

WESTERN KENTUCKY UNIVERSITY

CASH OPERATIONS MANUAL

A. PURPOSE

The purpose of this cash operations manual is to consolidate the cash handling/cash operations policies and procedures of Western Kentucky University into one centralized, easy to use reference manual. For the purposes of this manual, Western Kentucky University includes all University departments or organizational units, administrative offices, and affiliated organizations.

The term “cash” as used in this manual, refers to coin, currency, checks, money orders, and credit card sales. This manual provides a summary of the overall cash handling/cash operations procedures of the University.

This manual is for the benefit of all University employees who are involved in cash operations, regardless of their location or organizational relationships. Employees with cash handling functions are encouraged to become familiar with the contents of this manual.

This manual provides a summary of the overall cash handling and cash operation procedures of the University. Individual departments may have additional, more detailed policies which must also be considered by persons working in those areas.

B. INTRODUCTION

The overall cash policy of Western Kentucky University is to institute controls and procedures to:

1. Ensure the physical security of cash.
2. Maximize the use of cash funds
3. Ensure that only disbursements necessary to satisfy obligations of the University are made.
4. Accurately record the receipt of cash to ensure the reliability of financial data.

C. INTERNAL CONTROLS

1. Access to cash should be limited and all funds should be kept secure at all times. Daily, all funds collected should be deposited intact with the *Cashier's Office*, Room 208, Potter Hall.
2. Cash receipts/handling operations should be subject to supervisory review. In all instances, one person will check the work performed by another.
3. All cash receipts must be completely and accurately recorded in the financial records of the University. To ensure this, a cash transmittal of receipts form should be prepared for each cash receipt indicating the account to which funds should be applied.

D. RESPONSIBILITIES FOR CASH OPERATIONS

1. The authority and responsibility for establishing policies and procedures and defining appropriate internal controls for cash handling activities are assigned to the Controller's Office and/or the Office of Internal Audit.
2. The Controller's Office has overall responsibility for all cash handling operations, including the collection, control, and custodianship of all funds of Western Kentucky University.
3. Any employee who handles cash is **absolutely responsible** for that cash. A supervisor of any employee who handles cash is responsible for ensuring that proper and reasonable safeguards are followed.
4. Each employee involved in cash handling operations assumes the responsibility for full and true reporting of all funds received.

E. CASH RECEIPTS

1. Written cash receipts forms are to be issued for all cash received.
2. Cash handling duties are to be appropriately separated among employees.
3. Checks are accepted only for amounts owed to Western Kentucky University.
4. Cash is not to be sent by campus or U.S. mail.

F. CHANGE FUNDS

1. Change funds are established for specific purposes to enable organizational units of Western Kentucky University to achieve their assigned objectives.
2. The approval of the Controller's Office is required to establish a change fund.
3. No disbursements are to be made except to satisfy an obligation of Western Kentucky University that was incurred for authorized purposes.
4. Cash disbursements are authorized only for specific purposes from change funds.
5. The fund custodian is responsible for accounting for the fund and for making whatever provisions are necessary to properly safeguard it.
6. Change funds are not to be commingled with other cash funds or with personal funds.
7. Change funds are not to be used for any purposes other than those for which they were established.

G. SECURITY

1. Each cash handling location should establish those security procedures deemed necessary in light of the perceived risk at that location.
2. Cash should be kept in a locked, fire-resistant storage container.
3. The department head has overall responsibility for ensuring that adequate security is maintained over cash and other assets.

H. ESTABLISHING OUTSIDE BANKING RELATIONSHIPS

1. No individual, department, organizational unit, administrative office, or affiliated organization of the University may establish a bank account or deal directly with a bank. All University banking business must be conducted with the *Cashier's Office*.

I. PERSONNEL RELATED ISSUES

1. Before an individual is employed in a regular full-time cash handling position, his or her employment record must be verified by the employing supervisor. The campus police or local police should be requested to run a check on the individual to determine if a criminal record exists.
2. Employees in a supervisory cash handling position are expected to be above reproach in the conduct of their personal financial affairs.
3. Employees who are responsible for receiving or handling cash or recording transactions involving cash must be instructed precisely as to their duties and responsibilities. Each new employee should be given a period of orientation and training. All employees should be provided with a periodic review of University policies and procedures relating to cash handling operations.
4. Violations of cash handling rules and regulations are considered a serious failure on the part of any employee and the responsible supervisor. Appropriate action, which may include separation from employment, will be taken in the case of violations.

