

CITY OF KENNEDALE



INTERNAL CONTROLS & CASH HANDLING POLICY

ORIGINALLY ADOPTED BY CITY COUNCIL: NOVEMBER 17, 2011

PREFACE

The intent of the City of Kennedale's Internal Controls & Cash Handling Policy is to provide management with reasonable, but not absolute, assurance that resources are being utilized and accounted for accurately, appropriately, consistently and completely. The reliability with which the city can place upon its financial records is further dependent upon the effectiveness of procedures and controls that must also ensure that transaction processes, in terms of cash, are not exposed to unauthorized access and use.

It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.

SUBSEQUENT REVIEW & ADOPTION

OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015

I. PURPOSE

The goal of this Internal Controls & Cash Handling Policy is to ensure adequate internal controls by effectively safeguarding, depositing, and accounting for Cash on behalf of the City of Kennedale and to maintain public trust. Additionally, this policy will provide guidance to departments on improving cash handler (hereby referred to as “cashier/custodian”) skill and accountability, therefore limiting not only the City’s losses, but also the City’s involvement in investigations of losses of funds. The term “Cash” applies to currency, coin, check, money order, credit card, electronic funds, and other negotiable instruments payable in money to the City.

II. ADMINISTRATIVE PROCEDURES

Enforcement of the cash management program is included but limited to the following:

- A. A random drawer audit conducted under the direction of the Director of Finance.
- B. Any deficiencies in regard to the set procedures will be reported to the Director of Finance and the City Manager in the form of a memorandum outlining the deficiencies.
- C. The Director of Finance will notify the Department Head involved and explain these deficiencies, and the Department Head will be responsible for taking appropriate action to correct deficiencies.
- D. If in a subsequent audit these deficiencies still exist, the Director of Finance will advise the Department Head that the deficiencies still exist.
- E. The Director of Finance and the Department Head will notify the City Manager of the existing situation.
- F. The City Manager will review the existing situation and may take appropriate action to resolve deficiencies and ensure that the procedures as outlined are administered properly.

III. DELEGATION OF AUTHORITY

- A. The Director of Finance is authorized to promulgate rules for establishing procedures for the receipt, handling and deposit by City officers and employees of City Cash into the City Treasury for: the method of documentation on all such transactions; regular reporting to the Director of Finance; certifying and rescinding certification by the Director of Finance of all City officers and employees who are authorized to receive or handle City monies in the regular course of their employment or departmental activities; inspection of departmental cash records, including overages or shortages; inspection of departmental practices and procedures in handling City Cash; and

contracting with agents to collect City Cash and their collection procedures. The Director of Finance may enforce these rules through on-site inspections; by rescinding certification of any officer or employee who fails to comply with the Director of Finance's procedures and, in the event of noncompliance by a department or office, requiring that payments to personnel be authorized by the Director of Finance, or deposited at his/her office.

- B. The Director of Finance, as the City's banker, is required by law to receive, retain, and disburse all City revenue and keep detailed records of these transactions. The Director of Finance is charged with the responsibility of overseeing the proper receipting and to safeguard all City funds.
- C. **The Director of Finance is responsible for the administration of the cash management program; however, he/she may delegate applicable responsibilities as appropriate. For the purposes of this policy, the term "Finance Department" refers to the Accounting Administrator. In the Payroll & Accounting Specialist's absence, Finance Department duties will be delegated to the Director of Finance and/or Accounting Technician.**
- D. Through certification, the responsibility and accountability of the daily collection of funds is delegated to the cashier/custodians.

IV. DUTIES OF CITY DEPARTMENT HEADS

The Director of any City department who anticipates receiving City Cash on a regular basis in the course of its activities shall:

- A. Assign the receiving of City Cash only to those persons who are certified by the Director of Finance for performing these functions;
- B. Collaborate with the Director of Finance to establish and maintain a system of procedures, documentation and reporting on receipts handling and deposit of City money;
- C. Notify the Director of Finance and Police Department of any theft of City Cash immediately upon discovery. **Written notice shall be given no later than twenty-four hours after discovery.**
- D. Allow the Director of Finance or designee to make on-site inspections and observe the processing of City Cash, and to make inspections of departmental collection records.

