic understanding of the necessary controls and processes.

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1. POLICY RATIONALE

All funds of the University of Wyoming are public funds, intended to help meet the mission of the University and its units, not individual interests and benefits. Every employee must understand this principle and support it in their job efforts.

It is the responsibility of all employees to safeguard University assets. It is the responsibility of all officers to insure that, within their areas, adequate controls exist and are observed.

It is the responsibility of the Division of Administration to provide policies and procedures to assist employees and officers in the discharge of their fiscal responsibilities.

Disregard or willful violation of the provisions of this policy may result in disciplinary action. Misuse of funds entrusted to the University's care is a violation of University regulations and may be a violation of Wyoming State statutes.

2. POLICY PURPOSE

The primary purpose of this document is to provide all University departments with a reference that sets forth general policies and procedures related to the handling of cash. For the purposes of this document, the term "cash" refers to currency and coin, as well as to checks and other negotiable instruments of payment, and to credit card charge or refund documents.

The focus of this document is on the cash handling processes involved in the areas of:

- departmental collections of revenue for departmental programs and related activities, and
- departmental cash funds.

This policy cannot be all-inclusive; inevitably, there are situations not specifically addressed here. It is intended that the basic principles discussed will provide procedures applicable to most

situations. Additional or more specific assistance can be obtained as needed from relevant departments, including Accounting, Cashiers, Accounts Receivable, Taxes and Investments, Financial Services, Risk Management, Internal Auditor, and Police.

3. BASIC CASH HANDLING ELEMENTS

The main objectives of cash handling controls and processes are to guard against loss and to insure accountability. The basic elements needed to achieve these objectives are discussed in the following sections.

All University funds in the custody of any department must be deposited to and accounted for within the University's central accounting system. No funds may be received and expended without such accounting.

Some gift funds are properly deposited to and retained by the University of Wyoming Foundation, and, in a few cases, official University checking accounts have been established for off-campus offices. But in most cases, negotiable instruments payable to the University or any of its departments must be deposited through the Cashier's Office. No department is authorized to establish a bank account, or to otherwise withhold University funds from deposit to official accounts.

University systems are designed to control the receipt, deposit, and expenditure of all funds, and account for them properly, but this can only be accomplished effectively with the cooperation of all employees.

A. Basic Elements - Cash Collections

The basic elements of cash handling for departmental collections include:

- receipt processes and documents,
- reconciliation of collections and program activity,
- timely and intact deposit,
- financial records balancing, and
- records retention.

These elements are discussed briefly in this section and in greater detail in following sections.

1. Receipt Processes and Documents. A receipting system and process is essential. Receipt records must be prepared at the time cash is received, in order to provide revenue accounting and reconciliation with actual cash collections. Revenue records are also necessary for program management and tax reporting purposes. Such records are normally derived from multi-copy receipting systems, such as electronic or mechanical cash register

systems or pre-numbered hand written receipts. When goods or tickets are sold without the preparation of receipt documents, differences in beginning and ending inventories, or ticket numbers, for the sales period can provide the necessary revenue data. Receipts and receipting systems are discussed in more detail in sections IV. Receipts, V. Sales of Goods with Continuing Inventory, VI. Returned Goods, XI. Checks, XII. Credit Cards, and XIII Accounts Receivable.

2. Reconciliation of Collections and Program Activity. The second essential element is a revenue/cash collection reconciliation process. Cash, checks and other cash items must be counted on a periodic basis (usually daily) and compared to the receipt record. Permanent reconciliation records, including shortages and overages, are prepared and retained. Overage and shortage activity should be closely monitored, as a measure of the effectiveness of the receipting process. Efforts should be made to identify the causes of such discrepancies and correct them. Further information can be found in sections VII. Reconciliation Process, and VIII. Overages/Shortages.
3. Timely and Intact Deposit. As soon as possible after reconciliation, collected funds should be transmitted to the Cashier's Office for credit to the appropriate University Financial Records System (FRS) accounts and deposited to the appropriate bank accounts. This transmittal should be made "intact"; that is, the amount transmitted should relate exactly to a reconciliation document, which relates exactly to a group of receipts or receipt records from a specific period of time. Receipts should be deposited in the order in which they are collected, and in no case should receipts be withheld for expenditure purpose.