J. REQUIRED REPORTING

1. All losses of University money must be reported, **regardless** of the amount.
2. Attempted theft, burglary, or robbery must be reported even though no actual loss occurred.
3. Persons making deposits with the *Cashier's Office* are responsible for verifying that they receive credit for all deposits made and that the proper accounts are credited.
4. Persons responsible for any account receivable of the University must reconcile the balance of the detail accounts to the balance shown on the financial records system monthly.
5. Persons responsible for change funds must reconcile such funds daily.

INTERNAL CONTROLS

A. INTERNAL CONTROLS OVER CASH RECEIPTS/HANDLING

Because cash is negotiable, readily spendable, and easily transported, it is important for proper internal controls to be in place to protect this asset of Western Kentucky University. Accordingly, it is the policy of the University that the following internal controls over cash receipts/handling be established and placed in operation:

1. Access to cash must be limited. All funds should be kept secure at all times. While in the possession of University departments or organizational units, administrative offices, and affiliated organizations, funds should be kept in locked boxes or drawers or in closed cash register drawers. Daily, all funds collected should be deposited with the *Cashier's Office*, Potter Hall.
2. Cash receipts/handling operations should be subject to supervisory review. To minimize the potential for mistakes in cash handling operations and/or misappropriation of cash, cash handling duties should be separated between employees so that in all instances one person (preferably a supervisor) will check the work performed by another.
3. All cash receipts must be completely and accurately recorded in the financial records of the University. To ensure this, a cash transmittal of receipts form should be prepared for the cash receipt(s), indicating the account(s) to which the funds are to be applied.

B. DEFINITION OF INTERNAL CONTROL

Internal control encompasses the policies and procedures that an organization establishes to ensure that it operates in accordance with management's intentions and that accountability is maintained for all transactions entered into on behalf of the organization. This includes the methods adopted by a business to safeguard its assets, to check the accuracy and reliability of its accounting data, to promote operational efficiency, and to encourage adherence to prescribed managerial policies.

This broad definition of internal control includes two different aspects of control: administrative control and accounting control. Administrative (or operational) controls are generally aimed at improving operating efficiencies or otherwise controlling the activities of the business. These controls are in contrast to internal accounting controls, which are primarily directed at reliable financial reporting (i.e., ensuring the accuracy and reliability of the financial data and safeguarding assets).

Internal controls are usually developed and put into place to either prevent mistakes or detect them if they occur. For example, University departments use transmittal of receipts forms to deposit cash with the *Cashier's Office*. Personnel in the *Cashier's Office* verify cash

transmittal forms to make sure the deposit equals the amount shown on the form and that accurate account numbers are used. These persons are performing controls designed to prevent mistakes from entering the University accounting system. To detect any mistakes that get through this process, the computer system has been designed so that it will detect (and not accept) out-of-balance transactions and invalid account numbers.

C. PURPOSE OF INTERNAL CONTROL

Internal controls are put into place largely to allow management to monitor operations, identify business risks, and generate pertinent financial and nonfinancial information. In short, internal controls are designed and implemented so that management can run the business. Internal controls also ensure that responsibilities are met.

Generally speaking, internal controls are established to provide reasonable assurance that:

1. Transactions are executed in accordance with management's authorization.
2. Transactions are recorded as necessary to permit accurate preparation of financial statements and to maintain accountability for the organization's assets.
3. Access to assets is restricted to instances authorized by management.
4. Assets are periodically compared with the accounting records, both to determine the accuracy of the records and to account for the assets.

D. SEPARATION OF DUTIES

One of the most important internal accounting controls, especially with regard to cash handling operations, is that of separation of duties. Stated more simply this means separating the performance of one activity from the performance of another. For example, the same person should not receive cash, deposit cash in the bank, and reconcile the bank statement. Having different parts of a single transaction handled by different people allows each person to serve as a control over the others. When duties are appropriately separated, a mistake made by one person in processing a transaction is likely to be detected by another person. For these reasons, it is the policy of Western Kentucky University that appropriate separation of duties be employed in all cash operations/handling functions.

