

# City of Topeka Policy

## Cash Handling

### CASH HANDLING POLICY

**Purpose:** To define and communicate the acceptable level of control for cash handling operations.

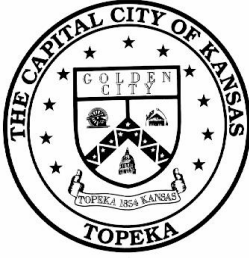
**Applicability:** To all city employees.

**Effective Date:** March 1, 2006

#### 1. DEFINITIONS

- A. Cash Handling - The receiving, transmitting, safeguarding and depositing of all funds received by the City, whether cash or check.
- B. Cash Handler - Any employee whose job description includes the responsibility for receiving, transmitting, safeguarding and/or depositing City funds, whether cash or check.
- C. Cash Shortage (or Shortage) - Occurs when an unintentional collection error is made - e.g., does not obtain physical custody of money or a change making error occurs.
- D. Cash Overage (or Overage) - Occurs when too much money is collected and the excess cannot immediately be returned to the customer.
- E. Loss - A cash handler obtains physical custody of money and then, due to negligence, theft, misfeasance or natural disaster (e.g. fire, flood, tornado, etc.), cannot deposit that money with the City Treasurer. Leaving City money unattended and not properly safeguarded is an example of a Cash Handler's negligence that could result in a Loss.
- F. Dual Control - Where two Cash Handlers have responsibility for funds. The underlying theory is that the two Cash Handlers can vouch for each other's action. Theft is less likely in operations with Dual Control since it would require the complicity of two Cash Handlers.

One type of Dual Control is demonstrated when a safe requires two combinations or a combination and a key to open. When the combinations or combination and key are assigned to two Cash Handlers, access requires dual control. In this



# City of Topeka Policy

## Cash Handling

circumstance, a vault or safe could not be opened without two people being present.

- G. Single Control - When a Cash Handler is solely responsible for funds. Since only one person has access to the funds, that one individual can be held accountable in the event of a Loss.

If funds are under Single Control, they must not be accessible to others. Therefore, if a safe accessed by multiple Cash Handlers is used for overnight storage of funds under Single Control, those funds must be secured separately within the safe. This ensures that Cash Handlers with access to the safe do not also have access to the single controlled funds.

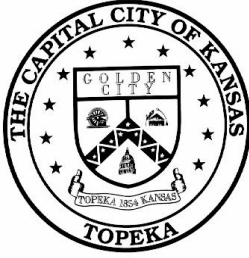
- H. Segregation of Duties - No single person handles a transaction from beginning to end. If possible, different people within a cash handling operation should perform the following four basic functional categories.

1. Authorization or approval of transactions.
2. Recording of transactions.
3. Custody of funds.
4. Monitoring to ensure compliance with control procedures.

If one person does perform two or more of these functions, there is no independent check for mistakes, and errors and/or irregularities are very likely to go undiscovered for long periods. It is not practical for the City to maintain strict Segregation of Duties due to limited staff size. Other control measures used to assist in this area should include a rotation of duties between personnel and stricter supervision to include special spot-checking of a Cash Handler's work.

## 2. PURPOSE

- A. The purpose of this Cash Handling Policy ("Policy") is to assist all City departments by defining and communicating what is an acceptable level of control for Cash Handling operations. This policy will provide rules and guidance and is published and approved in conjunction with the *Cash Handling Procedures Manual*.



# City of Topeka Policy

## Cash Handling

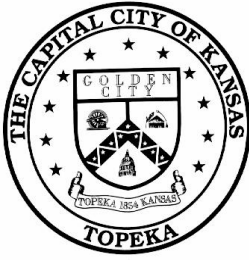
- B. Due to the decentralized nature of revenue collection within the City, procedures vary from location to location. Although the customer service impact of this structure is positive, the various control environments sometimes fall below what is acceptable to City management.
- C. The objectives of this policy are to set forth minimum standards to ensure clear and consistent practice within the City for the handling of cash and for limiting not only the City's losses, but also the City's involvement in investigations of losses of funds. This policy will serve to standardize a sound system of cash controls within the City as well as to provide guidance to departments on improving Cash Handler skill and accountability. Additionally, this policy incorporates providing assistance to departments that need help in meeting the minimum standards. Overall compliance with this policy will allow the City to prevent or detect Losses related to Cash Handling and to assign responsibility to an individual in a timely manner in order to minimize Losses.
- D. The ability to ascertain individual accountability for each Loss will reduce the impact of failing to protect honest employees from unnecessary suspicion. A sound system of cash controls should protect and support employees who do their job with integrity. Employees not involved in cash errors and/or irregularities deserve to work in an organization that insists on a control system that can show their innocence when errors and/or irregularities do occur.

