

## **EXECUTIVE ORDER NO. 84**

**EFFECTIVE DATE:** April 9, 2004

**SUBJECT:** CASH HANDLING POLICY

### **PURPOSE**

The purpose of this Executive Order is to provide and communicate written guidelines to be used by department managers in preparing and updating written cash handling policies and procedures. The guidelines are intended to assure overall compliance with Metro's internal control policy and procedures and safeguard Metro assets.

All cash handling activities are subject to Metro's cash handling policy. Cash and cash equivalents include currency, coin, checks, money orders, traveler's checks, credit card receipts, gift certificates, coupons and rain checks.

This policy indicates the authority and responsibility of individual employees, establishing employee accountability and serves as a reference tool for proper handling of transactions and situations. The guidelines are not intended to address cash management, accounting or disciplinary procedures.

### **SCOPE**

Internal controls are necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees from inappropriate charges of mishandling funds by defining responsibilities in the cash handling process. Written procedure manuals assure that internal controls will be followed and help lessen risk caused by employee turnover. Internal controls are used to detect and/or prevent undesirable acts from occurring.

Preventive controls attempt to prevent or deter undesirable acts. They are proactive controls, designed to prevent a loss, error, or omission. Examples include separation of duties, proper authorizations, adequate documentation and physical security over cash and other assets.

Detective controls attempt to detect undesirable acts that have occurred. They provide evidence after-the-fact that a loss or error has occurred, but do not prevent them from occurring. Prompt supervisory follow-up and evaluation is essential for detective controls to be effective. Examples include supervisory reviews of activity, reconciliations, and physical inventories.

### **CONTROL PRINCIPLES**

Strong internal controls are necessary to reasonably assure that all cash received is safeguarded from loss or theft, that cash handlers are free from accusation of theft, that cash received is accurately recorded in the accounting system and is deposited in the bank in a timely manner. Costs associated with internal controls must be thoroughly evaluated

and compensating controls considered for each application. The principles of internal control include the following:

1. **Separation of Duties** -- Duties are divided so that no one person has complete control over a key function or activity. Key functions include authorization, recording, custody and reconciliation of the assets resulting from the transaction.
2. **Authorization and Approval** – Specific individuals have the authority to initiate or approve specific transactions and all transaction are properly authorized and documented.
3. **Properly Designed Documents and Records** – Pre-numbered and duplicate forms ensure all transactions are accounted for. Necessary and appropriate information can be used for multiple purposes and to establish accountability.
4. **Security of Assets and Records** – Physical controls protect equipment, inventories and cash and accounting records. Disaster recovery plans ensure the continuity of services.
5. **Review and Reconciliation** -- Records are examined and reconciled to determine that transactions were properly processed and approved. Physical inventories, customer conformations and analytical reviews assure completeness and accuracy.
6. **Training and Supervision** – Well trained and supervised employees help ensure that control processes function properly.
7. **Documentation** – Well documented policies and procedures promote employee understanding of job duties and help ensure continuity during employee absences or turnover. All procedures should be in writing and distributed to employees performing listed tasks.
8. **Prompt follow up on all indications of potential errors or irregularities** – Internal controls can alert management to potential problems in specific areas.
9. **Cost/Benefit** – Costs associated with control processes should not exceed expected benefits. Compensating controls can be used as alternatives to more elaborate and expensive controls that may not be practical in a particular situation.

## **RESPONSIBILITIES**

All Metro departments that handle cash must have both an awareness of and show a commitment to strong internal controls for cash receipts.

Managers are responsible for establishing, maintaining, reviewing and communicating specific internal control policies and procedures for their cash operations. Each cash handling area should have current written cash handling policies and procedures that conform to the control standards outlined in this policy. Managers should ensure that employees with cash handling responsibilities receive appropriate training and are

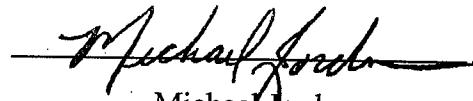
familiar with cash handling policies and procedures. Every employee is responsible for ensuring that established internal controls are followed and applied.

#### **IMPLEMENTATION**

The Accounting Division will promulgate general policies and procedures that management will use to establish specific departmental policies, procedures and instructions. The Accounting Division will update cash handling policies and guidelines on a timely basis as appropriate.