E. SAFEGUARDING OF ASSETS

Cash receipts are prone to theft or misplacement. Accordingly, it is important to have internal controls in place to safeguard these assets so that access to them is limited to authorized personnel. For this reason, the University requires the daily deposit of all cash receipts so that safeguarding control can be exercised and access limited.

RESPONSIBILITIES FOR CASH OPERATIONS

A. AUTHORITY AND RESPONSIBILITY

The authority and responsibility for establishing policies and procedures and defining appropriate internal controls (accounting and administrative) for cash handling activities at Western Kentucky University are assigned to the Controller's Office. In turn, the Controller's Office has delegated cash receipts responsibilities to all University departments or organizational units, administrative offices, and affiliated organizations, with the *Cashier's Office* serving as a central control and collections point.

The Controller's Office has overall responsibility for all cash handling operations. Accordingly, the Controller's Office has ultimate responsibility for the collection, control, and custodianship of all funds of Western Kentucky University. In this regard Controller's Office has specific responsibility to:

1. Establish and enforce policies and procedures governing the receipt, handling, custody, and disbursement of funds.
2. Require the establishment and maintenance of records giving full account of monies received and paid by the University.
3. Request audits of any aspect of the cash receiving and handling functions of the University.
4. Establish and terminate petty cash funds and set limits on the amount and use of such funds.
5. Establish and enforce minimum security standards applicable to all University cash handling operations.

The Controller's Office defines administrative policies and procedures and prescribes internal controls relating to cash handling operations. These policies, procedures, and controls are required to be observed by every University department or organizational unit, administrative office, and affiliated organization involved in cash handling. It is the responsibility of each Department Head and/or Office Manager to ensure that cash handling operations over which he or she has control are operating in accordance with the policies set forth in this manual.

B. DELEGATED RESPONSIBILITY

All departments and organizational units, administrative offices, and affiliated organizations of the University that handle cash receipts accept responsibility to:

1. Receive funds and deposit them with the *Cashier's Office* daily.
2. Supervise all cash handling activities so that all funds received are properly

recorded and deposited in accordance with University policy and procedures.

3. Ensure that proper records are maintained and that entries are made promptly and properly.
4. Ensure that all funds are adequately safeguarded.
5. Conduct periodic reviews of their cash handling activities to determine that all systems are functioning as intended and that all applicable University policies and procedures are being followed.

The *Cashier's Office* has been designated as the central collection and control point for cash receipts. All cash collected by University departments should be forwarded to the *Cashier's Office*. The *Cashier's Office* has the responsibility to collect, control, and maintain records for all campus funds.

C. INDIVIDUAL RESPONSIBILITY

Responsibility for handling cash is assigned to individual employees who participate in any cash handling function and to their supervisors. **Any employee who handles cash is absolutely responsible for that cash.** A supervisor of any employee who handles cash is responsible for ensuring that proper and reasonable safeguards are followed.

Each employee involved in cash handling operations assumes the responsibility for full and true reporting of all funds received.

CASH RECEIPTS

A. DEFINITION OF CASH

The term “cash” as used in this manual, refers to coin, currency, checks, money orders and credit card sales.

B. GENERAL POLICES -- CASH RECEIPTS

1. **All** cash receipts (including credit card deposits) shall be deposited intact daily with the *Cashier's Office*. This procedure is applicable to all departments or organizational units, administrative offices, and affiliated organizations that receive cash on behalf of Western Kentucky University. Intact means that no disbursements, either cashing of checks or payments for purchases, are to be made from any cash receipts.

Note: University policy indicates that rules of reasonableness apply in interpreting of the above daily deposit requirement. Specifically,

- a. a deposit is to be made when cash receipts accumulate to \$25 although more than one deposit a day is not required, plus
 - b. a deposit is to be made on the last working day of the week if no deposits were made during the week, plus
 - c. a deposit is to be made by **noon** on the last working day of the month.
2. Written cash receipts forms are to be issued for all cash received. The form of receipt may be either a written cash receipt, a cash register tape, or a paid stamp.
 3. All checks received must be restrictively endorsed immediately with the name (or number) of the department and Western Kentucky University.
 4. Cash handling duties are to be appropriately separated by employees.
 - a. In units having a number of employees, different persons should be designated to receive cash, deposit cash, and record transactions so that no single person has control over the entire process.
 - b. In all units, cash handling operations (cash receipts and recording) should be reviewed and approved by someone (preferably a supervisor) in addition to the person receiving the funds.
 5. Checks are accepted only for amounts owed to Western Kentucky University.
 6. Cash is not to be sent by campus or U.S. mail.
 7. Questions concerning procedures for cash receipts should be directed to:

