



Cash Handling Manual

**City of Madison
July, 2014**

Treasurer's Office
Finance Department: Budget and Audit Section
July, 2014

“The City Treasurer shall collect and account for all taxes, license monies, fees, accounts of charges due or owing to the City, shall be responsible for the collection, receiving, safekeeping, and accounting for all monies and securities of the City of Madison and attend to all treasury affairs . . .” M.G.O. 3.055

The City of Madison wants to provide its citizens (the “customers”) with easy access to services. In addition, agency supervisors want to make internal workflow as efficient as possible. Often, this results in allowing citizens to make payments to the City in locations distant from the Treasurer’s Office. The challenge, therefore, is to ensure that payments are received and transported to the Treasurer’s Office in a safe and prudent manner, and recorded according to the needs of the Finance Department.

This manual is the product of a joint effort by the City Treasurer and the Internal Audit Section of the City of Madison Finance Department. It is the responsibility of each department and division head to provide for the proper control of cash within the guidelines set forth in this manual. It is expected that all City employees who are involved in receiving payments from the public will be familiar with the policies and procedures herein described. Furthermore, it is anticipated that agency heads will (in consultation with the Treasurer and Internal Audit staff) augment these policies and procedures with further requirements for their specific agencies.

The goal in handling payments to the City is to ensure strong fiscal management practices and proper control over receipts. This manual will deal with policies, procedures, and best practices involved with: 1) accepting payments; 2) safekeeping the payments; 3) reconciling and preparing deposits; and 4) transporting the deposits to the Treasurer’s Office or directly to the bank. Each of these aspects of receiving payments will be discussed in detail.

Accepting Payments

The City of Madison receives over a million payments a year. It is necessary to account for each and every one of them. When a City employee receives a payment from a member of the public, the transaction must be treated as important. It may be a routine payment, but in order to account for it properly, the employee has to be focused on the task. Distractions, like conversations with co-workers, should be avoided while interacting with the citizen. Time spent dealing with the payment correctly will pay off when it is time to do the reconciliation at the end of the day.

Each payment is an event involving different steps. In each case, the event begins with the citizen being told the amount due. Then follows the payment by whatever method applies. Finally, generating a receipt brings the payment event to an end.

First: At the beginning of the transaction, the City employee should indicate to the citizen the amount of payment due.

Next: The next step varies based on the method of payment.

Cash

- When the citizen presents the cash for payment, it should be placed on the counter.
- If the amount presented is more than the amount due, the employee should retrieve the appropriate change from the cash drawer.
- Hand the citizen any change and then place the citizen's payment in the drawer.

Check and Money Order

- Verify that the check is made out to "City Treasurer," which is the preferred payee designation. If the check is already made out to "City of Madison" or "City of Madison XX dept.," it is acceptable. However, when asked, always respond by saying "City Treasurer."
- Verify that the date on the check is today's date. You should not accept a post-dated check. All checks will be deposited the same day as received, so by accepting a post-dated check, you will subject the citizen to the potential of a rejected check.
- Verify that the check is signed.
- Restrictively endorse the check.
- Place the check in the cash drawer.
- Do not accept third-party checks (checks issued to the person making a payment and endorsed over to the City).
- Do not cash City employees' personal checks (including your own).

Credit/Debit Card

- Enter the transaction in the department's payment software and have the citizen sign the transaction slip.
- Verify that the card is not expired.
- Verify that the signature on the card matches the signature the citizen gave you on the transaction slip. If the card is not signed or the signature does not match, request that you be shown a picture ID. Verify that the individual pictured on the ID is the citizen making the payment. If in doubt, deny the transaction.

Finally: Generate a receipt. Generating the receipt ensures that the payment is entered into the department's accounting software. It is essential to offer the citizen a receipt. The citizen may decline to take it, but it needs to be offered.

Safekeeping

City employees have an obligation to keep City assets safe at all times. To facilitate these efforts, the City of Madison promotes safekeeping best practices to ensure the security of City receipts.

