

Cash Handling 101

Best Practices



EDUCATION SERVICE CENTER 15

CASH HANDLING



CASH IS MORE THAN JUST COINS AND CURRENCY IN THE BUSINESS WORLD. IT ALSO INCLUDES, CHECKS, CREDIT CARD TRANSACTIONS AND MONEY ORDERS. BY USING THE BEST PRACTICE TECHNIQUES FOR HANDLING CASH, YOU HELP REDUCE ERRORS AND ENSURE ACCOUNTABILITY EVEN IF THE AMOUNT OF CASH YOU HANDLE IS LOW. BY CREATING AND IMPLEMENTING CASH HANDLING CONTROLS, YOU CAN CREATE AN EFFICIENT PROCESS FOR MANAGING PAYMENTS AND MONEY YOU RECEIVE.” FLORA RICHARDS-GUSTAFSON

What you don't want to happen



- HEARNE, Texas - Some of the findings by an external auditor show that over the past few years, employees mismanaged checks and misclassified funds. The findings were presented to their school board.
- It also revealed that some employees were paid without even being at work and one employee used district travel to redeem rewards points for personal use.

What you don't want to happen



- Another employee was found to have campaigned for county office while on school property, which is against policy
- There was found to be the misuse of travel reimbursement by two other employees and a lack of control when it came to cash flow.

Cash Handling



- In public education the public trusts that their money will be handled wisely and for appropriate items.
- Principals, class sponsors, coaches, teachers, cafeteria workers – cash handling procedures are NOT part of their certification and therefore do not expect them to implicitly understand the process.
- Biggest problem is finding time to teach the correct cash handling process. Curriculum will always trump finance when scheduling time.

Cash Handling



The reality is:

that a principal/teacher/coach/sponsor/cafeteria worker can make a poor decision in relation to curriculum, discipline, communication, meal planning – yet he/she could lose his/her job if he/she makes a poor decision regarding cash.

Cash Handling



- Trust is not an internal control
- Duty Separation – when you separate cash handling duties, each individual is accountable to the others in the cash handling process

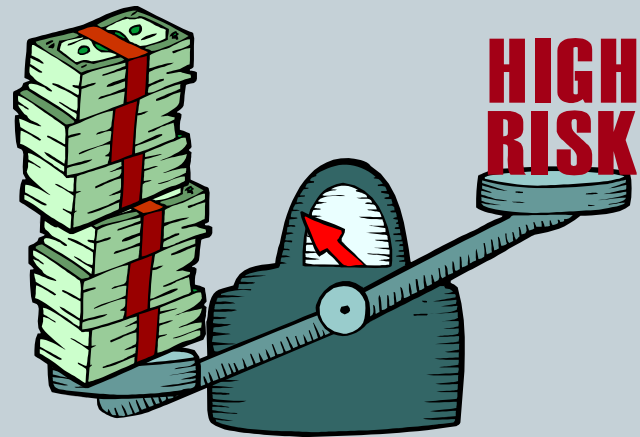
In God we Trust, Everyone Else is
Subject to an Audit

Cash Handling



High Risk Areas

- Activity Accounts
- Cash Controls
- Receipts/Deposits
- Disbursements
- Fundraisers



Types of Activity Funds



- Student activity funds – monies used to benefit a particular organization and expended based upon a vote of the officers in a manner consistent with policy and procedures (membership dues, fundraising proceeds) – Fund 865
- Campus activity funds – funds which are raised by the student body and are expended on the student body as a whole (student pictures, vending) – Fund 461

Activity Fund Accounting



Centralized

- ✦ Accounting transactions are initiated at the campus level but processed and recorded by the district's central administration
- ✦ Checks are generated at the district's central administration

Decentralized

- ✦ Accounting transactions are initiated, processed, and recorded at the campus
- ✦ Checks are generated at the campus

Responsibility for Activity Funds



Centralized

- The campus principal is responsible for the collection and control of campus activity funds prior to deposit. Responsibility for proper recording and disbursement is transferred to the district's accounting department.

Decentralized

- The campus principal is responsible for the proper collection, disbursement and control of activity funds
 - ✦ Physical safeguarding
 - ✦ Accounting
 - ✦ Administration
 - ✦ Disbursement of funds

Centralized vs. Decentralized



● Why Centralize?

- ✦ Improve compliance with District policies and procedures
- ✦ Improve compliance with purchasing laws
- ✦ Greater efficiency in processing transactions
- ✦ Reduce burden of campus administration in generation of checks and bank reconciliations
- ✦ Ability to invest funds centrally for increased interest earnings
- ✦ Difficulty in finding qualified staff
- ✦ Easier identification of transactions requiring 1099
- ✦ Prevent fraudulent practices

Centralized vs. Decentralized



- Why Decentralize?
 - ✦ Give greater control to campus administration
 - ✦ Ability to cut a check in a moment's notice
 - ✦ Hands-on knowledge of the activities of the campus – understand issues
 - ✦ Staffing issues in finance office



Cash Controls



- Cash receptacle
 - ✦ Locked at all times
 - ✦ Combination/keys provided to limited personnel
 - ✦ Can be as simple as a sealed envelope, signed and Dated over the seal
- Petty cash/gate funds
 - ✦ Amount on hand must tie to the general ledger
- Face-to-face counting (dual control)
 - ✦ Cash should be counted in the presence of the sponsor or person giving funds



Cash Controls



- If face to face counting is not possible – options for safekeeping include placing in an envelope and sealing with the date, time and identification of person to be opened at a time when both can be present, or locking it in a night deposit bag to open when both are present. The key is to secure the cash until such a time when at least two people are present to reconcile.
- Reconciling face to face is hard, time consuming and not popular, but it protects everyone involved.

