

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

CASH HANDLING POLICY

Number 09.02.02

Division Finance - Accounting & Financial Reporting

Date April 18, 2012

Purpose To reduce the risk of theft, loss or misplacement of cash and checks received for university related functions.

Policy All cash receipts must be deposited daily. Cash received must be deposited in its entirety and under no circumstances be utilized to fund purchases, to cash checks, replenish petty cash/change funds, or to issue refunds. Personal transactions with cash funds are prohibited. Monies may never be loaned from cash funds. Cash must not be withheld from a deposit for the purpose of creating a Change Fund.

Funds received on behalf of the University for the use of campus equipment and facilities must be deposited in the UAH bank account. Cash (currency) receipts of more than \$10,000.00 must be reported to Accounting & Financial Reporting within 5 days with specific identification of the paying individual and social security number for reporting to IRS.

Procedures The handling of University funds requires that certain basic procedures be followed precisely at all times. Procedures for the handling of cash receipts are designed to provide accountability for funds received in accordance with accepted internal control standards. Cash handling procedures are designed to assist and protect both the individuals handling the funds and the University. This document establishes the University's policies related to handling and processing cash and cash equivalents, and defines roles and responsibilities related to receipt, safeguarding, and reporting by a department. Its purpose is to ensure that these important University assets are protected and processed in a timely manner.

For the purposes of this document, cash is defined as coin, currency, checks and charge cards.

All personnel should immediately report any suspicious, threatening or unsafe actions to management.

This policy is applicable to every university department that handles receipts for any university related function. All cash operations are subject to review by general accounting, internal auditors, and external

auditors.

GENERAL PROCEDURES

1. Deposits

All cash receipts must be deposited daily. Timely and accurate deposits of cash and checks reduce the risk of theft, loss or misplacement of funds. Compliance with this policy will also assist the University in improving its cash flow and increase its short term investment income.

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Cash Receipt

A pre-numbered cash receipt or a computer-generated receipt must be issued for each cash payment received. Pre-numbered receipts may be obtained from the Bursar's Office. Whenever pre-numbered receipts are used, there will be one cash receipt form issued for the total amount of checks received by mail on any given day. A cash receipt form will be issued anytime a payor requests a receipt. All numbered receipts must be accounted for, including voided numbers. Receipt distribution should be as follows:

- a. The original receipt is issued to the individual from whom you have collected a fee if the individual is in person.
- b. The second copy of the receipt should be sent to the Bursar's Office along with the payments collected.
- c. Retain the third copy of the receipt and file in numerical order for audit purposes.
- d. Admission tickets sold at an event site may count as a receipt.

Receipt Log

The receipt of all cash must be recorded as it is received. Receipts must be issued for all currency received. There should be a cash receipt log for recording currency, checks, credit cards, etc. The Cash Receipt Log must include:

- Name of payer
- Date received

- Check number
- Date of payment
- Method of payment (e.g. cash, check and credit card)
- Amount of payment
- Purpose of collection
- The index number and account code distribution

2. Petty Cash/Change Fund

Departments interested in engaging in either cash collection or establishing a Petty Cash or Change Fund must obtain prior approval from the Assistant Vice President, Finance and Business Services. A petty cash fund is a sum of money set aside for the purpose of making immediate payments of relatively small amounts. A change fund is a sum of money used by the department custodian to make change. The amount in both types of funds should be kept at a minimum level, but sufficient for necessary departmental operations.

Approval is obtained by submitting a memo to Accounting & Financial Reporting listing the following information:

- Department name
- Department address
- Primary contact name, phone number and e-mail address
- Custodian of the funds
- Reason a cash collection site or petty cash/change fund is needed

Signature of the Department Head Individual accountability must exist at all times for cash funds. The University employees who are assigned funds (the fund custodian) must follow these policies and procedures.

Each cash fund should be maintained separately. Co-mingling of University and Non-University funds is prohibited.

The number of persons in a department allowed to physically handle funds should be kept to the very minimum.

