



Cash Handling Policy

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ADDITIONAL DETAILS

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Responsible Department/Division:
Department of Finance, Revenue Division

Policy Statement:

The City of Sacramento (City) establishes this Administrative Policy Instruction (API) to set forth policy for cash handling throughout the City. The purpose of this cash handling policy is to provide all City departments with guidelines for handling cash when it is received by a City department for payment of a City debt, deposit, tax, or fee for service. This policy provides information about how and when to collect and secure payments in accordance with legal and policy requirements. All cash collection processes shall be performed within delegated scopes of authority and in compliance with all Federal, State, and City codes, regulations, policies and generally accepted accounting principles. All documentation shall be maintained in accordance with the City's record storage and retention requirements. The Revenue Division shall be the point of contact for questions concerning this policy.

CASH MANAGEMENT CITYWIDE

The City has instituted a policy to safeguard the resources received and manage those resources for the purposes intended. The policy is designed to protect the cash or cash equivalents received from theft, fraud, loss or unauthorized use. The policy will enhance the accuracy and reliability of the City's financial records by reducing the risk of errors and irregularities in the accounting process. The City's financial records must report cash flows and cash balances accurately and timely. The policy will ensure that enough cash is available to meet operating needs and maturing liabilities.

INTERNAL CONTROL OF CASH

City departments should endeavor to have all funds received to be accepted through the City approved Cashiering System. The Cashiering System will accept, record and deposit funds received daily as this increases cash processing efficiencies and provides more detailed support for reconciliations. When

use of the Cashiering System is not possible, then the department must establish a procedure that contains the elements of this policy. The procedure must be approved by the Department of Finance.

Segregation of duties must be established for depositing, recording and reconciling functions. The responsibilities for related activities should be assigned to different individuals and the responsibility for record keeping for funds should be separate from the physical custody of those funds. Related activities should be assigned to separate individuals to reduce the potential for errors or irregularities.

Daily processing of cash receipts and account receivable transactions should occur to ensure the accurate recording of transactions. Funds received should be recorded in the same accounting period.

Funds should be deposited to the bank daily to prevent the accumulation of excess amounts of idle cash and exposure to theft or loss of funds. Alternate bank deposit schedules may be arranged based upon transaction volume, dollar amount and physical security of cash. Deposits should only be made by methods authorized by the City.

Timely reconciliation to the general ledger, other supporting accounting ledgers and the bank must occur to detect errors, fraud or misuse. The reconciliation method used must consider the type of funds being received, the use of large amounts of cash, the length of time between receipt and deposit and the safeguards in place for securing the funds. Departments may require daily department reconciliation and a monthly bank reconciliation to ensure accuracy of the accounting records.

Automated system resources for enhanced processing and reconciliation should be used whenever possible. Prior approval from the City Treasurer's Office and the Department of Finance must occur before an automated system is utilized to ensure compliance with City policies and Treasury requirements for timely deposit of funds held by third party vendors.

The establishment of internal cash controls by departments shall be reviewed periodically by the Department of Finance.

Notification of management and Internal Audit upon the suspicion of fraud must occur immediately. Management shall then notify the appropriate authorities in a timely manner for further investigation.

Periodic review by Internal Audit for internal control compliance must occur based upon the schedule set by Internal Audit. If management has a suspicion regarding non-compliance with internal control directives, Internal Audit shall be notified immediately.

CREDIT CARD ACCEPTANCE

The City accepts credit cards and debit cards with a credit card logo as a form of payment. The City and all Departments accepting credit cards must meet Payment Card Industry Data Security Standards (PCI-DSS). This standard applies to all entities that store, process or transmit cardholder data. Cardholder data refers to any information printed, processed, transmitted or stored in any form on a payment card. The City is expected to protect cardholder data and to prevent unauthorized use, whether the data is printed or stored locally, or transmitted over a public network to a remote server or service provider. The City-approved merchant account vendor must be used by City Departments to accept credit/debit cards using Visa or MasterCard. Departments choosing to use a vendor for electronic processing must be PCI-DSS compliant and have approval from the Treasury Department prior to contracting with a vendor. Departments must not store payment card data unless it is absolutely necessary to meet the needs of the business function.

ACCOUNTING PRACTICES

Revenue shall be recorded in the applicable general ledger account and in the applicable fiscal accounting period. Accounts receivable shall be established for services provided in advance of payment. Invoices shall be generated in the City's centralized eCAPS accounting system whenever possible. If invoices are generated from a system other than eCAPS, the receivable shall be recorded

in the general ledger in a timely manner and at the close of the fiscal period. Disbursements should not be made from cash receipts and checks should not be cashed from cash receipts collected.

DOCUMENTATION REQUIRED

All source documents relating to the receipt and deposit of funds must be maintained by each City department, and whenever possible, City departments should use pre-numbered documents. All documents should be accounted for and promptly forwarded with the cash receipt form for daily deposit and verification. The cash receipt procedures approved by the Finance Department must be used and the document must include accounting entries.

PHYSICAL SECURITY AND CUSTODY OF CASH

Physical security of funds must be established for the purpose of safeguarding these assets. Safes, vaults and safety deposit boxes for cash/checks must be utilized and procedures established and approved to determine individual access. Alarms may be utilized to prevent break-ins and pass key access may be established. These procedures shall be written and periodically reviewed and updated. Electronic controls to safeguard the accuracy and reliability of accounting records must be established to limit unauthorized access or unintended tampering.

BALANCING AND RECONCILING

Daily balancing from the department or individual receiving funds and department or individual depositing funds may occur as applicable. The daily balancing method used shall consider the type of funds, the length of time between receipt and deposit and the safeguards in place for securing the funds. Monthly reconciliations of cash receipts and deposits to the bank should be performed by departments receiving cash/checks. Timely reconciliation to the general ledger and other supporting accounting ledgers must occur to detect errors, fraud or misuse.

INTERNAL VERIFICATION

The Department of Finance or Internal Audit shall periodically verify records on a surprise basis. An employee who is independent of the department should make the verification. All records must be maintained on-site and in accordance with the City's record retention policy. Discrepancies and exceptions should be reported to management who shall take appropriate corrective actions.

Reason for Policy:

The purpose of this cash handling policy is to provide all City departments with guidelines for handling cash when it is received by a City department for payment of a City debt, deposit, tax or fee for service.

Responsible Department:

Department of Finance, Revenue Division

Frequently Asked Questions:

How do I know if I need to create a department specific cash handling policy?

A cash handling policy is required if a department receives cash, checks or credit card payments on a regular basis.

How do I create a department specific cash handling policy?

Contact the Revenue Division Manager for coordination with staff to assess department needs and develop a policy.

Why should a department make daily deposits to the bank?

Daily deposits to the bank attempts to prevent the accumulation of excess cash, the possibility of theft or unauthorized use of funds and the safeguarding of public funds.

If a department is unable to make daily deposits what should they do?

Contact the Revenue Division for assistance in creating a procedure that will ensure the safeguarding of funds and proper accountability for those funds.

What should I do if I suspect any misuse of funds?

Immediately contact the Department Manager and the Revenue Division Manager for instruction on securing the funds and protecting the assets from additional loss or misuse. An investigation will be initiated by the Revenue Division Manager immediately and the proper authorities will be contacted.

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Cash Handling
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Safeguarding