

Cash Handling Policy

Policy Level: Library Board
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Review Period: 4 years
Approval Date: June 2021 (Pending)

POLICY PURPOSE

To define the acceptable levels on control for Cash Handling operations for all Library locations to ensure clear and consistent practices within the Library for the handling of cash. This policy is designed to avoid mishandling or fraudulent activity in the handling of cash and to prevent and minimize the risk to employees when handling cash.

KEY POINTS SUMMARY

- Promote proper and consistent cash handling practices across the Library.
- Establish a system of internal controls for cash handling to prevent mishandling of such funds.
- Assist in strengthening the security over cash receipts.
- Ensure an appropriate segregation of duties exists.
- Ensure appropriate safeguarding of cash.

DEFINITIONS

Bank Deposits consist of coin, currency, cheques, and money orders.

Cash consists of coin, currency, cheques, money orders and credit/debit card transactions.

Cash Custodian – is an employee who performs the function of reconciling and preparing Library cash deposits for management review.

Cash Float are funds used to make change for a cash transaction.

Cashier is any employee who performs the function of receiving, transmitting, safeguarding and/or depositing Library cash.

Point of Sale System is a computer used in place of a cash register to record transactions, handle credit and/or debit payments and print receipts and reports.

PeopleSoft Financial System is the accounting software utilized by the Library to record financial transactions.

Refund is the exchange of monetary funds, debit transactions, credit card transactions or payment by cheque by the customer to the Library for goods or services that, after processing and settlement, has been mutually agreed to by the customer and Library that the repayment of a sum of money is required.

Segregation of Duties is an internal control concept in which the same employee does not have responsibility for incompatible activities such as handling cash and recording and reconciling transactions.

Transaction Log is a manual record used to record transactions.

Void is when no exchange of monetary funds, debit transactions, credit card transactions or cheque payment by the customer to the Library for goods or services that, after it has been authorized but before it has been settled, has been mutually agreed to by the customer and Library that said transaction should not be processed.

POLICY DETAILS

This policy applies to all Library staff, volunteers, students, and business partners who accept cash funds on behalf of the Library and whose financial transactions are captured within the Library's financial systems.

This policy does not include controls pertaining to the use of petty cash funds. Failure of staff to comply with this Cash Handling Policy could result in disciplinary action.

Segregation of Duties

No single person shall handle a transaction from beginning to end. No single person should have responsibility for both collecting cash and:

- Opening the mail.
- Depositing cash receipts.
- Recording or approving journal entries within the PeopleSoft Financial System.
- Performing bank reconciliations.
- Issuing invoices or posting payments within the PeopleSoft accounts receivable module.
- Initiating, approving or recording accounts receivable write-offs or other adjustments.
- Reconciling the numerical continuity of manual member receipts, where applicable.
- Using discretion as to whether a related charge will be levied and / or the amount of the charge.

Where segregation of duties is not practical, additional compensating controls and mitigation practices such as managerial oversight are required to reduce the risk of loss.

Receiving and Recording Cash Payments

An incomplete record of cash transactions and adjustments provides an opportunity to misappropriate cash and omit the shortage from the accounting records.

Counterfeit and mutilated currency is not legal tender and should not be accepted. Cashiers should be adequately trained in using common security features to identify counterfeit money.

All cash payments should be entered into the cash register or point of sale system immediately upon receipt from the customer. Where it is not practical to use a cash register or point of sale system, the cash payment should be recorded using pen in a transaction log which documents at a minimum the date, amount, type and purpose of the payment received.

A receipt should be printed from the cash register or point of sale system and provided to the customer for all payments received. A manual receipt should be prepared where it is not practical to use a cash register or point of sale system. The cash register, point of sale system, or manual receipt should indicate, at a minimum, the transaction date, sequential transaction or receipt number, purpose of the payment, amount received, taxes, and type of payment.

All cash payments should be collected by the cashier at a central location (ie. service desks).

Refunds and Voided Transactions

Lack of documentation and management oversight provides an opportunity to process an unfounded refund or void transaction for cash and misappropriate the funds. All refunds and voided transactions should have the following supporting documentation:

- Transaction date.
- Customer name, address, phone number and signature.
- Original customer receipt (where available).
- Reason for the refund or voided transaction.
- Amount and form of payment.
- Signature of the cashier issuing the refund or void.
- Signature of the supervisor approving the transaction.

Total refunds and voided transactions appearing on the cash register summary tape, point of sale system report or manual transaction log at the end of the cashier's shift should be reconciled to the supporting documentation outlined above.

Management should investigate refunds and voided transactions for which no supporting documentation exists. Refunds should be returned using the same payment method as the original

payment. For example, if the original payment was made using a VISA credit card, the refund must be returned to the same VISA credit card.

Receipts Reconciliation

Lack of management oversight and a proper receipts reconciliation process creates an opportunity to misappropriate cash and conceal the shortage. Cash, cheque, debit and credit card receipts on hand should be counted and reconciled to amounts recorded in the cash register, point of sale system or transaction log.

Cash appearing on the cash register summary tape, point of sale system report or manual transaction log covering the shift period should be compared to the actual amount of cash on hand once the float balance is removed. Cash shortages or overages should be identified and explained. The receipts reconciliation should be documented, re-performed and reviewed by management and signed by both the cashier and management as evidence that the reconciliation is complete and accurate.