V. DUTIES OF CITY PERSONNEL

Any City officer or employee, who receives City Cash in the normal scope and course of his/her duties, shall:

- A. Departments with tills and/or cash boxes will count their money and store in a secure place (preferably a safe) and money will be given to the Finance Department by 9:00 a.m. the following day. Departments not utilizing tills and/or cash boxes will turn in the cash on the same day to the Utility Billing Administrator no later than 5:00 p.m. **Note:** Several departments, such as the Police, Animal Control and Library Department collect cash through their individual department, and then submit it through Utility Billing's Cash Receipts to be later deposited to the Finance Department.
- B. Comply with rules promulgated by the Director of Finance for handling and processing of City Cash and for documentation and dissemination of records, and with departmental internal procedures, established in conformity with the Director of Finance procedures;
- C. Notify the employee's Department Head and Director of Finance of any loss or theft of City money immediately upon discovery. **Written notice shall be given to them no later than twenty-four hours after discovery;**
- D. Be subject to disciplinary action, up to and including termination for failure to comply with each department's operating policies, Director of Finance's procedures and/or duties described in this policy.

VI. LIABILITY FOR LOSS

- A. As between a department and its officers and the Director of Finance, the department has primary responsibility for care and liability for loss of City Cash in its custody until deposited in the City Treasury or entrusted to a custodian certified by the Director of Finance.
- B. Compliance with the procedures approved by the Director of Finance establishes a presumption that a City department or office exercised due care in its custody and care of City Cash.

VII. CERTIFICATION OF CASHIERS & CUSTODIANS

- A. Only persons who are approved by the Director of Finance shall receive and handle City Cash on a regular basis in the scope and course of their employment. **A signed Certificate of Responsibility must be obtained from the cashier/custodian and supervisor verifying receipt of this policy.**

- B. In addition, the Director of Finance **may** require that the cashier/custodian complete a certification or training and/or pass an examination on: the secure processing of moneys, cash procedures and applicable departmental rules, and thereafter take refresher instruction or training at periodic intervals or when the need arises.

VIII. ESTABLISHMENT/INCREASE OF CASH FUNDS

All requests for the establishment of cash funds must be made to the Director of Finance. The Director of Finance will maintain a complete listing of all cash funds. The department location, cashier/custodian and the amount of the cash fund are to be maintained upon this written listing.

- A. An initial request for establishment or request for increase should be submitted to the Director of Finance for the amount of the funds requested.
- B. No funds are to be established out of cash receipts by any department.
- C. Upon establishment of a cash fund, a cashier/custodian should be appointed by the Director of Finance. Cash funds must have one cashier/custodian responsible for the disbursement of cash. In the absence of the cashier/custodian, a designated individual should make all disbursements from the cash fund. Should it become necessary to change cashier/custodians, the Department Head should notify the Director of Finance and request an audit of the cash fund to be performed prior to transferring the cash fund to the new cashier/custodian.

IX. TERMINATION OF CASH FUNDS

- A. The Department Head should notify the Director of Finance that the cash fund is to be closed and request that an audit be performed prior to closing the cash fund.
- B. The Director of Finance will perform an audit of the cash fund. Any shortages or variances are to be investigated and resolved by the Department Head and the Director of Finance. **If the shortages or variances cannot be resolved, the Department Head is to provide a written explanation to the effect that a shortage or variance occurred, which he or she could not resolve, to the Director of Finance.**
- C. Upon completion of the cash audit, the cashier/custodian should deposit any cash on hand with the Finance Department and provide a copy of the deposit slip to the Director of Finance with any outstanding vouchers.
- D. The Director of Finance will provide the Finance Department with details of the expense accounts to be debited for preparation of a journal entry to close the cash fund. A copy of the details should also be attached to the journal entry as supporting documentation.

