



# ADMINISTRATIVE PRACTICE LETTER

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## SUBJECT: CASH COLLECTION PROCEDURES

### DEPOSIT OF CASH RECEIPTS

All cash receipts (including cash and checks) should be deposited daily. This may mean that funds are held overnight and deposited the following business day. Such funds must be kept secure. **At a minimum, cash receipts must be deposited when receipts exceed \$100 or once a week, whichever comes first.** Timely and accurate deposits reduce the risk of losing or misplacing receipts and create a clear audit trail. The quicker receipts are deposited, the sooner the funds can be invested in short-term money market instruments.

### RECORDING OF CASH RECEIPTS

Income statements are prepared through the cash receipt preprocessor. The cash receipt preprocessor improves the timeliness and efficiency of entering transactions to the accounting system (FAST) by utilizing remote terminal points for data entry.

Statements of income should be produced on a daily basis. Batch numbers act as the control, therefore, they must be maintained and used in sequence. Batch numbers start with the number 001 each July. The edit and update programs won't allow the duplicate use of a batch number and date combination.

Two copies of the income statement are produced - one at the campus, one for SWS. The campus copy is considered the original and must be retained along with all documentation (including bank deposit receipts) for future reference and auditing purposes. Each campus is responsible for providing all documentation pertaining to the income statements.

The preprocessor reduces the time it takes to update the accounting records and provides editing capability to the individual processing the transactions. Transactions are typed on a computer terminal, then edited for footing, correct account numbers, batch number duplication, frozen or deleted accounts, and other entry errors. When all entry errors are correct, the transactions are sent to the feeder file for updating FAST. A machine generated statement of income is produced for retention and the accounting file is normally updated that night.



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## CONTROL OF CASH RECEIPTS

Adequate control is necessary at any University office receiving cash. A key control element is the use of cash registers or the issuance of pre-numbered cash receipts. Cash register tapes and pre-numbered cash receipts can be used for gross revenue comparisons. These controls should be used to provide a deterrent against theft, to aid in the identification of cash receipt recording errors and to furnish proof of payment.

Campuses should take the following steps to ensure more effective control:

1. Each campus should require that the receipt of all cash be recorded on pre-numbered cash receipts or cash registers.
2. Pre-numbered receipts should be issued and controlled by one office on each campus, or University facility located away from a campus.
3. Cash register tapes and cash receipts should be utilized, whenever possible, to make gross revenue comparison tests more practical.

## SEGREGATION OF DUTIES

Good internal control requires the segregation of functional duties to help prevent misappropriation of funds, relieve the dependence on a single person and aid in the detection of errors. Physical custodianship of assets should be separated from the record keeping of the assets. The responsibilities of one person should complement and check those of others.

1. Campus needs to ensure that segregation of functions is enforced.
2. When segregation of duties is not practicable, the cashier's immediate supervisor should approve all cash deposits, ensuring that the total cash deposited agrees with the source documents (i.e. cash register tapes, cash receipts).
3. Outlying areas should process invoices through a campus business office.



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## CAMPUS RESPONSIBILITY

The importance of prompt deposit, adequate records and segregation of duties must be recognized by any individual working with cash. It is the responsibility of campus management to ensure that those charged with processing cash receipts are thoroughly trained in the proper procedures for receiving, recording and depositing University funds.

In order to carry out these responsibilities campus management must make an audit no less frequently **than once a year of each cash collection location**. Campus management must report the results to the UMS Department of Internal Audit using the Cash Collections Audit Program provided in Exhibit A.

## APPROVED:

Joanne L. Yestramski

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Chief Financial Officer and Treasurer

## RELATED DOCUMENTS:

APL No. 1 – Petty Cash  
APL No. 25 – Cash Management Training



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## Exhibit A

### University of Maine System Cash Collections Audit Program

University \_\_\_\_\_ Auditor \_\_\_\_\_  
Department \_\_\_\_\_ Date \_\_\_\_\_  
Location \_\_\_\_\_  
Authorized Cash Amount \$ \_\_\_\_\_  
Person Responsible for Cash \_\_\_\_\_

