

CORPORATE POLICY



Policy Title: **Cash Handling Policy**
Policy Category: **Financial Control Policy**
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Department: Corporate Services
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Author: Paul Grivicic
Attachments:
Related Documents/Legislation: Revenue Administrative Policy 2005-02

Key Word(s): Cash, Handling, Controls

POLICY STATEMENT:

This Policy sets out good business practices for handling cash and cash receipts. The establishment of strong internal controls for cash collections is necessary to prevent mishandling of funds and to safeguard against loss. All Departments that handle cash must have an awareness of, and show a commitment to, strong internal controls for cash management. All staff are responsible for establishing and maintaining the proper environment for internal controls.

PURPOSE:

To provide direction for ensuring proper controls over all revenue sources and types of receipts by properly safeguarding, depositing and recording funds.

DEFINITIONS:

For the purposes of this policy “cash” will include:

- Currency – Canadian dollar denominations
- Coins – The City of Waterloo will accept a maximum of 50 coins, or the limitations placed under section 8 (2) as legal tender Currency Act RS. 1985,c.C-52, whichever is greater (see Revenue Administrative Policy 2005-02)
- Foreign Currency – i.e. U.S. dollars
- Cheques
- Money Orders & Bank Drafts
- Debit Card Transactions

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: November 3, 2014

Corporate Management Team, Review Date: November 12, 2014

- Credit Card Transactions

SCOPE:

This policy applies to all Departments and all staff whose duties involve receipting, handling and/or processing of cash and cash receipts of any type.

POLICY COMMUNICATION:

Communication will be via email to all staff. Those staff without email will receive a hard copy. Inquiries will be addressed as they arise.

POLICY:

1. All payments should be secured, deposited and/or processed within 24 hours of receipt
2. Documentation for each transaction may be generated manually (receipt form) or through the use of a cash register or point of sale system that will provide detailed and/or summary information
3. Where practical, use automated systems (point of sale or cash register) to increase cash processing efficiency to provide more detailed support for reconciliations and provide an audit trail
4. Establish a starting cash drawer amount (cash float) requiring daily verification by the cashier responsible
5. Each individual cash drawer be reconciled when a cashier changes (i.e. end of a shift), documented, signed off by the responsible cashier(s) and deposited in a timely manner. In exceptional circumstances, each individual cash drawer can be reconciled on a daily basis.
6. Segregate duties between collection, recording, reconciliation and deposit processes
7. Daily reconciliation and counting of receipts should be done away from public view, in a secure area
8. Cash back is not permitted during debit card transactions or any other transactions
9. Cashier(s) are obligated to report overages and shortages on the daily cash balance reports. Significant overages or shortages should be brought to the attention of their manager.
10. Revenue reports are prepared by Department staff where deposits are decentralized, or by Revenue Service staff when revenue is processed by the centralized tax counter
11. Revenue reports are to be prepared and recorded into the general ledger on a daily or weekly basis
12. During the monthly bank reconciliation, the revenue deposited will be reconciled with the revenue recorded in the General Ledger (G/L) and any discrepancy will be followed up with the originating Department

13. All cash should be counted by the cashier and verified by the manager/supervisor, if possible. Both individuals should sign off on a cash count sheet.

Security Controls - Cash Drawers, Safes & Lock Boxes:

1. Access to cash drawers should be limited to the cashier collecting the cash and/or the manager. Cash drawers should not be shared by cashiers.
2. Assign responsibility to the cashier for ensuring the security of the cash drawer after each use
3. Cashiers should not share their logins and passwords into the Point of Sale (POS) system
4. Where possible, cash drawers should not be visible to the general public
5. Require periodic draw-downs by management during the days of large collections to ensure the amount of cash in each drawer does not become excessive. Utilize drop safe where appropriate, or otherwise ensure cash that is drawn-down is in a secure location.
6. Where possible, cashiers should have access to a security alarm or buzzer that would alert management or security personnel of robberies or any other threatening activities
7. At end of day, ensure cash drawer is locked and secured in a safe
8. Any un-deposited cheques or cash will be stored in a secure facility at the end of each business day
9. Any "paid" or "received" stamps shall be stored and locked at the end of each business day
10. Safes and lock boxes must be kept in a secure area and shall be locked at all times when unattended
11. Only limited staff shall have safe combinations or keys to lock boxes where funds are being locked for safekeeping
12. Safe combinations must be changed when an employee who previously had the combination leaves the section
13. Keys to lock boxes must be kept in a secure area.
14. Cash drawers should not open when there are non-cash transactions (i.e. during debit, credit or cheque transactions)
15. POS system logins and passwords must be cancelled for employees who no longer need access to the system
16. POS system access should be restricted based on individual staff's roles and responsibilities

