



# ADMINISTRATIVE REGULATION (AR)

Cash Handling (Revised from City AR-00006)  
FESSAM #4B.1

Effective: 01/01/2016

## I. SCOPE:

This Administrative Regulation applies to all Loveland Fire Rescue Authority (LFRA) employees including full-time, part-time, contract, temporary, seasonal hire(s), and volunteer(s). New employees handling cash are briefed on this Administrative Regulation upon hiring. Annual review and acceptance of this Administrative Regulation is required for all LFRA employees. Administrative Director has the ability to implement more restrictive (but not less restrictive) conditions on the handling of cash than those defined within this internal regulation.

## II. PURPOSE:

The purpose of this Administrative Regulation and related internal procedures is to ensure that all LFRA divisions that handle cash must have both an awareness of and show a commitment to strong internal controls for cash handling. Internal controls are necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees from inappropriate accusations of mishandling funds by defining responsibilities in the cash handling process and helping reduce the chance of robbery. Managers in these divisions are responsible for maintaining the proper environment of internal controls established by the LFRA's written procedures.

All LFRA divisions collecting cash must address the following cash receipt controls by implementing procedures in support of these controls. Divisions with occasional cash receipts or one-time, special events, must follow the same minimum operating procedures that apply to units handling cash on a regular basis. If a special event is planned, it is expected that the cash handling aspects of the event is finalized one week prior to the event with the Administrative Director, who will coordinate with the City of Loveland Revenue Manager.

## III. DEFINITIONS:

- **Cash Handling** is comprised of collecting, depositing and reconciling.
- **Cash** includes coin, currency, checks, money orders, and credit card transactions.

## IV. POLICY:

### Segregation of Duties

Separate the components of cash handling - collecting, depositing, and reconciling - so that one individual does not have responsibility for more than one component. In small divisions, separate the handling of cash collecting and depositing from the reconciliation. In addition, the handling of cash should be limited to only necessary employees during the business day.

### Safeguarding the Handling and Storing of Cash

- During hours of operation secure coins, currency and checks to restrict access by utilizing a register or a cash box that is out of sight from customers or other unauthorized employees.



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- At other times store cash in a safe or other locked secure place, such as a locked desk drawer.
- Count the cash in a secure area away from public view.
- Do not allow any unknown individual(s) have access to the cash without verification of two forms of identification and approval by the Administrative Director. Verification of an individual must be documented and retained in the Division.
- A courier service is required for divisions unless authorized by the City of Loveland Revenue Manager.
- If courier is not used, cash must be taken directly to the City of Loveland Revenue Division's Office without additional errands or breaks taken before cash is delivered.
- If divisions are directly depositing funds to banks, rather than through the City of Loveland Revenue Division's office, the deposits shall be counted and reconciled to the cash receipt journal by two individuals.
- Cash and checks must not be sent to other divisions within LFRA by inter-office mail. These funds need to be delivered either by the courier or hand-delivered by an employee of LFRA.

## Depositing Promptly

- Deposit cash at least weekly or when the total on hand reaches a minimum of \$500 during the business day. Certain locations may require a more restrictive procedure based on security, cash/check composition, and the average dollar amount of checks.
- Deposit all funds received. Do not hold checks for future processing. Do not use cash received to cash checks from employees and customers.
- Refunds to customers must be fully documented within the accounting system or register.

## Depositing Funds Directly to Bank

Directly routing deposits to Wells Fargo rather than sending receipts to the City of Loveland Revenue Division's Office must have authorization by the City of Loveland Revenue Manager. Deposit information must be forwarded to the City of Loveland Revenue Division.

## Depositing Funds through the City of Loveland Revenue Division

Routing deposits through City of Loveland Revenue Division; once a deposit is received, a member of the City of Loveland Revenue Division's staff is to verify the deposit by recounting the cash and processing the deposit intact. If a discrepancy in the deposit is discovered, the staff member immediately contacts the deposit originator to resolve prior to forwarding the deposit to the bank. City of Loveland Revenue Division must deposit funds within 48 full day hours of receiving the deposit.

## Reconciliation Responsibilities

Each division must reconcile the cash-on-hand to the cash receipts journal at the end of a shift or day. After the deposit is processed, each division must reconcile the general ledger account activity to ensure the deposit has been applied to the desired account, any discrepancies must be reported immediately to the LFRA Administrative Director. Segregation of duties applies





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such that one employee shall print a cash receipts journal and a secondary employee shall count the cash on hand, which should balance to the journal report.