Only one person should have access, custody, and responsibility for monies at any point in time. Custodianship should be documented in writing and all fund custodians should be provided a copy of this policy and procedure.

All transfers of monies, receipts, or other transactions should be documented in writing. This also includes the transfer of funds from one custodian to another. Fund custodians should verify all monies to assure themselves of the accuracy of amounts involved in any transactions.

3. Gift Checks

Occasionally donors will send contributions to the University that may be more appropriately deposited with the UAH Foundation (UAHF). These contributions can be deposited with the UAHF as long as they do not represent receipts from an activity supported by University resources.

Gift checks should be promptly forwarded to University Advancement so that proper receipting and acknowledgement of donors can be completed. The timely receipting of donations in December is extremely important for the donor to take an IRS tax deduction for the amount of the donation.

4. Checks

Checks must be made payable to the University of Alabama in Huntsville. Checks must not be a third party check or post dated. When checks are presented in person, the student identification number or another identifying number should be placed on the check. The written amount of the check must be the same as the numeric value.

Checks made payable to the University will not be endorsed over to any individual, club, or organization.

Payment for returned checks must be processed directly at the Office of the Bursar. Returned check payments should not be processed with departmental deposits. All inquiries regarding returned checks should be directed to the Office of the Bursar.

5. Refunds

Refunds must be paid by University check. The only exception to this procedure is listed in paragraph 7 on page 10 pertaining to the sale of event tickets.

6. Record Retention

All documentation including cash receipt logs, unused and unissued tickets and reconciliations should be retained at least three years for audit purposes.

7. Bank Accounts

Accounting and Financial Reporting is the only department authorized to have a bank account. All other departments and student organizations are prohibited from opening any bank account to deposit federal or state funds. All receipts collected by any department in the performance of assigned duties are considered state funds and must be deposited through the Office of the Bursar.

8. Special Situations

Contact the Bursar whenever any special or unusual office situation arises in

the collection, receipting or remitting of cash.

9. Suspicious Activity

A department should immediately contact Accounting and Financial Reporting, University Police, appropriate Dean, Office of Internal Audit if monies are missing, or if there is suspicion of theft or diversion of funds.

COMMON INTERNAL CONTROL WEAKNESSES

- 1 Reconciliation of receipts to deposits is inconsistent.
- 2 Monies are not deposited in a timely manner.
- 3 Adjustments and voids to cash receipts and accounts receivables are not reviewed and approved.
- 4 Receipts are not sufficiently monitored to ensure compliance with policy or to ensure correct amounts are collected for services provided.
- 5 Checks received by mail are not restrictively endorsed.
- 6 Overages and shortages are not investigated unless they exceed \$25.
- 7 Lack of separation of duties or compensating monitoring controls.
- 8 Cash receipts or change funds is not secured to restrict access.

SAFEGUARDING CASH

- 1 All cash received is the responsibility of that department until it is deposited with the Bursar's office. Cash should be deposited on a daily basis. If cash is received on a weekend, then it should be deposited on the next working day.
- 2 All cash must be kept in a secure location. Particular attention needs to be paid to the security of cash both overnight and during the day. Cash must not be left unattended during the day. Cash should be stored overnight (or during the day while unattended) in a cash box within a locked safe to which there is restricted access.
- 3 Combinations and keys to safes and other storage facilities should be restricted to the custodian of the cash and a designated backup. Combinations or locks should be changed as necessary, and whenever a person with a combination or key separates from the University. Persons responsible for cash should be instructed to maintain confidentiality of safe combinations.
- 4 Doors should be locked at all times in areas where cash is handled. Safe doors should be kept closed during working hours and locked at times when it is not necessary to be in and out of the safe.
- 5 The secured lock box and or safe must be in a locked room with key-entry to only a few designated staff members.

- 6 Unauthorized persons should not be allowed in areas where receipts are handled.
- 7 Working funds should be kept to a minimum.
- 8 Large sums of cash should be counted and handled out of sight of the general public.
- 9 Under no circumstances should an individual keep University cash with their own personal funds, deposit University funds in a personal bank account, or take University funds home for safekeeping.
- 10 A log should be maintained of those entrusted with safe combinations and the location where tickets are stored.

