

INTERNAL CONTROL GUIDE

CASH COLLECTIONS



INTRODUCTION

Cash is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important all departments handling cash implement and adhere to strong internal controls. **For the purposes of this guide, “cash” includes coins, currency, checks, money orders, internal charges, credit card and Tiger Card transactions.**

This Internal Control Guide provides guidance to Auburn University (AU) departments with regard to safeguarding cash. Please use this guide to develop cash handling procedures in your department.

OVERVIEW OF CASH HANDLING

The Office of Student Financial Services (SFS) is responsible for monitoring, processing, and recording the collection of funds that come into any department or division of AU other than Auburn University Montgomery (AUM). Collections of funds at AUM are monitored, processed, and recorded by the AUM Cashier’s Office. Departments may collect and deposit funds with SFS, the AUM Cashier’s Office, or the bank, as appropriate, in the course of normal operations. All units collecting cash should ensure proper controls are in place to safeguard collections until deposit. Only in rare cases, and with the approval of SFS or the AUM Cashier’s Office, should any unit establish or use an external checking account. All departments collecting funds may be subject to periodic, unannounced audits by IA.

In addition to collections, cash may be present in departments for use as either a change fund or petty cash fund. A change fund earmarks an amount of cash to provide change for customers who make purchases from the department. A petty cash fund earmarks an amount of cash to be used by the department to handle small, miscellaneous emergency purchases. Petty cash purchases should not exceed \$100.00. Change funds and petty cash funds must be pre-approved by SFS for AU departments, the AUM Cashier’s Office for AUM departments, and Auxiliary Services for auxiliary enterprises.

SEPARATION OF CASH HANDLING DUTIES

Cash handling duties can be divided into three stages: receiving, depositing, and reconciling. Ideally, all three stages would be performed by different individuals. The purpose of this segregation of duties is to minimize the opportunity for an employee to misappropriate funds and avoid detection. In a smaller department, it may not be feasible to fully segregate all of the cash-related duties. In these circumstances, the department may rely on compensating controls to mitigate the risk that cash is misappropriated (e.g., increased monitoring).

RECOMMENDED CONTROLS – RECEIVING CASH

Receiving Checks and Money Orders

- All checks and money orders should be made payable to “Auburn University.”
- All checks should be restrictively endorsed at the time of receipt with “For Deposit Only,” along with the department name and “Auburn University.”
- The numeric amount of the check must agree with the written amount.
- Checks must have the current date (no postdated checks).
- Change should not be given for a check over the amount due.

Controls Specific to a Formal Cashiering Environment (cash register)

- If possible, each cashier should start his/her shift with a new beginning cash balance and his/her own cash drawer. If a register must be shared, it must have sufficient controls to allow collections to be attributed to individual cashiers (e.g., separate user IDs and passwords to access the register).
- Cash register entries should be made at the time of the transaction, and the payer should be given a cash register receipt.
- Each cashier should balance his/her register activity at the end of the business shift.
- An independent, designated individual must verify that the cash received matches the cash register’s report of business by cashier.
- All voids and refunds should be reviewed and approved by department management and should be documented.

Controls Specific to an Informal Cashiering Environment (no cash register)

- Specific persons should be delegated the authority to receive cash.
- All collections should be immediately recorded on Official University Receipts, Wilson Jones two-part Sequentially-Numbered Books, or other approved receipts.
- The payer should be given a copy of the receipt at the time of purchase.
- All voids and refunds should be reviewed and approved by department management and should be documented.

Safeguarding Handling and Storage of Cash

- A mail log should be used to document collections received through the mail.
- Collections should be held in a secure manner until deposited. This may be accomplished by such means as a fireproof safe, a locked desk drawer, or other locked device. The amount of collections should be considered when choosing the locking device.
- At night and on weekends, cash registers should be emptied and funds secured.
- Access to secure locations via keys or combinations should be limited to authorized individuals only.
- Collections should be handled by as few people as possible.
- If cash is transferred to another person in a department, accountability procedures should be followed.

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- Safe combinations should be changed regularly and whenever security may have been compromised. Departments should also change safe combinations when an employee with knowledge of the combination leaves the department.
- Locks should be changed whenever security may have been compromised. Departments should ensure keys are returned when an employee leaves the department.
- All cash collected should be deposited. Collections should not be used to pay expenditures, to reserve for petty cash, or for any other reason.

RECOMMENDED CONTROLS – DEPOSITING CASH

- Collections should never be sent through campus mail. All collections should be deposited with SFS, the AUM Cashier's Office, or the bank.
- All deposits remitted to SFS or the AUM Cashier's Office must be accompanied by a completed Collections Report/Receipts Voucher (Collections Report). The Collections Report must identify the source of the funds and note the Banner FOAP numbers to be credited.
- All supporting documentation, including daily cashier reports (in a formal cashiering environment), a daily summation of receipts (in an informal cashiering environment), and bank deposit slips should be included with the deposit.
- Persons collecting and recording funds should not prepare deposits.
- Deposits must be made in a timely manner, with as little cash as possible being kept in departmental offices after business hours. Departments receiving cash every day should make daily deposits.
- When cash is deposited or when large sums of cash are on hand, departments are encouraged to ask for a police escort.

RECOMMENDED CONTROLS – RECONCILING CASH-RELATED ACTIVITY

- Reconciliations should be completed by a specified individual who does not collect funds. If this is not feasible within a department, someone outside of the collections process should review the reconciliation.
- Daily reconciliations should be performed by a specified individual, comparing the following:
 - the cash receipt records (e.g., cash register balancing records, pre-numbered receipts, and bank deposit slip, if applicable)
 - the completed Collections Report
- Monthly reconciliation should be performed by a specified individual, comparing deposit information to the Organization Detail Activity Report from Banner.
- All differences should be documented and resolved promptly.

RESOURCES

If you have questions regarding cash handling procedures, you may contact SFS, the AUM Cashier's Office, or IA.

Additionally, any individual at AU who has a reasonable basis for believing a fraudulent act has occurred may contact IA or may file a report through EthicsPoint, the AU contracted reporting service. Reports can be submitted to EthicsPoint over the Web or by telephone at 1-866-294-4871. Links to the online report submission page are available on the Internal Auditing website, and on the AU Access Finance webpage. Anyone choosing to submit a report through EthicsPoint has the option to remain anonymous.