Managers will submit written cash handling procedures to Accounting for review when first adopted and when updated. The Accounting Division will review submitted cash handling procedures and respond to managers in writing. Managers will respond to Accounting's suggestions in writing.

ORDERED by the Chief Operating Officer this 9<sup>th</sup> day of April, 2004.

  
Michael Jordan  
Chief Operating Officer

# **CASH HANDLING POLICY (GENERAL GUIDELINES)**

## **I. Purpose**

To provide and communicate written guidelines to be used by department managers in preparing and updating written cash handling policies and procedures. These guidelines will assure overall compliance with Metro's internal control policy and procedures and safeguard Metro assets.

All cash handling activities are subject to Metro's cash handling policy. Cash and cash equivalents include currency, coin, checks, money orders, traveler's checks, credit card receipts, gift certificates, coupons and rain checks.

Policy and procedures manuals clearly outline the specific authority and responsibility of individual employees, establishing employee accountability. They serve as a reference tool for proper handling of transactions and situations.

## **II. Internal Controls**

Internal controls are necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees from inappropriate charges of mishandling funds by defining responsibilities in the cash handling process. Written procedure manuals assure that internal controls will be followed and help lessen risk caused by employee turnover. Internal controls are used to detect and/or prevent undesirable acts from occurring.

Preventive controls attempt to prevent or deter undesirable acts. They are proactive controls, designed to prevent a loss, error, or omission. Examples include separation of duties, proper authorizations, adequate documentation and physical security over cash and other assets.

Detective controls attempt to detect undesirable acts that have occurred. They provide evidence after-the-fact that a loss or error has occurred, but do not prevent them from occurring. Prompt supervisory follow-up and evaluation is essential for detective controls to be effective. Examples include supervisory reviews of activity, reconciliations, and physical inventories.

A. Control principles include –

10. **Separation of Duties** -- Duties are divided so that no one person has complete control over a key function or activity. Key functions include authorization, recording, custody and reconciliation of the assets resulting from the transaction.

11. **Authorization and Approval** – Specific individuals have the authority to initiate or approve specific transactions and all transaction are properly authorized and documented.
12. **Properly Designed Documents and Records** – Pre-numbered and duplicate forms ensure all transactions are accounted for. Necessary and appropriate information can be used for multiple purposes and to establish accountability.
13. **Security of Assets and Records** – Physical controls protect equipment, inventories and cash and accounting records. Disaster recovery plans ensure the continuity of services.
14. **Review and Reconciliation** -- Records are examined and reconciled to determine that transactions were properly processed and approved. Physical inventories, customer conformations and analytical reviews assure completeness and accuracy.
15. **Training and Supervision** – Well trained and supervised employees help ensure that control processes function properly.
16. **Documentation** – Well documented policies and procedures promote employee understanding of job duties and help ensure continuity during employee absences or turnover. All procedures should be in writing and distributed to employees performing listed tasks.
17. **Prompt follow up on all indications of potential errors or irregularities** – Internal controls can alert management to potential problems in specific areas.
18. **Cost/Benefit** – Costs associated with control processes should not exceed expected benefits. Compensating controls can be used as alternatives to more elaborate and expensive controls that may not be practical in a particular situation.

## B. Responsibilities

1. All Metro departments that handle cash must have both an awareness of and show a commitment to strong internal controls for cash receipts.
2. Managers are responsible for establishing, maintaining, reviewing and communicating specific internal control policies and procedures for their cash operations. Each cash handling area should have current written cash handling policies and procedures that conform to the control standards outlined in this policy. Managers should ensure that employees with cash handling responsibilities receive appropriate training and are familiar with cash handling policies and procedures.

3. Every employee is responsible for ensuring that established internal controls are followed and applied.
4. The Accounting Division is responsible for providing management with general policies and procedures that management will use to establish specific departmental policies, procedures and instructions. The Accounting Division will update cash handling policies and guidelines on a timely basis as appropriate.
5. Managers will submit written cash handling procedures to Accounting for review when first adopted and when updated. The Accounting Division will review submitted cash handling procedures and respond to managers in writing. Managers will respond to Accounting's suggestions in writing.