Specifically, this policy is designed to avoid the following types of circumstances:

1. A Loss (or Losses) of funds.
2. An inability to detect missing funds.
3. Detection of missing funds when recovery is no longer possible.
4. An inability to determine who is responsible for the Loss.
5. An inability to investigate Losses.

### 3. **RESPONSIBILITIES**

- A. Many of the duties and responsibilities assigned by law (See *The Code of the City of Topeka, Kansas* Sections 2-144, 2-251 and 2-253 and various State of Kansas statutes), to the City Treasurer are actually accomplished by other City officers,

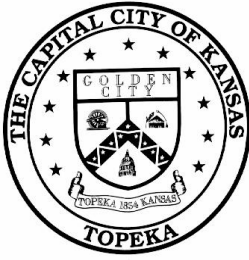


# City of Topeka Policy

## Cash Handling

employees, and agents. Any City officer or employee, who receives moneys belonging to the City in the scope and course of his or her duties, shall comply with rules established by the City Treasurer. This requirement includes the handling and processing of City moneys, the documentation and dissemination of records, and shall, further, be in compliance with departmental internal procedures established in conformity with the City Treasurer's policies and procedures

- B. The resources of the City are assets held in trust for its taxpayers. Every employee, from a front line Cash Handler to a department director, is responsible to protect the assets of the City. A clear responsibility lies with management to install and maintain a Cash Handling control system that will prevent, detect, and deter fraud and Losses.
- C. Department Directors have the responsibility to:
1. Ensure the safeguarding of City funds.
  2. Require clearly written and approved procedures for all areas of their department's Cash Handling operation.
  3. Ensure that procedures in place in their departments comply with this policy.
  4. Assume accountability for exceptions to and deviations from this policy.
  5. In the event of a Loss, assure compliance with the procedures detailed in this policy statement.
  6. Consult with Cash Management regarding new Cash Handling processes before implementation (e.g. credit cards, e-commerce, etc.).
- D. Cash Handlers have the responsibility to:
1. Use due diligence in handling City assets so that reasonable protection is provided to those assets at all times.
  2. Report to their departmental management, or to the City Treasurer, any instance that is deemed to be a serious failure to give proper care to City



# City of Topeka Policy

## Cash Handling

cash, securities or other valuables, whether or not such failure has resulted in a Loss.

3. Report to their departmental management, or to the City Treasurer, any instance where a City employee has knowledge or suspicion of a misuse of funds or dishonest act by another City employee.

E. Office of Cash Management has the responsibility to:

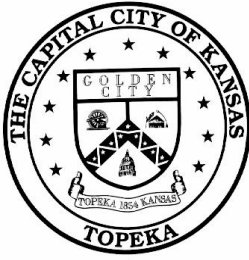
1. Conduct whatever investigations or cash control reviews deemed necessary.
2. Prepare, distribute and provide training on the Cash Handling Procedures Manual.
3. Coordinate and collaborate with the Topeka Police Department as appropriate.
4. Review annual reports from departments documenting exceptions to and deviations from this Policy.
5. Upon request, assist departments with developing controls to mitigate the potential effects of necessary exceptions or deviations from this policy.

#### 4. CONTROL STANDARDS FOR CASH HANDLING

A. Receiving and processing funds.

Procedures must be in place, which will ensure that all payments received are processed and that any payment may be traced from initial receipt to final disposition. Each Cash Handling operation will include the following controls, unless otherwise approved in writing by the City Treasurer.

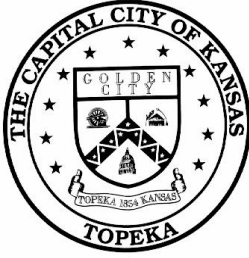
1. Maintain strict control over all receipt documents, both issued and unused.
2. Use pre-numbered and sequentially numbered receipts, either manual or cash register generated, for all money received.
3. At a minimum, when issuing manual receipts, use triplicate receipts to allow for a customer copy, Cash Handler copy and a copy that will remain in the manual receipt book.