X. SECURITY OF CASH FUNDS

- A. Cash funds are to be kept in locked boxes or drawers. The locked box is to be kept in a secure area, where only the designated cashier/custodian and the Department Head have keys and access to the funds.
- B. Provisions should be made in departments where more than one cash fund exists to secure all funds which are not being utilized. Only the Department Head or his/her designated cashier/custodian should have access to an employee's cash fund in the event of their absence.
- C. Only the person responsible for the cash fund and the Department Head should maintain keys and have access to the funds.
- D. Bank bags must be locked and kept out of sight when transporting city funds for deposit to the Finance Department or Utility Billing Customer Service.
- E. All funds must be reviewed randomly.
- F. The use of surveillance cameras may be used to monitor city funds.

XI. REGULATION OF PETTY CASH FUNDS

Petty cash funds are available for making emergency or immediate purchases of items that are not easily obtained through normal purchasing channel. Petty cash funds are to be maintained only for this purpose, and no department shall possess a petty cash fund without establishing such a fund as outlined Section VIII: Establishment/Increase of Cash Funds.

- A. Maintenance of Petty Cash Funds
 - 1) Cash funds must have one custodian responsible for the disbursement of cash. In the absence of the custodian, only the Department Head or his/her designated custodian should make all disbursements from the petty cash fund.
 - 2) Each cash fund should have a set amount of funds to be accounted for. The Finance Department will not process payment authorizations to reimburse petty cash if the request exceeds the established amount of the petty cash fund.
 - 3) **The petty cash fund is to be reconciled on a daily basis by the fund custodian.**

- 4) **The cash custodian should process a payment authorization to reimburse their petty cash fund as necessary.** The payment authorization requesting reimbursement of petty cash is to be processed with enough lead-time to prevent the remaining petty cash funds from being depleted prior to the issuance of the reimbursement check. All check payments to reimburse the petty cash fund are to be made payable to the City of Kennedale.
- 5) A petty cash voucher must be completed to support all disbursements of cash from the petty cash fund. The petty cash voucher must be completed in its entirety and approved by the Department Head prior to the disbursement of any cash from the custodian.
- 6) Each petty cash voucher must be accompanied by a receipt ticket upon reimbursement or return of unused funds.
- 7) Three (3) signatures are required on all petty cash vouchers. All petty cash vouchers must be signed by the employee receiving the cash and by the Department Head approving the transaction. The petty cash custodian will then sign the voucher as cash is actually disbursed from the fund.
- 8) **Employees are not to be reimbursed for sales tax.** It is the responsibility of the Department Head to ensure that employees are aware of the City's exempt status.
- 9) Petty cash in advance is not to be held by any employee longer than a twenty-four period. Receipts and used funds must be returned and be reconciled to vouchers within the twenty-four hour period.
- 10) Expenditures for purchases made from the petty cash fund are not to exceed \$100.00. Purchases that exceed \$100.00 should be purchased through normal purchasing process.

B. Prohibited expenses include the following:

- 1) Loans to employees;
- 2) IOUs for employee personal use;
- 3) Cashing personal, payroll and expense checks for the Department Head, petty cash custodian, or any other employees or City official; and
- 4) Traveling or training expenses, such as use of personal vehicle, parking and entertainment (these expenditures should be reimbursed by submitting the proper expense report form to Finance Department).

C. Documents Which Serve as Support for Disbursement of Petty Cash

- 1) A cash register receipt, provided that the date is current enough to support said purchase;
- 2) Cash receipt tickets from the place of purchase provided that the date is current, items purchased are listed and the ticket is signed by the employee as receiving said merchandise;
- 3) Proof of purchase in the form of a valid receipt provided the date is current and the type of the purchase or expenditure can be easily determined;
- 4) No refunds for purchases will be made without proof of purchase;
- 5) A petty cash voucher properly completed with authorizations for a cash advance.

XII. REGULATION OF CHANGE FUNDS

Changes funds, or cash drawers, are to be maintained for the purpose of making change. Change funds are not to be co-mingled with other cash funds. Change funds are to be maintained only for this purpose and no department shall possess a change fund without establishing such a fund with the Director of Finance.