In the case of continual collection activities, deposits should be made daily and within one working day of collection, whenever possible. If collection activity is infrequent or small in amount, the cost of frequent transmittal should be balanced by the potential for loss. Departments are responsible for losses before transmittal to the Cashier's Office. A record of the transmittal and Cashiers receipt should be kept as a permanent record. Additional discussion is contained in section IX. Transmittal Process.

4. Financial Records Balancing. After month-end FRS reports are received, account credits should be reconciled with department records to insure that all funds have been properly accounted for. This activity can only be performed by the collecting department, but any problems identified should be immediately brought to the attention of the Accounting Department. Cut-off dates should be agreed upon, and in-transit deposits accounted for.

Additional information is contained in section X. Financial Records Balancing.

5. Records Retention. After reconciliation, records should be kept on file or stored in accordance with University policy. Records should be readily available for audit for at least one year, and retrievable for at least three years after audit. If no audit occurs, financial records should be kept for seven years.

B. Basic Elements - Cash Funds

The basic elements of cash handling for change and petty cash funds include:

- proper establishment and use,
- assigned responsibility and security,
- continuous fund accountability,
- replenishment, and
- records retention.

These elements are discussed fully in this section.

1. Proper Establishment and Use. In the University system, imprest ("petty") cash funds and change funds are "borrowed" from the Cashier, and must never be created with collected funds withheld from deposit. Cash funds are accounted for as part of the Cashier's working fund, but it is the responsibility of the department to maintain adequate controls. These "advances" are made by the Cashier for designated purposes requiring continuing cash funds, and regulations governing their use are issued by the Cashier.

If funds are designated for expenditure purposes, complete records, with receipts, must be kept for all disbursements. If funds are designated for change purposes, no disbursements should be made at any time. Working funds cannot be used for check cashing purposes without approval of the Cashier.

2. Assigned Responsibility and Security. One department individual must sign for acceptance of each working fund advance. This individual is responsible for control and accounting, and ultimately to return the funds to the Cashier. For his or her own protection, the responsible person should insure that adequate controls are in place, and return the funds to the Cashier upon leaving the position or University employment, or if the funds are no longer

needed. (If a replacement is hired before the signatory leaves, transfer can be accomplished without actually moving the money; arrangements can be made with the Cashier).

3. Continuous Fund Accountability. Reconciliation should be performed daily, and the original fund balance must be accounted for at all times. A continuous record of overages and shortages must be maintained. At the close of each fiscal year, annual net shortages must be made up from other departmental funds, or possibly with personal funds, while net overages must be deposited as miscellaneous revenues. The Cashier is not responsible for any loss; when requesting a working fund advance, the department accepts full responsibility for the funds.
4. Replenishment. Replenishment of working fund balances are made by submitting vouchers to the Cashier, with complete expenditure back up attached. If cashing checks is a permitted activity, the checks are taken to the Cashier for purchase and replenishment of currency.
5. Records Retention. Records retention principles for cash funds are the same as for cash collections, discussed in section III.A.5.

4. RECEIPTS

The word "receipts" refers both to cash amounts received and the documents used to record payment. There are many types of receipting systems and documents, but all have the same objective of providing a transaction record for both the payor and the payee. Systems are usually designed to accomplish this goal efficiently, while also providing additional information useful to the activity.

- C. Receipt Systems. An ongoing sales operation involving a large number of transactions normally uses some type of electronic cash register system, incorporating batch totals, operator identification, and other balancing controls. Such systems also commonly provide information about types of sales or revenues and inventory data.

Commercial cash register systems are designed to operate in conjunction with sound cash handling controls and processes. All employees involved in the operation of such systems should be trained in their use, as designed, and departmental processes should fully incorporate the system controls.