#### General Information

1. Review any prior audit findings and document actions taken to resolve those findings.
2. Determine cash handling and related procedures by asking the following questions:
  - For what purpose(s) does the department collect cash?
  - Who collects and handles the cash, prepares and makes the deposit, and reconciles receipts to amounts deposited per FAST?
  - What is the approximate amount of cash collected annually by the department?
  - What is the peak cash collection period?
  - When are checks restrictively endorsed (note: checks should be endorsed upon receipt)?
  - How are cash collections recorded (i.e., pre-numbered receipt forms, cash register, etc.)?
  - What are the department's procedures for making deposits?
  - How often are cash receipts deposited and to what FAST account numbers are the amounts recorded?
  - What procedures are used to reconcile FAST to cash collections?
  - If cash collections are posted to another department's subsidiary ledger, does the department review the cash receipts? Have cash receipts been made available for that department's review?
  - How is cash kept secure until it is deposited?
  - Is physical access to cash limited only to personnel responsible for the fund?



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- Are any loans made out of the funds? If so, to whom and why?
- 3. Determine the procedures for reporting shortages and overages.
- 4. When did the individuals who handle cash last attend a Cash Management Training session? Agree department's response to Cash Management Training attendance sheet(s).

Note: Ensure that duties are properly segregated and that other procedures appear adequate for the circumstances. Document any concerns related to the above:

## Cash Testing

1. If the department has a change fund, count the cash on hand using the "Cash Count Sheet" at Exhibit B. Reconcile the cash on hand to the authorized amount.
2. Cash Collection Testing:
  - For cash register systems, select a minimum sample of five days from high volume periods for the year. For those days, compare the register tapes to the business office receipt(s) **and** to FAST.
  - For manual receipt systems, select a minimum sample of five days. For those days account for the numerical sequence of receipts, and compare the total amount collected per the receipts to the amount deposited to the business office **and** posted to FAST.

**Note results, including timeliness of deposits:**

## Billing for Goods/Services

1. Determine whether the department issues invoices. If so, determine:
  - The invoicing process including what software program is used,
  - How often bills are generated,
  - The process used to control invoices (i.e., pre-numbering, retaining copies, etc.)
  - Who generates the bills,
  - How uncollected amounts are treated,
  - The current balance of the accounts receivable and whether it is recorded in FAST,



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- If duties are properly segregated.

## **Conclusion**

1. Review observations with the department manager and point out any controls that need to be improved. For material weaknesses ask management to follow up with a written response regarding corrective action taken.
2. Send completed audit program and cash count sheets (copies of supporting documents need not be included) to UMS Department of Internal Audit indicating observations, any control weaknesses or other concerns, and the corrective action taken or to be taken.

**University of Maine System  
Cash Count Sheet**

**EXHIBIT B**

Campus		Department Location		Date	
Department		Location \$ Amount		Time	
Cash Custodian		Total \$ Authorized		Auditor	

**Coins**

Unit	Value	Quantity	Extension
Pennies			
rolled	\$0.50		
unrolled	\$0.01		
Nickels			
rolled	\$2.00		
unrolled	\$0.05		
Dimes			
rolled	\$5.00		
unrolled	\$0.10		
Quarters			
rolled	\$10.00		
unrolled	\$0.25		
Halves			
rolled	\$10.00		
unrolled	\$0.50		
Dollar			
rolled			
unrolled	\$1.00		
<b>Total Coins</b>			

**Bills**

Unit	Value	Quantity	Extension
Ones			
pack	\$25.00		
single	\$1.00		
Fives			
pack	\$100.00		
single	\$5.00		
Tens			
pack	\$100.00		
single	\$10.00		
Twenty			
pack	\$100.00		
single	\$20.00		
Fifty			
pack	\$100.00		
single	\$50.00		
Hundred			
pack	\$500.00		
single	\$100.00		
<b>Total Bills</b>			

**Total Cash (coins and Bills)**

2. Total Check (attach **list** including date, maker, amount)

3. Total Paid Vouchers (attached **list** including date, payee, amount)

4. Stamps on Hand (**list** attached)

5. TOTAL of Cash, Checks, Paid Vouchers and Stamps (Items 1,2,3 &4)

6. Less Receipts (per Cash Register or Manual receipts)

7. BALANCE

8. Less Amount Authorized

**9. BALANCE**                      Over      (Short)

My cash was counted and returned to me intact

Cash Custodian Signature

Date