Processing Cheques, Money Orders, and Bank Drafts:

Staff may accept cheques only when the cheque is made payable directly to the City of Waterloo.

The City will not accept a third party cheque unless issued by the Province of Ontario or the Federal Government of Canada.

Upon receipt of cheques, money orders or bank drafts the receiver must:

1. Ensure the date, amount and payee are correct and that the cheque is signed by the customer
2. **Automated System Receipting:**
If Departments have an automated POS system or cash register, receipting will occur through those means, and the daily revenue reports and payments information is retained
 - a) All cheques should be endorsed on the back of the cheque showing the Department/Section name, receipt number and the amount to be deposited
3. **For Manual Receipting:**
Departments without access to automated systems (a cash register or computer) should use pre-numbered receipts with triplicate receipts, with the following completed:
 1. Prepared by, Department, and extension of staff taking the payment
 2. The payer's name and full address
 3. Description of the item purchased
 4. Quantity and unit price if applicable
 5. GL account number
 6. Taxes (if applicable)
 7. Type of cash received (i.e. cheque, cash)
 8. Total amount of cash received
 9. Date of receipt of revenue
 10. The signature of the person receiving the cash
4. A copy of the receipt is provided to the customer, and the accounting copy of the receipt along with the payment should be forwarded to Revenue Services for deposit on a daily basis
5. The third copy will be returned by the originating Department (for reconciliation purposes)
6. Departments shall file all receipts in numeric order for audit purposes
7. If an error is made on a receipt or if the receipt must be cancelled, write "VOID" across the receipt ensuring that the word "VOID" is seen on the receipt including copies. This receipt is then filed numerically.

Counterfeit Cash and Foreign Currency:

1. Staff shall not take currency which is suspicious. If taken in error, please contact the Director of Revenue Services and Accounting, who will contact the police.
2. The only foreign currency which can be accepted in lieu of Canadian funds is United States (US) funds
3. US currency for processing and deposit must be forwarded to Revenue Services
4. Revenue Services will set the appropriate foreign exchange rate for the Corporation

Cash Loss

Staff is expected to take reasonable precautions not to lose funds in their care, and not to accept counterfeit funds. However, during the course of the daily reconciliation of cash to the revenue, shortages can occur. Depending on the value and reason for the cash loss, the following shall occur:

1. Cash loss identified as a cash shortage
 - a. Include cash discrepancies due to clerical errors, cash mishandling, loss of deposits, deposit not equal to cash identified at the bank
2. Cash shortages which are identified by the Department should be recorded on the revenue sheet with a clear explanation. If the cash shortage is identified by Finance staff or the bank, staff will investigate, notify the Department, and make the appropriate journal entry to record the shortage.
3. Cash loss as a result of missing funds or theft must be reported directly to the Director of Revenues Services and Accounting for further investigation
4. Large cash losses should be reported to the Director of Revenue Services and Accounting

Large Cash Transactions:

When clients attend a counter with large cash/dollar denominations and coin (greater than \$10,000), the following steps shall be utilized:

1. In a secured area, the client will be requested to count and sort the cash by denomination and give staff a total of the deposit
2. Two staff members will then recount and reconcile the cash total given by the client
3. Only once this procedure has been completed will a receipt be given

Remote Operations:

Receipts, where possible, shall be deposited on the day the cash/payment is received or at the earliest possible time:

1. Deposits from remote operations should be forwarded to Revenue Services in a timely manner
2. Cash receipts should be deposited intact, and the total receipts should equal the total bank deposits
3. All coin should be rolled
4. Cash receipts should be easily reconciled and traced to the bank statements and the general ledger entries by date of deposit
5. Un-deposited receipts should be adequately safeguarded and stored in a secure device and location, such as a safe or lock box

Segregation of Duties:

Persons collecting cash should not have any other responsibilities related to cash handling. Cash receipting functions should also be segregated from cash disbursement functions.