SEPARATION OF DUTIES

Duties of opening mail, processing cash received by mail, collecting cash, preparing receipts, preparing deposits, and account reconciliation should be separated among individuals. An individual should not be responsible for more than two of these processes. Listed below are some examples of how duties may be divided.

Responsibility	Ideal 4 Persons	Good 3 Persons	Minimum 2 Persons
Cash receiving and cash drawer closeout	Coworker 1	Coworker 1	Joint 1 & 2 Coworker
Deposit preparation, Deposit ticket form	Coworker 2	Coworker 2	Joint 1 & 2 Coworker
Making cash deposit	Coworker 3	Coworker 1	Coworker 1
Ledger transaction review and reconciliation	Coworker 4	Coworker 3	Coworker 2

In departments where the separation of duties is not feasible, strict individual accountability and thorough management supervision and review is necessary.

CASH HANDLING

Recording of Cash Receipts

All cash must be recorded as it is received by a pre-numbered receipt and/or cash receipt log. The information to be recorded should include the payer, form of the payment (currency, check number, and date, credit card, etc. and the item sold (e.g. basketball, baseball, concert, etc.)

The total of all funds received should be used for reconciliation purposes.

All persons responsible for the receipting of funds must reconcile monies on hand on a daily basis.

Receipt Control

Only official University pre-numbered receipt forms from the Bursar or computer-generated receipts may be used.

The receipts must be used in consecutive order. If more than one person in a department is issuing receipts, each person should be assigned their own receipts. The individual receipting the cash and issuing the receipts should sign for the pre-numbered tickets issued.

Receipt books must not be left unattended during the day, and should be stored overnight in a locked cabinet or safe in which there is limited access.

Voided receipts should be approved by a supervisor. All copies of the voided receipt should be retained.

If unused pre-numbered receipt forms are no longer needed, they should be returned to the Bursar

Mail Log

1. A log should be maintained of all mail that contains money whether currency or check.
2. Information on this log should include, at least, the following:
 - a. Name of Payer and amount
 - b. Check Number
 - c. Check Date
 - d. Purpose of Payment
 - e. Disposition of the payment to whether it is receipted or forwarded.
3. Any time currency is received by mail, the supervisor should be notified and it should be entered on the mail log. The cash payment should be receipted immediately.

Departmental Office Cash Handler

Cash Received in Person

1. Currency received in person must be issued a pre-numbered receipt and a copy given to the customer.

2. All checks must be endorsed immediately with a restrictive endorsement on the back of the check: "For Deposit Only to The University of Alabama in Huntsville".
3. The cash receipt journal should be updated at this time with the accounting data listed in item 1 of the General Procedures.
4. Checks received that were intended for another department should be restrictively endorsed to the University of Alabama in Huntsville and forwarded to that department for deposit. A record should be made of the disposition. If the intention is unclear, the checks should be sent to the Bursar's office.
5. All voided transactions are to be approved and signed by the supervisor.
6. The cash received must be reconciled to the pre-numbered receipts at the end of the day or at the end of each shift. If the cash received is from an event, then the cash must be reconciled to the tickets issued.
7. Only one cashier should be allowed access to a cash drawer during a single shift.
8. Cash must be stored in a safe or other secure place until it is deposited.
9. Cash for an event ticket will not require a receipt.
10. A reasonable effort should be made by personnel receiving currency to determine if a bill is legitimate. If a questionable bill is received, the department should retain possession of the bill and call the UAH Police Department.
11. Money should be counted back to the customer when change is given.
12. Money received should be kept out of the cash drawer until the transaction is complete.
13. Two transactions should not be made at once, i.e. change should not be made in the middle of taking a payment, even for the same customer.
14. The written amount of a check should be the same as the numeric value.