*Controller's Office
ATTN: Cashier's Office
Potter Hall - Room 208
Bowling Green, Kentucky 42101-3576
Phone: (270) 745-5375
Fax: (270) 745-6584*

C. ACCEPTABLE FORMS OF PAYMENT

The University accepts the following forms of payment:

1. U.S. coin and currency
2. Checks drawn on U.S. banks and written in U.S. dollar values (including travelers, cashiers, and certified checks)
3. Money orders
4. MasterCard, VISA and Discover credit cards

D. AUTHORIZED CASH RECEIVING LOCATIONS

Any department approved by the Controller's Office may collect cash on behalf of the University. One departmental position should be designated to serve as the central collection point. This designation should be assigned to a department which routinely handles cash receipts and therefore would be completing cash transmittal forms on a regular basis.

E. GENERAL CASH RECEIPTS

The procedures below should be followed in handling all cash receipts at the University.

1. Cash Receipts Forms

A written acknowledgment should be made for each cash payment received. Acceptable cash receipts forms are cash register tapes, receipts written on preprinted forms, and paid stamps.

Cash register tapes may be used by departments having cash registers that produce a customer receipt copy.

Preprinted forms are frequently used by departments that do not have a cash register. Such forms may be obtained from the Office of Internal Audit and should include:

- a. the amount of the payment
- b. the mode of payment (cash, check, money order, credit card, etc.)
- c. name of person making payment
- d. purpose of payment
- e. date of payment
- f. social security number or student identification, if applicable
- g. account payment applied to, if applicable
- h. initials of employee receiving funds

Manually prepared cash receipts forms should be sequentially prenumbered and should be accounted for and maintained for audit purposes. Computer generated receipts are numbered and meet the requirements set out above. Incorrectly completed cash receipts forms must be voided.

Some departments may use “paid” stamps as a means of receipt. In such cases, the employee receiving funds should stamp a copy of the payee’s bill and initial it beside the paid stamp.

2. Cash Transmittal Of Receipts Forms

A cash transmittal of receipts form is to be used by all individuals, departments and organizational units, administrative offices, and affiliated organizations of the University to accompany and record the transfer of cash to the *Cashier’s Office*. From this form, the *Cashier’s Office* will generate the accounting entries to record the transaction. This form is located on the website for the Cashier’s Office.

In completing the cash transmittal of receipts form, employees are reminded of the following:

- a. Complete all standard information required on each transmittal of receipts form.
- b. Credit card batch headers (totals) should accompany the transmittal.
- c. Leave the cash receipt number blank; this will be completed by the *Cashier’s Office* and will be on the yellow copy of the cash transmittal of receipts form which is returned to the originating department. Departments should use the copy of the cash transmittal of receipts form to verify the amount received in the *Cashier’s Office* and to reconcile the recording of the transaction on the Banner

finance system.

- d. Use a separate line for each different account number.
- e. Overages and shortages must be reported and explained on the cash transmittal of receipts form. Overages and shortages are the responsibility of the department head who should be aware of these items and initial them on the transmittal. The *Cashier's Office* will review overages and shortages for unusual or continuing Differences. The office of Internal Audit will also receive this information.
- f. The details of all checks must accompany each cash transmittal. Space is provided on the form to list the maker, date received, and amount of each check. If

additional

space is required, a listing may be attached. If numerous checks accompany the cash transmittal of receipts form, an adding machine tape detailing the amounts included may be sufficient.

- g. Deposits should be delivered to the *Cashier's Office* (Potter Hall - room 208) and include the following:

- (1) Completed cash transmittal of receipts form

- (2) Currency

- (a) facing the same way

- (b) sorted by denomination

- (c) banded or clipped (\$1 bills in \$25 bundles; \$5 and \$10 bills in \$100 bundles; and \$20 bills in \$500 bundles.)

- (3) Coins in rolls and unrolled coins in an envelope.

