

Cash Collection and Control





Why Are We Here?

- To ensure consistency of cash collection procedures
- To enhance our business practices
- To provide a safety net for individuals, departments, and the university
- To better control our cash

What Will We Learn?

- The role of internal controls and designations of accountability
- Best practices in cash collections
- How to apply appropriate segregation of duties criteria
- The steps involved in the cash collection process at USF
- The roles, responsibilities, procedures, and constraints associated with each step



Why Are **You** Here?

- You have been identified as cash handlers
- Your department/unit/office has been identified as an official cash collection area
- Certification is required in order to serve as a cash handler

To Achieve Certification

- Participate in training
- Accurately complete the segregation of duties chart
- Prepare an outline of reconciliation procedures
- Complete the self-assessment questionnaire
- Pass cash collection certification test



Agenda

- Accountability & Internal Controls
- Segregation of Duties
 - Record Keeping
 - Authorization
 - Custody
 - Reconciliation
- Oversight
- Control and Self-assessment
- Budgeting Revenue



Introductions

- Name
- Department
- Role in the cash collection process

What Is Considered Cash?

- Currency and coin
- Checks
- Credit cards
- Money orders
- Travelers checks
- Electronic funds



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Accountability

- Delegation of authority to qualified persons to:
 - Initiate, approve, process and review business transactions

- Holding these persons responsible for:
 - The validity, correctness and appropriateness of their actions



Internal Controls

○ Myth

- Internal controls are essentially negative, a list of “thou shalt nots.”

○ Truth

- Internal controls ensure the right things happen the first time, & every time.

Tone at the Top, Issue 20 11/03
Institute of Internal Auditors

Internal Controls - Examples

- Access to funds must be limited - identify custodians
- All adjustments must be documented and approved
- Transfers of funds must be documented
- Funds collected must be balanced
- Funds must be deposited in a timely manner
- Deposits must be reconciled

Internal Controls - Examples

- When funds are initially received, the event must be documented in one of the following ways:
 - Mail logs
 - Cash receipt slips
 - Cash registers
 - Credit card system
 - An enterprise business system (e.g. FAST or OASIS)



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Segregation Of Duties

“Segregation of duties provides the assurance that no one individual has the physical and system access to control all phases of a business process or transaction: from authorization to custody to record keeping.”

Diane McKiernan, Logical Apps (a certified Oracle partner)

Segregation of Duties

Four Major Functions

- Record keeping
- Authorization
- Custody
- Reconciliation

When Segregation Is Not Possible

- Provide mitigating or compensating controls
- Design additional procedures to reduce risk
- Design data system security roles to restrict access

Example of a Compensating Control

If the record keeper also prepares the reconciliation

- Have the supervisor conduct a detailed review of the reconciliation
- Have someone from another department conduct a detailed review



Segregation of Duties

- Questions?
- Points to clarify?



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Record Keeping - Definition

- Record keeping is the process of creating and maintaining departmental records
- Record keeping may occur manually or through an automated data system

Record Keeping - Examples

- Mail log - paper or electronic
- Deposit slips
- Copy of customer cash receipts
- Cash register tapes
- Electronic sales logs
- Credit card receipts
- Electronic funds transfer (EFT) payment advice

Record Keeping - Retention

- Observe record retention requirements
- Records serve multiple needs
 - Satisfy audit needs
 - Helpful in researching a question



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Authorization

- Authorization is the process of granting formal approval to perform a specific function
- For example, someone must be authorized in order to perform one of the following functions:
 - Verify cash collections
 - Review daily balancing reports
 - Approve discounts, voids, or refunds



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Custody

- Having access to or control over any physical asset
- Examples of custodians:
 - Collector of funds
 - Deposit preparer
 - Someone with access to safes, lock boxes, file cabinets where funds are kept
 - Custodian of petty cash fund or change fund

Custody – Guidelines & Procedures

When funds are received, immediately take action

- Record payment on a mail log
 - Standard mail logs are recommended
- Endorse all checks
 - Contact Controller's Office (UCO) for endorsement stamps
- Issue a USF cash receipt
 - Contact Brian Stanley at UCO for official cash receipt books

Custody – Guidelines & Procedures

- Never commingle USF funds with personal funds
- Each cashier should have their own cash drawer
- Change funds are for making change only
 - Never use for purchases
 - Never use to cash personal checks
 - Never use to make loans

Custody – Checks

- Checks are made payable to either
 - USF
 - University of South Florida

- If checks are made payable to an individual
 - Best practice is to return the check to the payer and ask for a replacement check



Custody – Foundation Checks

- Immediate actions
 - Stamp with restrictive endorsement stamp
 - Deliver to USF Foundation within 24 hours
 - After business hours use the drop box
- Delivery of foundation deposits
 - Hand carry to the foundation
 - Never use campus mail
 - Contact Kathy Mammenga for questions, endorsement stamp, or locking bank bags

