



POLICY & PROCEDURE DOCUMENT

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DIVISION: Finance & Administration

TITLE: Cash Operations Policy and Procedures

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I. Purpose and Scope

The purpose of this cash operations document is to consolidate the cash handling/cash operations policies and procedures of Western Kentucky University into one centralized, easy to use reference document. This document 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 policy.

II. Policy

The overall cash policy of Western Kentucky University is to institute controls and procedures to ensure the physical security of cash, maximize the use of cash funds and accurately record the receipt of cash to ensure the reliability of financial data. The policy includes terms and definitions to assist in the understanding of the procedures that follow.

A. Terms and Definitions

For the purposes of this document, please note the following terms and definitions:

Western Kentucky University—includes ALL university departments or organizational units, administrative offices and affiliated organizations (Individual departments may have additional, more detailed policies which must also be considered by persons working in those areas.)

Cash—refers to coins, currency, checks, money orders, ACH and credit card sales

Internal controls—policies and procedures established by an organization to ensure that the organization operates in accordance with management’s intentions and that accountability is maintained for all transactions.

Operational controls—controls generally aimed at improving operating efficiencies or otherwise controlling the activities of the organization

Accounting controls—controls primarily directed at reliable financial reporting, providing reasonable assurance of the reliability and accuracy of the financial data and safeguarding assets

Control over safeguarding assets—primarily focuses on prevention or timely detection of unauthorized acquisition, use or disposition of the university’s assets that could have a material effect on the financial statements

Segregation of duties—the concept of having more than one person required to complete a task. In business, sharing duties in one single task is an internal control intended to prevent fraud and error.

Change fund—a designated amount of cash, authorized by the Chief Financial Officer, used to make change when customers pay for goods and services.

Petty cash—a designated small amount of cash, authorized by the Chief Financial Officer, used for paying small amounts owed, rather than writing a check.

III. Procedure

A. Required Internal Controls

1. Access to cash should be limited.
2. All cash should be kept secure at all times (e.g. locked in a fireproof safe overnight, locked in a cash register drawer during business hours).
3. DAILY, all funds collected should be deposited intact with the Cashier’s Office, Room 208, Potter Hall.
4. A Transmittal of Receipts form should be prepared for each cash receipt, indicating the account to which funds should be applied.
5. Cash receipts/handling operations should be subject to supervisory review. In all instances, one person will check the work performed by another (Segregation of duties).
6. All cash receipts must be completely and accurately recorded in the financial records of the University.

B. Responsibilities for Cash Operations

Office of the Chief Financial Officer:

1. Has the authority and responsibility for establishing and enforcing policies and procedures and defining appropriate internal controls for cash handling activities.
2. Has overall responsibility for all cash handling operations, including the collection, control, and custodianship of all funds of Western Kentucky University.
3. May request audits of any aspect of the cash receiving and handling functions of the University.

4. Establishes and terminates petty cash/change funds and sets limits on the amount and use of such funds
5. Establishes and enforces minimum security standards applicable to University cash handling operations
6. Requires the establishment and maintenance of records giving full account of monies received and paid by the University.

Office of Internal Audit:

1. Has the authority to assist the Office of the Chief Financial Officer in establishing policies and procedures and defining appropriate internal controls for cash handling activities.
2. Has the responsibility of providing reasonable assurance that internal controls related to handling cash are in place and working properly.

Cash and Collections Personnel (Office of the Bursar):

1. Has been designated as the central collection and control point for cash receipts.
2. ALL cash collected by University departments should be forwarded to the Cashier's Office.
3. Maintains records for all campus funds.

Any employee (who handles cash):

1. Is absolutely responsible for the safeguarding of the cash being handled.
2. Each employee involved in cash handling operations assumes the responsibility for full and true reporting of all funds received.
3. Is responsible for

A supervisor of any employee who handles cash:

- Is responsible for ensuring that proper and reasonable safeguards are followed.
- Is responsible for reviewing the work of the employee(s) handling cash.