## Supervisory Oversight Responsibilities

- Ensure employees are complying with the Cash Handling Regulation and provide training to new and/or existing employees regularly.
- Ensure cash is safeguarded at all times.
- Regularly review cash deposits to the reconciliations to ensure correct posting.
- Monitor cash shortages/overages and investigate any recurring errors that occur within a one week period. In addition, investigate any shortages/overages \$50.00 and greater.
- Communicate with the Administrative Director or the City of Loveland Finance Director for any suspicions of fraud or theft. In addition, communicate to City of Loveland Risk Management.

## LFRA Responsibilities

- Funds are to be posted to the accounting system or entered into the cash register once it is received and a receipt either computerized or manual must be given to the customer, unless funds are received by mail. The exceptions to this are departments that take in large quantities of coin. In this case, coins are to be sent directly to the bank to be counted. Once the total is received from the bank, the employee is to enter the total into the system immediately.
- Review checks and verify all bills \$20 and greater to ensure the LFRA is not receiving counterfeit funds.
- Endorse checks immediately with LFRA restrictive endorsement stamp. Do not accept post-dated, two-party checks, temporary checks or checks that are not intended to be deposited immediately.

## Monitoring of the Cash Receipts Process

Members of the City of Loveland Revenue Division Staff not directly involved with the cash handling process have the responsibility to periodically and on a sample basis monitor cash handling procedures in accordance with this Administrative Regulation.

## Overpayments

- Overpayments are not accepted when the intention is to provide a cash refund back to the customer.
- Overpayments must be applied as a credit to the next bill.
- If the customer would like a refund check in lieu of credit, the check request must be processed and approved by the Administrative Director or his/her designee and forwarded to City of Loveland Accounts Payable for processing.

## Returned Checks

- All checks are processed twice through Wells Fargo.
- The City of Loveland Revenue Division reviews return items on a daily basis.



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- The City of Loveland Revenue Division is to give a copy of the return items to the City of Loveland Accounting Division and the original depositor.
- LFRA or designated agency must collect appropriate fees.

## Credit Card Payments

Upon request, the City of Loveland Revenue Manager may authorize LFRA to accept credit card payments. Authorized LFRA divisions may currently accept VISA, MasterCard, Discover and American Express. Credit card cash advances for employees or customers are **strictly prohibited**.

- When accepting a credit card payment, the following must occur:
- Verify the signature on the credit card matches the embossed name on the front of the card. If the card is not signed, request two forms of identification, one of which is a picture ID.
- Verify the card expiration date.
- Obtain an electronic authorization using a point-of-sale terminal. If the terminal is not operational, follow the bank's instructions for obtaining a phone authorization.
- If credit cards are accepted, reconcile authorized transactions daily.

## Lockbox Services

Lockbox service is currently not utilized due to a cost benefit to LFRA, however; LFRA is to evaluate this service on a periodic basis.

## **Basis For Mandate:**

- Internal governance

## **V. PROCEDURE:**

The following procedures are to ensure proper internal controls, segregation of duties, and adequate safeguards of LFRA funds in accordance with accompanying Administrative Regulation. Certain divisions may require a more restrictive procedure based on security, cash/check composition, and the average dollar amount of checks.

## Safeguarding Funds

- All bills \$20 and greater must be verified to ensure the LFRA is not receiving counterfeit funds.
  - As soon as the bill is received, the employee will mark the bill with a counterfeit pen.
  - If the color does not turn dark, continue with the transaction.
  - If the color does turn dark, contact the supervisor immediately. The supervisor will contact the police department.





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- Run fingers over the corners of the bill to make sure there is no unusual thickness around the numbers. Counterfeiters can copy a \$10.00 or \$20.00 bill, cut out the numbers and paste the numbers on a \$5.00 bill. When checked with a pen, it will not detect the bill as being counterfeit.
- All checks will be stamped immediately with the LFRA endorsement stamp.
  - If an endorsement stamp is not available, keep the check in a secure area and bring to the City of Loveland Revenue Division the next business day after receipt.
- Combinations to safes must be changed periodically (at least annually). When there is a change in personnel, both the combination to the safes and drawer locks must be changed.

## Collecting Funds

### Cash Payments

- Acceptable methods of maintaining cash receipt records include: (1) cash register; (2) accounting system and (3) multiple-copy receipt book (only acceptable in limited locations with very low volumes of transactions or locations that receive checks only). A cash register or accounting system is the preferred method.
- When receiving cash, refer to "Safeguarding Funds".
- **Cash Register or Accounting System** - Transactions need to be properly entered into the cash register or accounting system as "cash" in order to properly reconcile the daily transactions at the end of the shift or end of the day.

### Check Payments

- Upon accepting a check payment, immediately stamp the back of the check with the LFRA's restrictive endorsement stamp.
- Maintain a manual daily listing of checks received if the cash register or accounting system is not utilized.
- **Cash Register or Accounting System** - Transactions need to be properly entered into the cash register or accounting system as "check" in order to properly reconcile the daily transactions at the end of the shift or end of the day.
- Cash collection locations are not permitted to "cash" personal checks or allow employees to "cash" checks from un-deposited funds.