- D. Tickets. When the revenue activity involves events rather than goods, tickets are commonly used. Tickets serving as receipt forms are pre-numbered, and designed

to be sequentially issued. Sales amounts can be computed by comparing the beginning numbers with the ending numbers for a period of sale, usually daily or for the event. For this process to provide accurate revenue data, different tickets must be used for different prices.

Because there is generally not an additional document created when the transaction occurs, it is important that adequate security exists for the tickets themselves. Periodic verification of inventories is necessary to guard against loss. To provide additional control, some systems only create the actual ticket at the point of sale. Such systems often provide accounting data and control features.

- E. Hand Written Forms. When sales activity is not frequent or not of sufficient revenue to justify the cost of a cash register system, hand written receipt forms are commonly used. Such forms are also commonly used when a department needs to collect individual payor data and a document can be designed to accomplish both receipt and data collection purposes. In these cases, the data may be entered on the form by the payor/participant, but the payment data or verification must be entered by department personnel.

These forms are pre-printed, pre-numbered, multi-copy forms. One copy is usually returned to the payor and one or more kept on file in the department. If a transaction is voided, all copies should be clearly marked "void" and kept on file; a receipt that has been issued cannot be voided unless the payor returns his or her copy.

- F. Control. Receipt forms are pre-numbered to provide control over issuance; because these documents provide revenue data, it is important that all receipt forms are accounted for and that none be issued without record. All forms are kept on file, even if voided or unused, and a journal of receipt numbers and status should be maintained for control purposes. Unused forms must be kept secure, protected from unauthorized use.

- G. Other. Because departments usually have unique needs with regards to receipt forms, there is no University standard. It is left to departments to design and obtain their own documents, but assistance is provided by the Purchasing Office and the Communication Services Office. At a minimum, receipt forms must be pre-printed, pre-numbered and include identification of the University of Wyoming and the department or division. There are a number of manual receipting systems commercially available, if departments are interested in more formality.

A receipting system must exist even if receipt documents are not issued to payers. If payments are taken by mail, for example, and no acknowledgement is provided, the

department still needs systems and processes to record the receipt of payment at the time of receipt.

To assist in the reconciliation process, it is useful to indicate the method of payment (cash, check, or credit card), on the retained receipt copy.

Copies of issued and voided receipts, register tapes, reconciliation documents, and other documents necessary to the receipting function should be retained as discussed in sec. III.A.5. above.

5. SALES OF GOODS WITH CONTINUING INVENTORY

When goods are sold without receipt forms, inventories must be counted before and after the period of sale, and the amount of sales calculated from the differences. This method of control should not be used for ongoing sales activity, but only for occasional events. The sales amount must be reconciled with the amount of cash on hand, and overages and shortages accounted for. Continuous and permanent records of overages and shortages should be kept and monitored so problems can be identified. Because no transaction documents exist, it is essential that adequate controls be established to guard against the loss of inventory, during sale periods and at other times.

6. RETURNED GOODS

Refunds for returned goods must never be paid out of current receipts, without a clear audit trail. Refunds can be paid on a voucher as expenditure items, or systems can be established to provide proper accountability for cash refunds. Departments that have a large amount of sales activity often have a sales credit process, which involves the use of pre-numbered, multi-copy forms; credit activity is accurately accounted for in the receipts reconciliation process.

7. RECONCILIATION PROCESS

Actual cash collections are reconciled with the amount of revenue as determined by the receipting system, either at the close of business each day or as soon as possible following an event. This is usually accomplished with the use of a two-part form. One section contains an analysis of receipts used to calculate revenue amounts, and the other part contains a cash count. The totals developed in these two sections are compared, and the arithmetic difference shown as overage or shortage. If the department activity involves multiple sales or receipting points, a summary document is prepared to combine all activity into one statement.

Before completing the reconciliation process, every effort must be made to identify the reasons for overage and/or shortage discrepancies and correct transaction errors, if possible.