C. Change Funds and Petty Cash

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 Office of the Chief Financial Officer is required to establish a change fund. **To request a change or modify an existing fund:**
 - a. Send a request to establish a change fund or make changes to an existing change fund to the Chief Financial Officer including: purpose of fund, justification for requested change (if appropriate), amount requested and a payment authorization form payable to the requested change fund custodian.
 - b. The request will be reviewed by the Chief Financial Officer and, if approved, the documentation will be forwarded to the Accounts Payable Supervisor (if applicable).
 - c. The Accounts Payable Supervisor will print a check and send it to the new fund custodian.
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 co-mingled 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.
8. Change funds must be reconciled and documented daily by the fund custodian.
 - a. An electronic form used for documenting change fund counts and daily reconciliations can be found on the Division of Finance & Administration's web site.
 - b. Overages/Shortages should be documented on the daily count sheet and reviewed by the fund custodian's supervisor.
9. If a fund's purpose is to be a petty cash fund for a department, the following controls should be in place:
 - a. Petty cash vouchers should be in sequential order and logged to document the amount of cash currently held by the petty cash custodian.
 - b. The custodian should reconcile the vouchers and cash on hand against the petty cash fund account dollar amount.
 - c. The petty cash and its support documents should be kept in a secure location under limited access by designated employees.
 - d. The employee overseeing the petty cash process should establish a maximum threshold for individual petty cash expenditures.

D. Security

Each cash handling location should establish those security procedures deemed necessary in light of the perceived risk at that location. In addition:

1. Cash should be kept in a locked, fire-resistant storage container.
2. The department head has overall responsibility for ensuring that adequate security is maintained over cash and other assets.
3. Cash handling duties should be appropriately separated among employees.
4. Cash should never be left unattended. This applies to cash registers and desk tops. If an employee leaves his or work station for any reason, regardless of how briefly, cash must be appropriately secured in a locked place.
5. Unauthorized persons are not permitted in areas where cash is handled.
6. Checks should be restrictively endorsed immediately (See section "G", Cash Receipts, Checks)
7. Cash is not to be sent by campus or U.S. mail.

E. Cash Handling Procedures

1. Cash Receipts
 - a. *Cash Sales*
 - i. When cash is received by an employee, either a cash register recording is made or a pre-numbered cash receipts form (showing at least the date, amount, payer, and nature of the payment) is prepared. The payer is given a copy of the receipt.
 1. The pre-numbered cash receipts may be obtained at the Office of the Chief Financial Officer: Wetherby Administration Building, room G21.
 - ii. Employees handling cash receipts must balance actual cash collected to the cash register totals or to totals of the pre-numbered cash receipts forms prepared. Copies of the cash receipts forms should be retained in numbered sequence, including any "voided" forms.
 - iii. Employees handling cash receipts should not perform any accounts receivable functions.

- iv. Any shortages or overages in daily cash receipts must be reported on the cash transmittal form.
- v. 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.
- vi. The daily recorded transactions are substantiated by a file of tapes, cash register clearance forms, and copies of the cash transmittal form.

b. Checks

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

- i. 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. Cashier's checks
 - 4. Certified checks
 - 5. Money orders
 - 6. Travelers checks
 - 7. University checks
 - 8. Government checks
- ii. **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 postdated 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, ID 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.
- iii. All checks accepted by the University must be restrictively endorsed immediately upon receipt. The following endorsement should be placed on the back of each check: "**Western Kentucky University. For Deposit Only**".
 - 1. This endorsement covers all departments of the University, Department name or Department number.
 - 2. 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.

3. 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.

c. Credit Cards

Contact the Office of the Bursar if your department is interested in accepting credit cards. Acceptance of credit cards (which involves a banking relationship) must be approved by the Office of the Chief Financial Officer.

Departments that accept credit cards are responsible for ensuring all credit card information is received and maintained in a secure manner in accordance with the Payment Card Industry Standards (“PCI Standards”). See Policy 3.3101 Credit Card Merchants for more details regarding compliance with PCI Standards.

- i. The following information should be noted for departments accepting credit cards:
 1. MasterCard, VISA and Discover may be accepted. Contact the Bursar’s Office regarding acceptance of American Express.
 2. Payments by credit card can be accepted using the following methodologies: point-of-sale (“POS”) machine, online web application, over the telephone or by mail.
 3. Credit card fees charged by the bank are the responsibility of the department accepting the credit cards.
 4. Departments are responsible for any credit card transactions that are disputed and charged back to the University.
 5. The costs associated with purchasing and maintaining point-of-sale (“POS”) machines are the responsibility of the department accepting the credit cards.
- ii. Guidelines for Accepting Credit Cards
 1. Once authorized to accept credit cards, a POS machine will be provided by the University’s banking partner and properly installed. The machine automatically reads credit card information and provides authorization numbers. Where such machines have been installed, all credit card sales should be authorized.
 2. Any department with a need to accept credit cards through the internet via a web application (e-Commerce) must contact the Office of the Bursar to coordinate web-based payment solutions with the payment processor under contract with the University.
 3. If use of the card is authorized, the credit card company will assign an authorization number.
 4. Charges may 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.
 5. Under no circumstance shall credit card information be obtained or transmitted via email or SMS text.