- (4) Endorsed checks with adding machine tape showing amount of deposit. Checks, money orders, and travelers checks may be combined together. They should all be facing the same way and presented in the sequence of the adding machine tape.

- (5) Credit card deposits with batch headers.

- h. To the extent feasible, cash transmittal of receipts forms should be prepared by an individual other than the cashier or bookkeeper. If this is not practicable, the manager or supervisor should reconcile or review the reconciliation of daily cash receipts transactions to the cash transmittal.

3. Deposit Slips

In general, the *Cashier's Office* will prepare deposit slips for all cash receipts and will directly deposit all funds with the authorized banking facility.

F. PROCEDURES FOR SPECIFIC TYPES OF CASH RECEIPTS

While the above section describes the general procedures for the handling of cash receipts at Western Kentucky University, there are additional procedures that relate to specific types of cash receipts and certain exceptions to the general policies of the University. These specific procedures and exceptions are as follows:

1. Cash Sales

When cash is received by an employee, either a cash register recording is made or a prenumbered cash receipts form (showing at least the date, amount, payor, and nature of the payment) is prepared. The payor is given a copy of the receipt.

Employees handling cash receipts must balance cash collected to the cash register totals or to totals of the prenumbered cash receipts forms prepared. Copies of the cash receipts forms should be retained in numbered sequence, including any "voided" forms. Employees handling cash receipts should not perform any accounts receivable functions.

Any shortages or overages in daily cash receipts must be reported on the cash transmittal form.

When a department uses a cash register to record cash receipts, the cash register must be balanced at the end of each employee's shift. Daily cash register tapes must agree with the cash transmittal form. The daily recorded transactions are substantiated by a file of tapes, cash register clearance forms, and copies of the cash transmittal form.

2. Checks

This section details only those standards relating to checks presented in payment for goods or services or as gifts to Western Kentucky University.

a. Numerous types of checks are received by the University as payment for the sale of goods and services provided. In general, any of the following types of checks are acceptable of payment:

(1) Personal checks

- (2) Company checks
 - (3) Cashiers checks
 - (4) Certified checks
 - (5) Money orders
 - (6) Travelers checks
 - (7) University checks
 - (8) Government checks
- b. Checks written on non-U.S. banks or for amounts other than U.S. dollars are accepted on account only and are subject to the amount of U.S. dollars ultimately collected in exchange.
- c. To be accepted, each check presented must:
- (1) Be payable to Western Kentucky University (or appropriate affiliated organization). This includes checks payable to an individual who must restrictively endorse it payable to Western Kentucky University.
 - (2) Be currently dated - not post dated or stale dated (over six months old, or shorter period if so indicated on the face of the check).
 - (3) Be properly signed and/or endorsed by the presenter.
 - (4) Be in agreement as to numeric and written amounts.
 - (5) Be legibly written in ink.
 - (6) Not be altered or grossly mutilated.
 - (7) Not have any unreasonable restrictions placed on the face that limit its application.
 - (8) Contain sufficient information to permit tracing the presenter (e.g., name, address, telephone number, social security number).
 - (9) For checks presented in person in payment for goods and services (not gifts), some form of identification, preferably including a picture, should be checked to verify the identity of the presenter.
- d. All checks accepted by the University must be restrictively endorsed immediately

upon receipt. The endorsement should indicate “For Deposit Only.” Additionally, Western Kentucky University (or appropriate affiliated organization) and the department should be identified in the endorsement. For example, the following endorsement should be placed on the back of each check:

“Western Kentucky University. For Deposit Only. This endorsement covers all departments of the University, Department name or Department number.”

This endorsement may be applied by a stamp or may be individually written on each check. Restrictive endorsement stamps may be obtained from the *Cashier’s Office* and kept for ongoing use.

On checks jointly payable to the University and another party, the endorsement of the other party is required in addition to the restrictive endorsement above.

3. Credit Cards

Acceptance of credit cards (which involves a banking relationship) must be approved by the Office of the Controller. Credit card fees charged by the bank are the responsibility of the department accepting the credit cards.

Among the locations authorized to accept credit cards are ID Center, Housing Office, Hilltopper Athletic Foundation, Kentucky Museum, Admissions Office, University Bookstore, Student Health Services, Ticket Office, Museum Store, Continuing Education, Correspondence Study, WKU Bookstore-Glasgow, and the *Cashier’s Office*.