### Credit Card Payments

- Verify that the signature on the back of the card and the name embossed on the card are the same. If not, request two forms of identification, one of which is a picture ID.
- Verify the expiration date (the card is valid through the last day of the month embossed on the card).
- Always obtain an electronic authorization by swiping the card through the point of sale terminal and the transaction being accepted. If the terminal is not operational, follow the bank's instructions for obtaining a phone authorization.
- If the terminal indicates that the transaction is "denied", try only **one** more time and then you must try a different card. Do not continue trying that card.



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- Cash advances for employees or customers are strictly prohibited.
- Batch settlements must be made on a daily basis.
- All copies of the transactions must be kept and balanced to the batch settlement.
- **Cash Register or Accounting System** - Transactions need to be properly entered into the cash register or accounting system as "credit card" in order to properly reconcile the daily transactions at the end of the shift or end of the day.

## Depositing Funds

- If staffing levels permit, an individual independent of the payment collection process must compile the deposit and deposit slip package.
- The deposit must include an adding machine tape with a total for the checks, a total of the cash and finally a total of the checks and cash. The total must match any accounting reports. The checks, cash and deposit slip (if applicable) must be sent to the bank or the City of Loveland Revenue Division bundled in an organized manner. Cash must be bundled for deposits as follows:

Denomination	Amount of Bundle
One's	\$ 25.00
Five's	\$100.00
Ten's	\$200.00
Twenty's	\$500.00
Fifty's	\$500.00
One Hundred's	\$500.00

- The preparer of the deposit slip package must compile the package to be sent to the City of Loveland Accounting Division (if depositing directly to the bank) or to the City of Loveland Revenue Division for processing. The deposit slip package must include the copy of the deposit slip (if depositing directly to the bank), adding machine tape totals, daily cash worksheet, credit card batch settlements, accounting reports, cash register reports (if applicable), and any other applicable reports that support the deposit amount.

## Reconciling Funds

### Cash Drawer Reconciliation

- Cash drawers and cash registers must have a designated amount of cash on-hand to start the following day and the remaining cash must be placed in the safe/locked drawer or deposited to the cashier's office.
- Cash drawers and cash registers must be counted down before and after each shift and a worksheet must be completed. A reconciliation worksheet is available on the City of Loveland Accounting intranet site.
- The worksheet must include:

1. **Determination of deposit amount:**





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Beginning of day (or shift) balance  
+ Cash receipts during the day (or shift)  
+ Checks received during the day (or shift)  
- Standard amount kept on-hand

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= **Deposit amount**

2. **Physical count of the cash and checks:** The worksheet must show the breakdown of the cash by denomination.
  3. **Reconciliation of activity:** The physical count of cash and checks must be reconciled to the cash register report, multiple-copy receipt book or manual cash receipts journal, whichever is applicable. Any overages or shortages must be indicated on the worksheet and investigated.
  4. **Signatures:** The worksheet must be signed and dated by the preparer.
- A supervisor must review the worksheet and investigate overages and shortages greater than \$50, on an immediate audit basis upon the discovery. The supervisor must sign and date the worksheet upon completion of the review process and notify the LFRA Administrative Director or City of Loveland Revenue Manager.

## Credit Card Receipts Reconciliation

- Credit Card receipts must be reconciled to the "end of day" report generated by the credit card system to ensure all credit card receipts are accounted for and deposited to the cashier's office.
- Batch settlements must be made on a daily basis.
- Copies of all the transactions must be attached to the batch settlement.

## **Lockbox Services**

Currently Wells Fargo does offer lockbox services; however, the City of Loveland has evaluated the cost benefit of this and has decided to process deposits internally. The City of Loveland is to evaluate this service on a periodic basis. The evaluation needs to include the following:

- An analysis of the existing workflow from receiving mail to depositing payments and posting receivables
- Volume of transactions
- Staffing requirements
- Expected float savings from using a lockbox
- Security of the process
- Employee accuracy
- Enhanced customer service
- Capital requirements, if any
- Lockbox service charges
- Time necessary to complete



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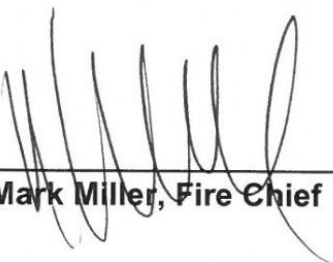
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### VI. OTHER RELATED REGULATIONS & PROCEDURES:

Petty Cash Handling

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### VII. LFRA FIRE CHIEF SIGNATURE:



Mark Miller, Fire Chief