Cash Receipts



- Deposit frequency
 - ✦ All activity fund money should be deposited timely (daily if possible)
- Proper support for cash receipts
 - ✦ Cash tally sheet, copy of receipts, etc.
 - ✦ Sponsors should receive a signed copy of the deposit documentation or a pre-numbered receipt should be issued



Cash Receipts



- **Recurring income**
 - ✦ All recurring income (vending, picture commission, etc.) should be examined to ensure consistent posting

- **Sales tax**
 - ✦ State and local sales tax must be imposed on all qualifying sales
 - ✦ Even though school districts are tax exempt, purchases of items for individual use, do not qualify for exemption

- **Cash corrections**
 - ✦ There should be few, if any, cash corrections on bank deposits

Account Activity



- **Excess/deficient balances**
 - ✦ Pay special attention to accounts that carry large balances...theft may be easily concealed
 - ✦ Accounts with deficit balances may indicate poor management or missing funds

- **Account comparisons**
 - ✦ Fluctuations in account balances should be reasonably explained
 - ✦ Revenue should be relatively consistent

Disbursements



- Proper approvals
- Gift cards for educational use
 - ✦ Monitor to ensure acceptable use
 - ✦ Adequate controls should be in place
 - Log of gift cards issued
 - Itemized receipts to support expenditures
- Purchasing guidelines
 - ✦ Approved vendors should be used
 - ✦ Quote/bid procedures should be followed



Fundraisers



- Approved application and completed financial recap
 - ✦ Fundraising activities should be approved by the appropriate authority (no raffles, bingo, or other games of chance)
 - ✦ After the activity has been completed, receipts and expenditures should be reviewed to determine profit/loss

- Specific purpose
 - ✦ All fundraising should occur with a specific purpose in mind

Fundraisers



- Foods of Minimal Nutritional Value (FMNV) compliance
 - ✦ Even fundraising activities must be in compliance with FMNV
 - ✦ Review the type of items sold and inquire about when the items were sold (especially important for hand-to-hand sales)
- Sponsor acknowledgement of responsibility
 - ✦ Is the sponsor aware of the responsibility he/she has taken?

Additional Risk Areas for Decentralized Activity Funds



- **Unused check stock**
 - ✦ Should be adequately secured
 - ✦ Must be pre-numbered and in sequential order
- **Bank reconciliations**
 - ✦ Conducted in a timely manner
 - ✦ Reviewed by appropriate authority



Common Activity Fund Audit Findings



- Access to the cash receptacle is not adequately limited
- Cash is not counted face-to-face
- Deposits are not remitted to the bank in a timely manner
- Sales tax is not correctly assessed
- Purchasing guidelines are not followed
- Fundraisers are not properly managed



Problem Areas

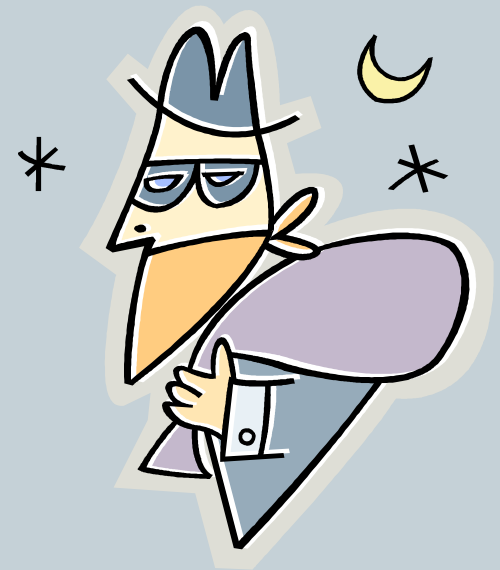


- Culture of schools (It's not internal control!)
- Gift cards
- Payment to employees through activity funds rather than payroll
- Booster clubs
 - ✦ Cash controls
 - ✦ Recordkeeping
 - ✦ Failure to follow guidelines/procedures
 - ✦ Lack of financial acumen

It's Happened to Many of Us.....



- Campus secretary opened charge accounts and a post office box in District's name
- Bank teller shorted deposits by \$5 consistently over a period of time
- Armored courier was held up
- Sponsor turned in “just enough” money to cover fund raising invoice



It's Happened to Many of Us.....



- Food service employee stored cash in freezer *“for safekeeping”*
- Campus secretary consistently took cash from receipts and only deposited the checks
- Employee received reimbursement from both activity fund and local budget for same travel expenditure
- Sponsor used cash from students to purchase supplies
- Campus secretary purchased over-the-counter pain relievers and herbal supplements



Questions?

Cash Handling Resources



- Financial Accountability System Resource Guide
- TASBO

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