- a. MasterCard, VISA and Discover are the only credit cards that may be accepted.
- b. In those locations of the University where authorization has been given to accept credit cards, a machine has been installed that automatically reads credit cards and provides authorization numbers. Where such machines have been installed, all credit card sales should be authorized.
- c. If use of the card is authorized, the credit card company will assign an authorization number.
- d. Credit cards may be accepted for mail and telephone orders. Charges may also be made to credit cards even though the person requesting the charge does not have his or her credit card available for imprint. This requires that the customer provide sufficient information about the card to request authorization.

4. Mail Receipts

When a department receives payment by mail (other than on accounts receivable), they should be listed immediately on the cash transmittal form, showing the amount, date, payor, and nature of payment. A copy of the listing should be maintained by the department, and the payment should be forwarded to the *Cashier's Office* as part of the cash transmittal.

When a department receives payments by mail on accounts receivable, an individual receipt should be prepared for each remittance. A remittance advice if enclosed with the payment, may serve as a receipt. The receipt should show the date, amount, and payor, and indicate what the payment was for. Computer generated receipts are sufficient for this purpose. The employee who opens the mail, prepares receipts, and makes deposits should not be involved in recording or adjusting accounts receivable. A copy of the receipt or remittance advice should be used to record payments on accounts receivable.

5. Counting Money and Making Change

The following standard practices should be observed in counting money received and in making change:

- a. All money received should be counted and the amount verified before it is placed in the cash drawer.
- b. Currency for which change will be given should be placed in view of both the cashier and customer until the transaction is complete.
- c. All change given on a transaction should be counted out to the customer.
- d. If an interruption occurs during the counting/change making process, the process should be started again from the beginning.

6. Student Financial Aid Checks

Student financial aid checks are generally only for the excess of the amount of aid over the amount owed the University. These may be cashed by the student in the same manner as any other check with the maximum amount of \$300 as described in point I below.

G. CORRECTIONS OF ERRORS AND ADJUSTMENTS

1. Discrepancies in cash transmittal forms received in the *Cashier's Office* and the accompanying cash receipts are reported immediately to the person making the deposit, and, if over \$100, to the manager of the *Cashier's Office*

and the supervisor of the department making the deposit.

2. Discrepancies are immediately corrected by the *Cashier's Office* and the difference is adjusted on the related cash transmittal form, indicating an overage or shortage.
3. Final resolution of a discrepancy and authority to adjust the appropriate account lie with the manager of the *Cashier's Office*. The ultimate resolution of a significant discrepancy (over \$100) and any adjustment made are documented in a letter from the manager of the *Cashier's Office* to the supervisor of the department making the deposit.

H. REFUNDS

A refund voucher form is to be used by all individuals, departments and organizational units, administrative offices, and affiliated organizations of the University to record the refund of money. From this form, the *Cashier's Office* will check for outstanding debt. After verifying the payee is not financially obligated to the Bursar's Office, the *Cashier's Office* will sign off on the refund voucher and forward it to Accounts Payable. After the check has been written, the Accounts Payable section will enter the check number and date of the check on the form and mail the check to the payee. Refund vouchers may be obtained in the Cashier's Office.

In completing the refund voucher form, employees are reminded of the following:

- a. Complete all standard information required on the refund voucher form.
- b. Use a separate line for each different account number.
- c. Refund vouchers should be mailed or delivered to the *Cashier's Office* (Potter Hall - room 208).
- d. To the extent feasible, refund vouchers should be prepared by an individual other than the cashier or bookkeeper. If this is not practicable, the manager or supervisor should review all refund vouchers.

I. CHECK CASHING SERVICE

Two types of personal checks (**maximum \$50**) may be cashed by the University *Cashier's Office* in Potter Hall.

1. The check may be written by the student and made payable to Western.
2. The check may be written by the student's parent and made payable to

the student.

Western Kentucky University student payroll checks in any amount will be cashed. Student I.D. is required for check cashing services

Checks may be cashed from 8:00 a.m. to 4:00 p.m., Monday through Friday, except during the last week of the semester.

A charge of \$20.00 will be made for each check returned to the University because of insufficient funds, closed account, or stop payment. The check cashing service will be denied to all students who have more than one check returned for non-payment.