Custody – Storage of Funds

During business hours, funds should be stored in a safe or secure area with limited access:

- A locked cash register
- A lock box
- A locked filing cabinet

Custody – Storage of Funds

The safe or lock box combination should be changed:

- Any time an employee with knowledge of the combination or access to the key terminates or is reassigned
- Periodically

Custody – Storage of Funds

- Access to stored cash should be limited to two individuals: one primary, one secondary
- Funds should never be stored in a desk, even if it is locked

Custody – Transfer of Funds

A transfer is the “hand-off” of funds from one custodian to another

Documenting a transfer:

- Receiving custodian
 - Recounts the funds
 - Initials and dates the mail log, balancing sheet or deposit back-up
- Both custodians keep a copy of the document

Custody – Deposits

- Funds totaling more than \$500 are deposited daily
- Funds are always deposited within 5 working days



Custody

- Questions?
- Points to clarify?



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What Do We Reconcile?

- Point of sale transactions (POS)
- Check logs
- Transaction reconciliation
- Budget review and reconciliation
- Credit cards

Point Of Sale Transactions

- The POS system should
 - Record sales and cash collections
 - Produce a daily detailed sales report
 - Produce a pre-numbered customer receipt
- Reconciliations to perform
 - Balance the cash drawer
 - Balance the day's sales to actual collections
 - Reconcile daily balancing sheet to deposit

Check Log Reconciliation

- Reconciliations to perform
 - Compare check log to the actual deposit
 - Reconciler should not be the person who creates the deposit
 - May also need to reconcile pre-numbered cash receipts to the deposit

Transaction Reconciliation

- Reconcile
 - Deposits to accounts receivable postings
 - Deposits to general ledger postings
 - Inventory to sales

Non-inventory Reconciliation

- Some sales may not involve tangible inventory
- To ensure that all billings have been completed, review
 - Room usage logs
 - Equipment or lab usage logs
 - Participant lists or class rolls
 - Order forms or contracts for services

Credit Card Reconciliation

- When credit cards are used with a POS
 - POS system should produce a report of credit card transactions
 - Compare the POS report to the daily settlement report
 - Supervisor reviews this

Reconciliation - Guidelines

- Reconciliation must be performed by a person with no cash handling responsibilities
- The reconciliation form must be dated and signed or initialed
- The prescribed procedure should be followed



Segregation of Duties – Activity

- In groups of 2-3 assume that you are a department
- Assign one of the 4 cash handling responsibilities to each group member
 - Note, some will have 2 responsibilities
- Complete a Segregation of Duties chart
- Institute compensating controls where necessary

Segregation of Duties

	Record Keeping/ Document Prep	Authorization/ Approval	Receipt of Goods/ Custody of Assets	Reconciliation prepared by	Reconciliation, independent approver
Record Keeping/ Document Prep	Same function	INCOMPATIBLE	INCOMPATIBLE unless second person verifies receipt	INCOMPATIBLE unless indep approv of reconciliation	INCOMPATIBLE
Authorization/ Approval	INCOMPATIBLE	Same function	INCOMPATIBLE	INCOMPATIBLE	Compatible
Receipt of Goods/ Custody of Assets	INCOMPATIBLE unless second person verifies receipt.	INCOMPATIBLE	Same function	INCOMPATIBLE unless second person verifies receipt & indep review of reconciliation	INCOMPATIBLE
Reconciliation prepared by	INCOMPATIBLE unless indep approv of reconciliation	INCOMPATIBLE	INCOMPATIBLE unless second person verifies receipt & indep review of reconciliation	Same function	INCOMPATIBLE
Reconciliation, independent approver	INCOMPATIBLE	Compatible	INCOMPATIBLE	INCOMPATIBLE	Same function



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Oversight & Monitoring of Cashiers

- Cashiers balance drawers after each shift; at least daily
- Supervisor conducts surprise cash counts at least semi-annually
- Supervisor reviews the following:
 - No-sale transactions
 - Voids and errors
 - Overages and shortages
 - Timeliness of deposits

Oversight & Monitoring of Accounts Receivable (AR)

- Outstanding AR is reviewed at least monthly
- Someone other than the person who maintains AR conducts the review



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Budgeting Revenue

- The budget is used to predict sales & revenue
- Budget should be based on:
 - Business plan
 - History -your performance over last 2 years
 - What you expect in the next year
- The budget should include:
 - Number of sales transactions
 - Anticipated revenue from those transactions

Budgeting Revenue

- Compare actual transactions to budgeted number
- Compare actual revenue to budgeted revenue
- Conduct comparison at least quarterly
- If variance is 5% or greater, management should investigate and explain

Resources

- Office of University Audit & Compliance
 - <http://usfweb2.usf.edu/uac>

- COMPASS (for USF procedures)
 - <http://www.usf.edu/compass>



Review

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