# City of Topeka Policy

## Cash Handling

4. Have a space for indicating mode of payment on manual receipt forms, e.g., cash, personal check, money order, or other.
5. Ensure that receipts are signed or initialed by the person issuing the receipt. Receipts generated by a cash register should also indicate the person issuing.
6. Encourage all customers to obtain receipts for their payments.
7. Have a separate cash box/drawer/register for each Cash Handler. Funds accepted by any Cash Handler must be under Single Control of the Cash Handler. Shared drawers or cash registers accessed by more than one individual are not acceptable. Cash Handlers must have sole access to their funds.
8. Maintain strict control over the access to funds. Never leave cash or checks unsecured.
9. Place a restrictive endorsement on checks as soon as they are received.
10. Personal and two party checks will not be cashed nor loans be made to employees from any change fund. Cash Management will continue to cash personal checks (up to a maximum of \$50.00 per week) and travel reimbursement checks (up to a maximum of \$75.00) and process change orders, as long as funds are available.
11. Departmental policy must set the amount of cash, which any one Cash Handler may hold. When funds at a Cash Handler's workstation exceed this amount, an additional deposit or transfer of funds to a safe must be made.
12. In an environment where a cash register is used, the Cash Handling supervisor must understand the register capabilities and limitations. Cash registers must be in good repair with all mechanical controls fully functional.
13. Proper management of mail collection is particularly important, because the person making the payment is not present, and no receipt is issued at the time of collection. Until control over the receipt of mail payments is



# City of Topeka Policy

## Cash Handling

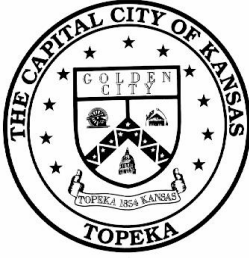
established, mail processing will be performed under Dual Control. At a minimum:

- a. Mail must be opened daily with an independent listing made of payments received.
- b. Mail must be worked independently of over-the-counter receipts.
- c. Checks must be restrictively endorsed immediately upon opening.
- d. Final deposits of mail payments must be reconciled with an independent listing made of mail payments received.
- e. Procedures must be established to prescribe how payments, which cannot be accounted for upon receipt, must be handled, *e.g.*, a utility payment received without an accompanying utility bill or a parking fine paid without an accompanying ticket.

### B. Safeguarding funds.

Strict control must be maintained over the access to funds at all times. Dual Control over the processing and storage of all cash funds must be used, where practical. It is the City's policy that access to vaults and safes shall be limited and controlled including:

1. Individuals handling cash must be provided separate and secure work areas. When Single Control over cash is expected, each individual must be provided space, equipment and supplies to achieve Single Control.
2. Private areas must be provided for cash reconciliation and deposit preparation. Only authorized individuals will be allowed in Cash Handling areas.
3. Physical facilities for any Cash Handling operation must be approved by the Topeka Police Department.
4. Each Cash Handler is responsible to see that their cash drawer is locked when they leave their station. No funds are to be left unattended and unsecured.



## City of Topeka Policy

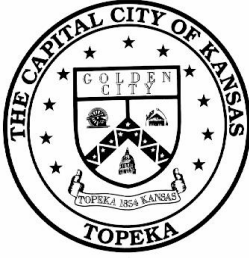
### Cash Handling

5. During non-business hours and during business periods where access to cash is not required, all funds are required to be stored in a locked vault or safe.
6. Safes and vaults must be positioned so that they are not visible to the general public. Partitions, rugs or barriers must be positioned to conceal cash storage receptacles.
7. Vault combinations must be limited to the smallest number of individuals practicable, given the business needs of the work unit.
8. Vault or safe combinations must never be written down in the Cash Handling area. Safe combinations held by individuals who serve as back up to the everyday users of the safe, who may need to write down the combination, must keep the combination offsite or on their person.
9. When an individual who knows the vault or safe combination leaves City employment, the safe combination must be changed.
10. Cash Handlers are to be in sole possession of their cash drawer or cash box key.
11. Duplicate keys will be placed in a locked key box under Dual Control.
12. It is the Cash Handler's responsibility to immediately notify their supervisor in the event a key is lost. No replacement key shall be made, but rather the lock on the cash receptacle in question is to be promptly replaced.

#### C. Transferring and/or transporting funds.

It is the City's policy to require witnessed cash counts and reconciliations whenever City funds change hands. Whether transferring funds between Cash Handlers within a work unit or transporting funds between locations, individual accountability can only be maintained by protecting the chain of custody.