Cash Received Through the Mail

1. The mail is opened and all checks received must be endorsed with a restrictive endorsement "For Deposit Only to the University of Alabama in Huntsville.
2. The cash receipt journal should be updated at this time with accounting data listed in section 1 of the General Procedures.

3. The cash must be stored in a safe or other secure place until it is deposited.

Sale of Admission or Event Tickets

All tickets should be pre-numbered and contain:

- The name of the unit sponsoring the event
- The name of the event
- The date of the event
- The price of the event

General admission tickets should be pre-numbered but may not require the same information as the reserved seats such as seat number, etc.

Use different color tickets for each price category.

As soon as tickets are received and before ticket sales begin, at least two individuals should examine and count the tickets.

The recording of ticket sales must include the following procedures:

1. The ticket seller should not be the same person as the ticket taker.
2. Create a sales sheet for the event with total tickets for sale and the money detail for each seller.
3. Two individuals should not work out of the same cash drawer.
4. The seller should verify the amount of monies received and the tickets available.
5. The seller should initial that these actions have been completed.
6. Keep a list of all complimentary tickets, including numbers. This list must be approved with the signature of someone authorized to decide who is eligible to receive free tickets.
7. Refunds should be made only after the ticket is returned and should not be made with cash. The ticket should be marked voided so it is not resold. The refund should be made with a miscellaneous voucher transmitted through Accounting and Financial Reporting. The only exception to this policy is if the receipt was just written and the payment for that receipt has not been deposited yet. In this case, the original receipt would need to be voided and placed in the receipt file.
8. After the event, prepare a reconciliation of the ticket sales. All tickets must

be classified as sold, complimentary, or unsold. Record the beginning and ending number for each price category. The number of tickets sold at each price category should equal the amount of the cash receipts for the event. Any difference will result in an overage/shortage with the actual cash received.

9. Provide the signed ticket sales reconciliation to the reviewer designated by management.

Reviewer of Admission or Ticket Sales

The reviewer will review the reconciliation for the following:

1. Count the number of complimentary tickets issued. Verify that the list has been approved.
2. Recalculate the number of tickets sold. (Beginning number of tickets issued, less unsold tickets, less complimentary tickets = tickets sold).
3. Verify the number tickets sold times the price of each category to determine receipts for the event.
4. Record any difference between computed sales and actual sales per cash receipts.
5. A log should be maintained to record the overages/shortages from ticket sales. Any significant shortages should be investigated thoroughly.
6. Reviewer should sign the reconciliation sheet.
7. Management should review and approve the ticket sales report.
8. The cashbox is then taken back to the department for safekeeping before taking it to the Bursar for depositing in the bank.

Reconciliations of Ledgers and Cash Receipts

Reconciliation is the process of comparing information that exists in two systems or locations, analyzing differences and making corrections so that the information is accurate and consistent in both systems. For financial reporting purposes, the process includes comparing the department's record of financial information to the general/subsidiary ledger.

Reconciling Daily Cash Receipts

Departmental cash receipts must be balanced daily to the sales records such as event tickets, cash receipt logs, in person cash drawer, and mailed

payment receipts. On the days in which cash is collected, a formal reconciliation must be completed by the end of an event, or business day, or shift for cash drawers and mailed payments. All pre-numbered cash receipt tickets must be accounted for including the voided ones. A supervisor's review must confirm that the amount of cash indicated on the reconciliation is accurate. The supervisor must also verify that the total receipt documents equal the cash totals and must account for all sequentially numbered receipts or tickets. The supervisor must review and approve voided transactions.

Monthly Reconciliations of Ledgers

Although departments may review their ongoing ledger activity on the University's accounting system and print the ledgers at any time, a formal reconciliation of the accounting records should be performed as soon as possible after the month end closing. Ledger account reconciliations should include the following:

The reconciliation must be prepared by an employee who did not collect the funds.

The department must reconcile the total deposits and any journal entries to the monthly Banner Finance reports. This reconciliation should include verification that all funds receipted were actually deposited and credited to the correct subsidiary ledger. The ledger postings should be compared to the daily receipt log or deposit form. Discrepancies should be reconciled immediately.