8. OVERAGES/SHORTAGES

A continuous record of overages and shortages is maintained and monitored as a measure of the effectiveness of the receipting process and controls. There is no acceptable level of discrepancy, but the cost of efforts to identify all causes and the cost of controls to insure complete accuracy must be balanced against the potential for loss.

Net overages and shortages are recorded for each fiscal year. In the case of cash collections, net shortages are a reduction to revenues, while net overages are deposited to miscellaneous income. For cash funds, annual net shortages must be replenished from other departmental funds, or possibly with personal funds. Net overages in cash funds are also deposited as miscellaneous income. Every department should have formal policies regarding cash discrepancies, clearly understood by all affected employees.

Unusual shortages and shortages resulting from loss must be reported to the University Police and to the Risk Management Office, although cash losses are generally not covered by insurance.

9. TRANSMITTAL PROCESS

After reconciliation is completed, the amount of cash shown on the reconciliation document should be bundled for transmittal to the Cashier's Office. The Cashier periodically issues instructions for this process, and can provide guidance at any time. If control of the funds to be deposited are transferred from one departmental employee to another before deposit, a record of the amount transferred, signed by both employees, should be prepared and kept on file with the reconciliation and transmittal records.

In the case of collection discrepancies, such as checks for incorrect amounts, the discrepancy should be documented and copies made, if appropriate, but the transmittal should not be delayed. It is important to make deposits intact and as soon as possible, in order to avoid loss.

Generally, transmittal should be made the first working day following collection. It is recognized that this is not always possible, but any delays should be well justified. The need for security measures increases with the time receipts are kept in the department. Security needs are greater when the proportion of currency is significant, but checks can also be lost and may not be replaceable.

If the collecting department lacks secure facilities, efforts should be made to deliver funds to the Cashier's Office on the same day as collection. The University Police Department and the Office of Risk Management can provide security guidance.

10. FINANCIAL RECORDS BALANCING

It is vitally important to reconcile cash collection records with FRS reports on a monthly basis. Transmittal, coding, and entry errors are made, and only the collecting department can identify them. Receipt or transmittal records are compared to account deposits and any differences identified. Departments must recognize accounting cut-off dates and times, and account for any in-transit deposits.

Any discrepancy should be immediately brought to the attention of the Accounting Office, so that timely corrections can be made. If account balancing is done promptly each month, both the balancing process and corrections are much simpler.

Whenever possible, the duties of receipt and deposit should be separated from account balancing. If only one employee is available for all tasks, the supervisor should review the records frequently, to insure sufficient accountability.

11. CHECKS

Because checks are generally not guaranteed cash items, additional steps need to be taken upon their receipt. If a check is returned by a bank, it is essential that the Cashier's and Accounts Receivable Offices be able to identify and communicate with the payor. Before acceptance, department personnel receiving payment must view appropriate identification and verify that the check contains payor information, including name, address, telephone number, and social security number, and that all information is current. Departments must not accept checks that cannot be immediately deposited (e.g. post-dated).

The department's name should be entered on the checks at the time of acceptance to preclude loss and to provide the Cashier's Office with adequate information. All checks should be made out to the University of Wyoming, although the department name can also be included. Further detail can be provided by the Cashier.

Generally, the cashing of checks, or the acceptance of checks over the amount of payment, should be resisted by departments, and especially with the use of cash receipts. If a department has a business need to cash checks, the department head should communicate with the Cashier and explore the possibility of a working fund advance for that purpose.

12. CREDIT CARDS

Credit cards are currently accepted only by certain University departments. Arrangements must be made with the Accounting and Cashier Offices to set up processes and controls and obtain the necessary equipment and bank authority. The use of credit cards carries costs which must be absorbed by the department. For this reason, credit cards should not be considered as an acceptable form of payment unless their use will result in revenue increases significantly greater than the increased cost.