Consideration should be given to the amount of cash and checks that are routinely on hand and the level of security warranted based on the potential for risk. An agency's needs for safekeeping may be different for business hours as opposed to non-business hours. For example, an agency may need to keep cash readily on hand in order to interact with customers during the day, but should lock the receipts safely away from the main counter at night.

Security Measures

- Unsecured cash, checks, and credit card information should not be left unattended at any time.
- A safe, locked drawer, or secured cash box should be used to safeguard cash, checks, and credit card information.
- The secure storage device should not be visible to the general public.
- Keys and combinations to safekeeping areas should be maintained away from the same physical location. Keys should be marked "do not duplicate."

Access

- Access to safekeeping places should be restricted to necessary employees.
- Management should maintain a list, in a secure location, of which employees have access to the agency's safe, locked drawer, etc.
- Upon termination of employees that have access to safekeeping areas, keys should be collected and combinations/locks should be changed.

Robbery

- City policy is to cooperate with the robber's explicit instructions and not make any attempts to play "hero" and thwart the robbery attempt.
- Discretely pay close attention to any identifying features of the robber.
- After the robber leaves, lock any doors and/or windows and retreat to a secure location.
- Call Police (911) and inform management of the incident.

Reconciling and Preparing Deposits

After receiving payments from customers during the course of the business day, it is important to reconcile cash on hand to the amount recorded through cash registers, computers or receipts on a daily basis. This process is important both to validate that the amount being prepared for deposit is accurate and to note any improprieties that may be occurring in the collection process. After payments are successfully reconciled, the deposit must be prepared to transport to the Treasurer's Office or a City-approved financial institution.

Reconciliation

- Reconciliation should always occur in an area that is not visible by the general public.
- Ideally, when an agency has a sufficient number of employees to segregate these duties, the reconciliation should be performed by an employee that has no other cash handling responsibilities.

Overages/Shortages

- Any overages or shortages should be investigated and resolved during the reconciliation process. If an overage or shortage is not resolved, it should be recorded to the appropriate general ledger account and documentation should be maintained.
- Employees should never use personal funds to balance City funds.
- Slush funds of overages/shortages are not allowed.

Management Responsibility

Management should:

- Periodically review and document their review of the reconciliations.
- Periodically perform and document "surprise" cash counts and reconciliations.
- Retain proof of reconciliations.
- Review, resolve, and document overages/shortages by employee.
 - Identify any trends by employee to determine whether recurring problems may be the result of carelessness, need for additional training, or theft.
 - Determine and communicate consequences for significant and/or recurring overages/shortages.

Deposits

- Cash receipts should be deposited intact and not used for petty cash disbursements, check cashing or other purposes.
- All deposits should be documented on a deposit slip that has been approved by the Treasurer's Office.
- Deposits should be made on a timely basis, which is addressed in the Transporting Deposits section.

Transporting Deposits

After the funds have been prepared for deposit, the next step is to transport the deposit to the Treasurer's Office or a City-approved financial institution. Due to the variety of City locations that accept payments and the dissimilar level of materiality involved, discretion should be exercised in determining the frequency and method by which payments will be deposited for each City agency.

Deposit Frequency/Scheduling

- Deposits should be made daily, when practical. This would generally apply to agencies located in the CCB or MMB, unless payments received are infrequent and/or immaterial.
- At a minimum, deposits should be made on a weekly basis, regardless of materiality.
- A deposit schedule should be established, in conjunction with the City Treasurer.
- If a scheduled deposit needs to be delayed due to extenuating circumstances, contact the Treasurer's Office.

Deposit Methodology/Security

- Transportation methods include walking, driving, and armored car services. The mode of transportation should be determined in conjunction with the City Treasurer and Internal Audit staff and should include a cost benefit analysis.
- Transportation should be done discreetly.
- Depositor should vary the routine (route and timing) of transporting payments.
- If a bag is used, ideally it should be locked and the courier should not have access to the key.
- Inter-Departmental mail should never be used to transport payments.
- Depositor should remain in the Treasurer's Office or financial institution until a reconciliation is complete.