A different person should be involved in each step of the process:

- Billing
- Cash collecting/receipting
- Cash counting
- Cash depositing
- Reconciliation

If there are not enough people to segregate the collecting, depositing and reconciling functions (a minimum of two staff are required) then mitigating controls should be developed. For example:

- Increased supervision or job rotation can be alternative controls

Certified Cheques

Where a certified cheque is required, as is the case for security for tenders and purchasing contracts, a money order or bank draft is deemed equivalent to a certified cheque. Certified cheques will be deposited, unless there is a deposit requirement to return the funds within 5 working days.

Debit Cards

Debit cards are acceptable payment options, provided the staff/Department has access to a POS machine for processing. Staff must do the following:

1. Process transaction through the POS machine, by following the POS procedures
2. Confirm that the transaction was approved, and provide customer with copy of receipt generated through the POS machine
3. Enter payment in POS as debit payment
4. "Cash back" services are prohibited
5. Give customer the duplicate copy of the debit card receipt
6. Place original receipt in a safe place, for daily reconciliation of revenue

Credit Cards

Credit cards are accepted as payments for the following revenue sources:

- Facility Bookings

- Community Services program fees as defined in the City's Fees and Charges By-law
- Food Services
- On-line Building and development permits and application fees
- On-line Parking Tickets
- On-line License fees
- The service charges associated with the use of credit and debit cards will be charged to the Department for which the revenue was taken

Credit cards are only accepted upon review and where it was determined that volume, charges and service requirements are sufficient to warrant their acceptance and there is cost recovery for the merchant fees. New requests must be approved by the Chief Financial Officer or their designate.

When taking credit cards staff must do the following:

1. Check the expiry date of the credit card
2. Process through a POS machine, using the appropriate payment key (VISA, MC or American Express)
3. Have customer sign the credit card receipt, or key in their Personal Identification Number (PIN) where appropriate
4. Ensure signature matches the card holder signature on the back of the card
5. Give customer the duplicate copy of the credit card receipt
6. Place original receipt in a safe place, for daily reconciliation of revenue
7. "Cash back" services are prohibited

Staff must follow the Payment Card Industry (PCI) Standards and all internal City procedures in order to protect the card holder and the City.

Non-Sufficient Funds (NSF)

The City is notified of non-sufficient funds (NSF) through the return of funds (typically cheques) from the bank or rejected electronic transactions (typically debit and credit card). Finance will contact the applicable Department, journal the amount from the revenue account which was credited, and return the rejected amount or funds to them. It is the responsibility of the Department to contact the payor and seek repayment. All NSF transactions are subject to a fee, per the City's Fee & Charges By-law, which is deposited to the Department account.

Responsibilities

Staff:

1. Receiving funds on behalf of the City;
2. Adhere to this policy and all administrative procedures; and
3. Maintain records for audit.

Management:

Establish an effective internal control system which includes:

1. Delegate responsibility for cash handling duties;
2. Maintain proper segregation of duties;
3. Require that staff handling cash be properly trained;
4. Require that staff follow all cash handling and depositing policies and procedures;
5. Review receipts and reconciliations on a regular basis;
6. Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages;
7. Investigate unusual variations in revenue.

Finance:

1. Monitor deposits to ensure cash is being deposited;
2. Perform timely bank account reconciliations and investigate any discrepancies between internal records and the bank's records;
3. Conduct surprise cash counts to ensure the accuracy of collections;
4. Perform trend analysis of cash deposits and activity levels, which may identify anomalies or potential fraud;
5. Monitor cash register "voids" and use of "no sale" key and investigate excessive use;
6. Manage the armoured car services to ensure safe, daily delivery of funds to the bank.

Compliance:

In cases of policy violation, the City may investigate and determine appropriate corrective action.