13. ACCOUNTS RECEIVABLE

Departments that provide goods and services on a charge and billing basis must keep accurate records of accounts receivable balances. Such records should provide complete identification of purchaser, amount of sale, date of sale, billing activity, and payments. Cash collection records and receivable records should refer to each other. Charge records and billing invoices should also be pre-numbered, multi-copy documents.

The University has limited centralized receivable accounting; delinquent accounts can be referred to the Accounts Receivable Office for collection. Each department should define delinquency according to its collection history. Transfer to the Accounts Receivable Office should be made while the debt is still less than six months old, however, or the probability of successful collection becomes minimal.

The Accounts Receivable Office determines when a debt should be referred to an outside collection agency and when a debt should be charged off as uncollectible. No other University departments can make a decision to charge off bad debt; they must refer the debt to the Accounts Receivable Office. Successful collections by that office are paid to the referring department, and successful collections by outside agencies are paid to departments after deduction of the agency fee. Decisions about uncollectible items are communicated to the originating department for adjustment of receivables balances.

As with credit cards, there is a significant cost to maintaining receivables. Departments should not allow credit or establish accounts receivable unless there are compelling business reasons to do so and adequate controls in place.

14. ROLES AND RESPONSIBILITIES

The following discussion concerns only those office responsibilities that relate to cash handling. It is not meant to be an in-depth description of employee or office functions.

- A. Employees. It is the responsibility of all employees handling cash and checks to understand and comply with the provisions of this policy. Employees must not engage in actions that risk loss or misuse of University assets.

Supervisors. should have a thorough knowledge of the cash handling systems and processes in their areas of responsibility. They should periodically review employee's actions and records to verify that proper procedures are being observed and adequate accountability exists. Supervisors should be familiar with all University accounting reports pertinent to their areas.

- B. Officers. It is the responsibility of all officers to insure that, in their areas of responsibility, adequate controls exist to control and account for all funds, within the University's accounting system. All officers must insure that employees are aware of, understand, and are capable of complying with this policy.
- C. Departments. Departments that collect and receive cash in connection with department programs must have adequate systems and processes of control to guard against loss, insure accountability, and provide an audit trail. These systems should be formalized and understood by all employees, so that the functioning of these systems does not depend strictly on key individuals.
- D. Cashier's Office. The Cashier is responsible for receiving funds from departments, crediting them to FRS accounts, and depositing them to University bank accounts. In addition, the Cashier issues instructions for the proper transmittal of funds and issues receipts for transmittals. The Cashier balances cash receipts, properly allocates funds to bank accounts, and interfaces with banks and departments in the areas of deposit discrepancies and returned checks.

The Cashier also issues working fund advances for departmental cash funds, issues instructions for their use, keeps control records of those funds, and periodically verifies cash balances. The Cashier approves reimbursement vouchers for expenditure funds and purchases checks from departments to replenish cash funds, if check cashing is allowed.

- E. Accounting Office. The Accounting Office maintains the central University accounting system, FRS, and provides financial reports to departments for balancing. The Accounting Office reconciles bank accounts, processes claims for working fund reimbursements, investigates errors identified by departments and makes correcting entries when necessary.
- F. Accounts Receivable Office. The Accounts Receivable Office is responsible for the collection of delinquent debts, collection of returned checks, and the administration of the bad debt policy.
- G. Taxes and Investments. The Office of Taxes and Investments performs the functions necessary for sales tax reporting and remittance.
- H. Financial Services. The Director of Financial Services is responsible for this policy and oversees the administration of it.
- I. Risk Management. The Office of Risk Management provides security guidance and administers University insurance coverage. All losses must be reported to the Office of Risk Management.

- J. Internal Auditor. The Internal Auditor audits departmental books to verify the accuracy of records, adequacy of controls, and compliance with policy, verifies and audits working fund advances, and recommends corrective action to appropriate officials.

- K. Police. University Police investigate and may prosecute in cases of forgery, theft, or criminal violations under Wyoming State statutes. All losses must be reported to the Police department. In addition, the Police conduct security surveys at department request, and can provide security guidance.

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