Receipts that are received in the department that are not recorded in the same month as the Banner Finance system will have to be listed as reconciling items.

Reconciling items may include journal entries, unrecorded deposits or incorrect postings. Each of these type items or similar ones must be listed on the reconciliation document and explain the disposition of each type of difference. For example, unposted deposits will be recorded in the following month. If these deposits are posted in the next month, that reconciling item will not appear on the next month's reconciliation. Any uncleared items will appear on subsequent monthly reconciliations until properly handled. For example, any entry made in error, such as a receipt that belongs to another department

Explain any differences in the departmental records and the official accounting records on the reconciliation form.

Both the employee preparing and the employee approving must sign and date the monthly reconciliation form.

Deposits

All funds are to be deposited with the Bursar's Office in the Student Services Building. All deposits in transit to the Bursar via a public safety officer must be in a locked cash bag.

Each department must balance cash received to sales records, pre-numbered receipts daily or since the last cash, checks, or credit cards were received.

The deposit must be prepared by someone not involved with collecting the cash or opening the mail.

Cash receipts should be deposited daily. Receipts for weekend activity should be deposited by the next business day.

It is the responsibility of the department to accurately count all currency, checks, and credit card payments before completing the deposit ticket.

A Deposit Ticket must be completed for all departmental deposits and submitted to the Office of the Bursar for depositing with the bank and entering into the Banner Finance System. Complete the Deposit Ticket as indicated with the following information:

- a. Enter the name of the department making the deposit.
- b. Date of deposit.
- c. Describe the purpose of the deposit.
- d. Enter the Banner accounting codes and the amount of fund distribution in the appropriate columns.
- e. Enter currency, checks, and credit card totals in the appropriate columns.
- f. Verify the funds received and accounting codes are correct.
- g. Have a secondary individual with the department review and sign the voucher.
- h. Preparer Signature.
- i. A departmental deposit summary must be attached to the Deposit Ticket that includes the date, name of payer, receipt number, amount, any tax due, organization, activity, type of payment (cash, checks, credit cards, etc.), and totals.

Deposits should not be sent through campus mail. The deposit must be hand delivered. Transfers of cash should be irregular, subject to change without notice, and times known only to a select few. If there is a large amount of cash, UAH Police should be consulted about transferring the funds. If the deposit is hand delivered, the Office of the Bursar will count and validate

funds in the presence of the departmental employee. The Office of the Bursar will compare the validated total to the amount on the Deposit Ticket. Any discrepancies must be reconciled before the deposit can be processed into Banner. Upon reconciliation, the deposit will be processed and applied to the departmental account. The Office of Bursar will stamp the Deposit Ticket and send a copy to the department.

Currency

All currency must be separated by denomination and presented face up and facing the same direction. An adding machine tape or spreadsheet should be included with the breakdown of the amounts for each denomination. Coins should be placed in an envelope with the enclosed amount noted.

Checks

All checks must face the same direction to expedite bank processing.

An adding machine tape or spreadsheet must be provided to determine the total amount of checks being deposited.

Credit cards

Charge card transactions are monetary transactions and therefore are subject to the same control and reconciliation policies as cash transactions. Charge card sales should be deposited along with any currency and checks.

Managing the Cash Receipts Process

Management should do a periodic review of the internal controls in place to determine that the controls are:

- Sufficient to safeguard cash collected;
- Understood by staff;
- Performed completely by staff.

A member of management should be designated to take responsibility for reviewing and approving the reconciliations in a timely manner.

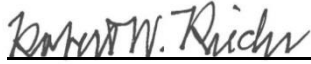
The designated member of management should also review the nature, extent and resolution of overages and shortages.

Cash custodians should be required to take periodic leave allowing for the substitution of other staff to perform the required cash handling.

Review

The Office of Accounting and Financial Reporting is responsible for the review of this policy every five years (or whenever circumstances require).

Approval



Chief University Counsel



Senior Vice President for Finance and Administration



Associate Vice President for Accounting & Business Services

APPROVED:



President