6. Any credit card information should not be stored by any person(s) accepting or processing payments. Strict guidelines for the security of credit card information is part of the compliance with PCI Standards (See the Credit Card Merchant Policy for further details).

d. Mail Receipts

- i. When a department receives payment by mail (other than on accounts receivable), the payment should be listed immediately on the cash transmittal form, showing the amount, date, payer, and nature of payment.
- ii. 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.
- iii. 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 payer, and indicate the purpose of the payment. Computer generated receipts are sufficient for this purpose.
- iv. The employee who opens the mail, prepares receipts, and makes deposits should not be involved in recording or adjusting accounts receivable.
- v. A copy of the receipt or remittance advice should be used to record payments on accounts receivable.
- vi. 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.

e. Cash Transmittal of Receipts Forms

- i. 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.
- ii. In completing the cash transmittal of receipts form, employees are reminded of the following:
 1. Complete all standard information required on each transmittal of receipts form.
 2. Credit card batch headers (totals) should accompany the transmittal.
 3. 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.
 4. Use a separate line for each different account number.

5. 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.
 6. The Cashier's Office will review overages and shortages for unusual or continuing differences. The Office of Internal Audit will also receive this information.
 7. 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.
- iii. 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.

f. Deposits

- i. 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,
 1. A deposit is to be made when cash receipts accumulate to \$25 although more than one deposit a day is not required, plus
 2. A deposit is to be made on the last working day of the week if no deposits were made during the week, plus
 3. A deposit is to be made by noon on the last working day of the month.
- ii. 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, which should be:
 - 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; \$20 bills in \$500 bundles; \$50 and \$100 bills in \$1,000 bundles);
 3. Coins in rolls and unrolled coins in an envelope;
 4. Endorsed checks with adding machine tape showing amount of deposit;
 5. Checks, money orders, and travelers checks may be combined together, and should be:
 - a. Facing the same way;

- b. Presented in the sequence of the adding machine tape; and
- 6. Credit card deposits with batch headers.
- iii. 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.

g. Counting Money and Making Change

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

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

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. The refund voucher form is located on the website for the Cashier's Office.

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

- i. Complete all standard information required on the refund voucher form.
- ii. Use a separate line for each different account number.
- iii. Refund vouchers should be mailed or delivered to the Cashier's Office (Potter Hall - room 208).
- iv. 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. Separation of Duties

- i. Cash handling duties are to be appropriately separated by employees.
- ii. 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.
- iii. 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.

F. Check Cashing Service and Returned Checks Policy

1. Specific types of personal checks may be cashed by the University Cashier's Office in Potter Hall.

- a. Students (maximum of \$50):
 - i. The check may be written by the student and made payable to Western.
 - ii. The check may be written by the student's parent or grandparent and made payable to the student.
 - b. Faculty/Staff (maximum of \$100):
 - i. Any type of check issued to faculty or staff.
 - ii. Personal checks made payable to Western.
 - iii. Exceptions on the amount may be made for faculty and staff but must be approved by the Associate Bursar or Bursar.
2. WKU I.D. is required for check cashing services.
 3. Checks may be cashed from 8:00 a.m. to 4:00 p.m., Monday through Friday. Summer office hours are subject to change.
 4. A charge of \$20.00 will be made for each check returned to the University because of insufficient funds, closed account, or stop payment. Failure to make prompt payment on returned checks may jeopardize status with the university. Any unpaid, returned checks are subject to being turned over to the County Attorney's Office for collection. The passing of bad checks is a violation of Kentucky statute.
 5. The check cashing service will be denied to all students and employees for whom more than one check has been returned for non-payment.

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. 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.

I. Acceptable Forms of Payment

The University accepts the following forms of payment:

1. U.S. coin and currency.

2. MasterCard, VISA and Discover credit cards. Contact the Bursar's Office regarding acceptance of American Express.
3. Money orders.
4. Checks drawn on U.S. banks and written in U.S. dollar values (including travelers, cashiers, and certified checks).
5. 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.

J. Authorized Cash Receiving Locations

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

K. Student Financial Aid Residual Checks

Student financial aid residual 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.

L. 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.
2. All University banking business must be conducted with the Cashier's Office.

M. 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 Department of Human Resources should be requested to run a check on the individual to determine if a criminal record exists. Kentucky state law requires all public institutions of post-secondary education to conduct pre-employment criminal background checks to determine suitability for employment.
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.

IV. Related Policies

See also:

3.3101 Credit Card Merchants Policy

V. Reason for Revision

Revision 3.3012 – September 2016

Revisions to clarify and improve policy and to remove redundancies.