

ADMINISTRATIVE PRACTICE LETTER

SUBJECT: CASH COLLECTION PROCEDURES

Section I-F
Issue 4
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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 lost or misplaced receipts and make account reconciliation easier. In addition, the sooner receipts are deposited, the sooner the funds may be invested in short-term money market instruments.

RECORDING OF CASH RECEIPTS

Income statements are prepared through the financial system. Statements of income are produced on a daily basis by each campus. The income statement 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.

CONTROL OF CASH RECEIPTS

Management is responsible for establishing and maintaining an effective internal control structure to safeguard assets. Because of its nature, cash is particularly vulnerable to loss; therefore, management needs to be careful in evaluating each cash collection location and ensuring appropriate controls are present.

Management and other personnel responsible for cash must ensure that all cash receipts are recorded using pre-numbered receipts, cash registers, an appropriate ticketing system, or some other way that documents the completeness of collections and allows for the proper deposit, recording, and reconciliation of funds. Whenever possible, management should consider the reasonableness of deposits by comparing collections over a period of time or by performing other analytical tests.

SEGREGATION OF DUTIES

Adequate segregation of duties helps to prevent misappropriation of funds and aids in detecting errors. The responsibilities of one person should complement and check those of others. Management must ensure that more than one person is responsible for cash collections, deposits, and reconciliations. When segregation of duties is not practical, compensating control procedures must be established. For example, a cashier's immediate supervisor could verify that the deposit receipt agrees with source documents (e.g., cash register tapes, receipts, ticket reports) and the related posting to the accounting system.

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SUMMARY OF TYPICAL CONTROL PROCEDURES

The following procedures are an example of a strong system of internal controls. Employees:

- a. Use two-part sequentially numbered receipts, contained in a single bound book, with carbons retained in the book.
- b. Retain all voided receipts within the book.
- c. Use only one series of sequentially numbered receipts.
- d. Add and verify all deposits at the time of receipt, immediately issuing a sequentially numbered receipt.
- e. Issues a receipt for all collections.
- f. Periodically audit the cash collections procedures to ensure the process is appropriate, the paperwork is complete, reconciliations are occurring correctly and all receipts and carbons are maintained. This audit is performed by a knowledgeable person who is independent of the process.
- g. Provide training, and written instructions, on proper cash handling and reconciliation procedures to appropriate personnel.
- h. Have view access to all accounts to which they deposit funds or ensure another appropriate way to verify these deposits.
- i. Ensure Schedule of Collections forms contain all necessary information including proper chart field combinations; details of amounts collected by cash, checks, student billing, and credit card; and proper signatures and dates.
- j. Sequentially number the Schedule of Collections forms to ensure completeness.
- a. Retain all original collections backup, including the Schedule of Collections and any cash register tapes.
- b. Retain the deposit receipt with the day's backup.
- c. Trace supporting deposit information to the University's accounting system at least once a month.
- d. Indicate the reconciliation of support to the accounting system, by checking off the respective amounts traced, noting any discrepancies and the resolution, and signing the day's support along with the date the reconciliation process was completed.
- e. Logically file all backup so that information can be retrieved as needed.
- k. Ensure that job descriptions include responsibilities regarding appropriate cash handling procedures.

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MANAGEMENT RESPONSIBILITY

The importance of prompt deposit, adequate records, segregation of duties and reconciliation of accounts must be recognized by any individual working with cash. Management is responsible for ensuring that personnel who handle cash collections are properly trained.

AUDIT REQUIREMENT

In addition, campus management is responsible for ensuring that each cash collection location is audited **at least once a year** and the results reported to the UMS Department of Internal Audit. A Cash Collections Audit Program is provided as **Exhibit A** to assist with this requirement. Annually, the campus Chief Financial Officer or designee should send to the Internal Audit Department:

- A summary of the areas audited (e.g., location, name of responsible person, authorized petty cash amount, name of auditor).
- A note that there were either no concerns or a description of the issues found (e.g., shortages, segregation of duties issues, supporting documentation issues, reconciliation issues). In addition management should comment on any changes made to address concerns or a conclusion that no change would be made and why.

If the audits reveal areas of high risk or concern, the campus should immediately contact the Internal Audit Department.

RELATED DOCUMENTS:

APL Section I-E – Petty Cash

APL Section I-D – Cash Management Training

APPROVED:

Chief Financial Officer and Treasurer

University of Maine System
Cash Collections Audit Program

University _____ Auditor _____
Department _____ Date _____
Location _____
Responsible Manager _____
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 the accounting system?
 - What is the approximate amount of cash collected annually by the department?
 - What is the peak cash collection period?
 - When do personnel restrictively endorse the checks by marking them for deposit only to a University account? (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 chartfield combinations are the amounts recorded?
 - What procedures are used to reconcile the accounting system to cash collections documentation?
 - If cash collections are posted to another department's/campus' chartfield combination, does that department/campus reconcile to the supporting documentation? Has supporting documentation been made available to that department/campus for review?
 - How is cash kept secure until it is deposited?
 - Is physical access to cash limited only to personnel responsible for the cash?
 - 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**. Reconcile the cash on hand to the authorized amount.
2. Cash Collections Testing:
 - For cash register systems, select a minimum sample of five days from various days throughout the year. For those days, compare the register tapes to the deposit receipt(s), other supporting documentation, **and** to the accounting system. If applicable, compare tape beginning and ending balances to the previous and next day's balances respectively to ensure completeness.
 - For manual receipt systems, select a minimum sample of five days. For those days account for the numerical sequence of receipts and note the total cash, checks, and credit card amounts collected. Agree amounts to other original source documents to ensure completeness of funds reported as collected. Further, agree the cash and check amounts to the deposits made with the business office (or bank as applicable). Finally, agree the deposits to the accounting system.

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.
 - Obtain a current aged accounts receivables listing.
 - If the receivables are recorded in the accounting system.
 - If duties are properly segregated.

Conclusion

1. Review observations with the department manager and discuss controls that need to be improved. For material weaknesses, ask management to respond with a written corrective action plan.
2. Send a summary of the results, as described in APL I-F, to Internal Audit.
3. Follow up on any open items.

**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		
Total Coins			

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		
Total Bills			

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