A. Maintenance of a Change Fund

- 1) Each change fund should have one person responsible for that fund or drawer at any one given time. In the areas where more than one change fund is used, each employee should work out of his/her own change fund. Employees are not to work out of another employee's change fund.
- 2) Each change fund should be established for a set amount as outlined in this section, and this same amount should be maintained at all times. If an increase in a cash fund is needed, a request should be sent to the Director of Finance outlining the need and amount of funds requested is required.
- 3) **Change funds are not to be used as petty cash funds.** They are to be used only for making change.
- 4) Cash receipts are not to build up in a change fund. These receipts are to be removed and deposited as outlined in Section XIII: Regulation of Deposits.
- 5) Receipts for all cash should be utilized so that an audit may be done at any time and the amount of the change fund can be verified.

B. Cashing of Personal Checks from a Change Fund

- 1) Cashing of personal, payroll, and expense checks is strictly prohibited.

XIII. REGULATION OF DEPOSITS

The City of Kennedale collects cash through various departments in a decentralized manner; however, all cash is then turned in to the Finance Department for deposit to the bank no later than 5:00 p.m. on a daily basis. At no time shall cash be held. Furthermore, all deposits must be verified by the Finance Department. **Note:** Several departments, such as the Police, Animal Control and Library Department collect cash through their individual department, and then submit it through Utility Billing's Cash Receipts to be later deposited to the Finance Department.

A. Losses/Shortages/Overages

The Director of Finance makes a clear distinction between a "loss" and "shortage" of City money. This is determined by the cash handler's ability to obtain physical custody of the money and how that person safeguards the money. **Cashiers/custodians must report all losses to the Finance Department immediately.**

- 1) A shortage is an unintentional collection error such as a change making error. An overage occurs when a cash handler has collected too much money and cannot immediately return the excess to a specific customer.
- 2) On the other hand, a loss of City money is when a cash handler has obtained physical custody of money and then due to reasons like negligence, an act of God or an unlawful action, cannot deposit that money with the City.
- 3) An example of negligence is leaving City money unattended and not properly safeguarding that money from loss.

XIV. REGULATION OF RETURN CHECKS

- A. All return checks will be charged a return check fee as determined by the City Council. The fee is applicable when a customer, taxpayer or employee check for payment of fees, fines, court costs, taxes, utilities or other charges has been dishonored by the maker's bank and returned to the City of Kennedale. The fee, plus the base amount of check, will be payable to the City by means of cash, money order or cashier's check.
- B. If a customer, taxpayer or employee fails to honor the returned check within thirty days, the check will be turned over for collection or criminal sanctions, depending on which option is applicable.

XV. ACTION TAKEN IN EVENT OF THEFT

The danger of security and loss is a constant threat when handling money. Fund custodians are expected to safeguard City funds against loss. Custodians should be familiar with what to do in times of emergency. In these circumstances, **protecting human life should be the first concern**. Thefts are to be reported and handled in compliance with the City of Kennedale's Fraud Policy. Following the complete investigation performed in accordance with the Fraud Policy, the Director of Finance will conduct a review of the cash handling procedures and related internal controls and issue a report of his/her conclusions on improvements to cash handling procedures. The report will be discussed for implementation with the related department head in an effort to prevent future thefts from occurring.

XVI. ANNUAL REVIEW

The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.



CITY OF KENNEDALE
CASH HANDLING CERTIFICATE OF RESPONSIBILITY
(Appendix A)

I have read and understand the City of Kennedale Internal Controls & Cash Handling Policy. A copy of the Internal Controls & Cash Handling Policy has been provided to me. I agree to be held responsible and accountable for the handling of City funds according to the City of Kennedale's Internal Controls & Cash Handling Policy for the following purpose(s):

Please Initial

_____ Cash Drawer/Change Fund
_____ Petty Cash Fund
_____ Other

I have also been informed and understand that surveillance camera equipment and other devices may be used to monitor City funds.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document, as well as the City of Kennedale's Internal Controls & Cash Handling Policy.

Training/Exam Date (If Applicable): _____

Employee Name: _____
Employee Signature: _____
Date: _____

Department Head Name: _____
Department Head Signature: _____
Date: _____

Director of Finance Name: _____
Director of Finance Signature: _____
Date: _____