1. All transports of cash between locations will be made in locked transport bags. Couriers must not have keys to the transport bags. Only the sending and receiving units will have keys.



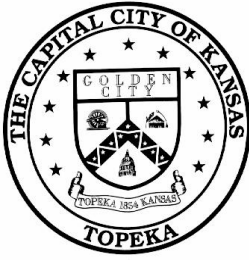
## City of Topeka Policy

### Cash Handling

2. A cash count, reconciliation and receipt will be issued whenever City funds change hands. When dealing with a large amount of cash, it may not be feasible for the courier to remain while the cash is counted and reconciled by the receiving custodian. In that instance, the cash count and reconciliation will be completed and a receipt sent via interoffice mail or given to the courier during their next visit.
3. The transfer of funds between locations or units must be performed under appropriate security. Regular cash deposits will be transported to the bank by armored car, where feasible.

#### D. Reconciling and depositing funds.

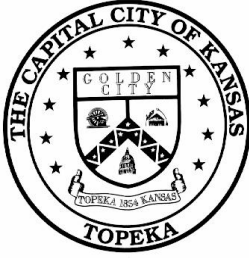
1. All funds must be deposited daily in accordance with the Code of the City of Topeka, Kansas Section 2-251. The white copy of the deposit slip (original) will accompany the deposit. The yellow copy is to be turned in to Cash Management by 1:00 p.m. the business day following the deposit date. The pink copy stays with the department/division.
2. In an environment where a cash register is used, the Cash Handler's supervisor must maintain in his/her possession, and be responsible for, the key used to produce a cash register "Z" tape required to close out the register.
3. Someone in the accounting function, in addition to the Cash Handler's supervisor, must ensure that the full "Z" tape sequence is accounted for in Cash Handling environments where cash registers are used. Cash register "Z" tapes are sequentially numbered and maintain a running total of all transactions on the cash register. An unaccounted for "Z" tape may indicate a missing deposit.
4. Each Cash Handler must reconcile on a daily basis. A formal reconciliation must be prepared by the Cash Handler and then approved by a supervisor. A supervisor's review must confirm that the amount of cash indicated on the reconciliation is accurate. Furthermore, the supervisor must ensure that the total receipt documents equal the cash totals and must account for all sequentially numbered receipts. Finally, the supervisor must review and approve voided transactions.



# City of Topeka Policy

## Cash Handling

5. The Cash Handling and accounts receivable functions must be separated.
  6. Independent of the Cash Handling operation, the Office of Cash Management will prepare, at least monthly, a reconciliation of bank accounts. A list of reconciling items may be provided, upon request, to department management for their review.
  7. A periodic reconciliation must be performed by departments, between what is received and what is accounted for on the subsidiary accounting system, such as accounts receivable, independent of the Cash Handling operation.
- E. Hiring, training and evaluating Cash Handling positions.
1. Minimum hiring qualifications:
    - a. An individual with criminal history record information that reveals a recent (within the last five years) and relevant conviction may not serve in a City Cash Handling capacity.
  2. Cash Handling training.
    - a. All individuals required to handle City funds must be properly trained to do so. The City will provide basic Cash Handling training to all individuals who handle funds. Individual departments must have the responsibility to see that the policies and procedures are adhered to.
  3. Evaluation of Cash Handling positions:
    - a. Citywide performance standards will be established for Cash Handlers. These standards will specify what type of personnel action will be taken based on the size and frequency of Shortages and/or Overages. Although management must be allowed some latitude in the administration of this policy, in general, all employees must be treated similarly.
    - b. All Cash Handlers will be reviewed on a periodic basis and will be measured against the performance standards specified above.



## City of Topeka Policy

### Cash Handling

F. Written robbery procedures.

Each area handling cash must have written procedures for use should a robbery take place. Cash Handlers must be instructed in how to act during and after a robbery to ensure their safety and that of co-workers. These procedures are detailed in Section 3 of the Cash Handling Procedures Manual. Each department is encouraged to consult with the Topeka Police Department on its specific needs, as necessary.

G. Record retention.

Cash collection sites are required to retain records pertaining to Cash Handling for five (5) calendar years.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR CITY POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO CASH HANDLING.

Approved:

Neil Dobler, Acting City Manager  
February 15, 2006