Where it is not practical for management to review the receipts reconciliation, a second employee who did not participate in the particular cash handling activities may act on management's behalf. Management should summarize cash shortages and overages by date and amount. Management should review this summary at least on a monthly basis in order to identify trends or significant cumulative discrepancies. Significant shortages and overages should be brought to management's attention, investigated, documented and resolved. At a minimum, documentation should contain a description of steps taken to investigate the shortage or overage and what action (if any) was taken by management.

The float and cash awaiting deposit should be stored in a secure location with limited access. Only the cash custodian or branch manager should have access to cash awaiting deposit.

Bank Deposits

Large amounts of cash stored on-site for an extended period of time provides an opportunity to misappropriate, skim or lap funds.

All funds should be deposited intact. No cash receipts should be retained or expended to pay invoices or miscellaneous expenses, replenish petty cash or make loans or advances. Cash back for debit or credit card purchases must not be allowed. Cash awaiting deposit should be stored in a secure location with limited access.

Cash appearing on the cash register summary tape, point of sale system report or manual transaction log covering the deposit period should be compared to the actual amount of cash on hand. Differences that were not previously identified as part of the receipt reconciliation process should be brought to management's attention, investigated, documented and resolved. The deposit reconciliation should be reviewed by management and signed by both the employee and management as evidence that it is complete and accurate.

A bank deposit slip should be prepared for the actual amount of cash on hand. The deposit amount should match the amount of cash appearing on the receipt reconciliation or deposit reconciliation. The deposit should be re-counted and bank deposit slip reviewed by management or designate. The bank deposit slip should be signed by both the employee and management, or designate, as evidence that the reconciliation is complete and accurate. At a minimum, the bank deposit slip should be produced in triplicate – two copies are remitted to the bank with the deposit and one copy is retained by the department. The deposit and two copies of the bank deposit slip should be sealed in a bank deposit bag. The deposit should occur the same day on which it is prepared.

Where the Library's contracted service provider is not required, the bank deposit should be escorted to the bank by a Library employee. Bank deposits should not be sent through mail or inter-office mail.

Bank deposits picked up by the Library's contracted service provider should be recorded using a pen in a pickup log which documents, at a minimum, the date, deposit bag number, deposit amount, initials of the Library employee releasing the deposit and initials of the Library's contracted service provider driver taking custody of the funds. If in doubt, the identification of the Library's contracted service provider driver can be compared against a list of authorized personnel before releasing the deposit.

Bank Reconciliation

Lack of a bank reconciliation process creates an opportunity to misappropriate cash from the bank deposit and not detect the discrepancy. Funds deposited should be recorded in the PeopleSoft Financial System and reconciled to bank statements at least on a monthly basis.

Point of sale system transactions should be automatically downloaded into the PeopleSoft Financial System. Manual journal entries are required to record cash register and transaction log activity into the PeopleSoft Financial System. Each branch should forward pertinent documentation to the Financial Services Office in order to prepare journal entries.

The Financial Services Office should perform, document, review and sign off on bank reconciliations by the end of the month following the month being reconciled. Any discrepancies between funds deposited and bank activity should be investigated and resolved with assistance from the branch.

Safeguarding Cash

Inadequate physical security provides an opportunity to misappropriate cash from the float, daily cash receipts and/or bank deposit. It may be difficult to identify when and why cash shortages occur or the person responsible if access to cash is not limited.

Background checks should be performed on new cash handlers.

Cash should be kept secure at all times. This includes but is not limited to:

- Keeping all cash in a locked cash register, cash drawer or cash box.
- Locking the cash register, cash drawer or cash box when cash is left unattended.
- Affixing cash registers and boxes to a fixed surface to prevent removal.

Cash should be counted in a non-public, secure area, out of sight.

Physical access to the safe or storage areas where cash is kept should be restricted to a limited number of people. Access may be restricted by limiting those with access to keys or knowledge of the combinations. Access should be granted based on the employee's job duties.

Safe combinations should be kept in secure locations and records should be maintained listing those who have knowledge of the combinations. Safe combinations should be changed when one or more of the following parameters have been met:

- Seasonally for outdoor facilities (e.g. outdoor pools, arenas, golf courses, etc.)
- An incident at the facility has compromised and / or has the potential to compromise the security of cash
- Annually

For safes, lock boxes, filing cabinets or cash drawers with keys, all keys and copies must be kept secure and there should be a log to track the issuance of keys. When an employee leaves the employment of the Library or changes responsibilities, all keys should be turned in. Locations should have a plan in place for re-keying safes / lockboxes periodically.

Cash Float

Continuous access to the cash float for an extended period of time without management oversight provides an opportunity to misappropriate, skim or lap funds. A cash float is issued for the purpose of making change for a cash transaction. Money from the float should not be retained or expended to pay invoices or miscellaneous expenses, replenish petty cash or make loans or advances.

The cash float should be stored in a secure location with limited access at all times. Access to the cash float should be limited to the cashier and their direct supervisor during a given shift. The cashier should count the cash float at the start and end of their shift. At a minimum, the float should be re-counted by management or their designate at the end of the cashier's shift as part of the receipt reconciliation process. Shortfalls in the float balance should be brought to management's attention, investigated, documented and resolved.

Management should conduct a surprise count on a periodic basis to reconcile the float balance. The count should be witnessed by another employee and the reconciliation documented and initialed by both employees. At a minimum, surprise counts should occur on a quarterly basis.

RELATED DOCUMENTS

- Refund Policy
- Code of Conduct and Conflict of Interest Policy
- Cash Handling – Procedures for all Staff
- Cash Handling – Procedures for Cash Custodian

APPROVAL HISTORY

July 2010; October 2017