### **III. Control Standards for Cash Handling**

Strong internal controls are necessary to reasonably assure that all cash received is safeguarded from loss or theft, is accurately recorded in the accounting system and is deposited in the bank in a timely manner.

Costs associated with internal controls must be thoroughly evaluated and compensating controls considered for each application.

#### **A. Cash Definition**

1. "Cash" includes currency, coin, checks, money orders, traveler's checks, credit card receipts and cash equivalents such as gift certificates, coupons or rain checks.

#### **B. Cash/Physical Security**

1. The number of cash collection sites should be limited where practicable.
2. Protect undeposited cash by using cash registers, safes, locked file cabinets, locked boxes and lockable bank bags. Access to these devices must be restricted. During non-business hours and during business periods where access to cash is not required, all funds are required to be stored in a secured location.
3. Individuals handling cash must be provided separate and secure work areas.
4. Private areas must be provided for cash reconciliation and deposit preparation.
5. Only authorized individuals can be allowed in cash handling areas.
6. Duplicate keys must be placed in a locked key box under dual control. All keys to cashier areas and lockboxes must be stamped 'Do Not Duplicate'.

7. Safe combinations and keys must be restricted to a minimum number of employees. Persons who have safe combinations and keys to locked boxes or areas must be identified in writing. A person without access to the secured locations should maintain this list.
8. Safe combinations are required to be changed whenever staffing changes occur among those that know the combination.
9. Cash registers should be considered where the volume of cash transactions requires.
10. Employees responsible for cash must be instructed to maintain confidentiality of safe combinations and passwords.
11. An armored car service should be used when appropriate.

### **C. Cash Registers**

1. Sales are required to be rung up in the presence of the customer.
2. The amounts being rung up must be clearly visible to the customer.
3. All customers must be provided a receipt and be encouraged to take it as proof of payment. (See 'Recording Cash Received')
4. Supervisory approval should be required for all voids or refunds.
5. Cash receipts must be reconciled to the cash register ("Z" tapes) at the end of the day or at the end of each shift. Cash must be reconciled separately from checks/credit cards by comparing actual cash received to the cash total from the cash register tape (see 'Routine Reconciliation and review').
6. X and Z tapes should be consistently run and used for reconciliations.
7. Address alternative plans when machines are not operating including backup for terminal failure and supervisor responsibilities.
8. Signs requesting customers to take their receipts must be displayed at each cash register.

### **D. Cash Responsibility**

1. Physical responsibility for cash should be assigned to a single individual.
2. There must be a separate cash box/drawer/register for each person receiving monies. Funds accepted by cashiers should be under single control of the cashier.

3. Shared drawers or cash registers (accessed by more than one individual) are not allowed.

#### **E. Change Funds**

1. Change funds are required to be authorized and recorded in the accounting records.
2. Change funds are for making change only. Change funds may NOT be used for cashing personal checks, making loans, or to make purchases.
3. Cashiers receiving a daily change fund should verify amount received and sign or initial receiving documentation.
4. Limits on cash held at a cashier's workstation should be determined and a transfer of funds or additional deposit should be made when exceeded.

#### **F. Change in Custody**

1. Individual transfers of responsibility for cash should be documented.
2. All transports of cash between location must be made in locked transport or sealed bank security bags.

#### **G. Change Orders**

1. Change for daily use is ordered from the bank only as needed.
2. If used, policies for bank change orders must be included in written cash procedures.
3. Change orders must be re-paid timely.
4. Re-deposits must match individual amounts requested.

#### **H. Checks**

1. Checks must be restrictively endorsed to Metro immediately upon receipt using an authorized endorsement stamp or device.
2. Checks must be preprinted and include the issuer's name and address.
3. Checks must only be made payable to Metro or a Metro facility.
4. Identification is required.



5. No foreign checks should be accepted.
6. Checks must be for the exact amount of purchase.
7. Checks must not be post-dated (dated after the current date) or stale-dated (dated more than 6 months prior to the current date).
8. Scan checks for restrictions printed on checks, such as dollar limits or dual signatures required.

#### **I. Credit Card Transactions**

1. Minimum dollar thresholds for accepting credit card payments should be considered.
2. Address alternative plans when machines are not operating including backup for terminal failure and supervisor responsibilities.
3. All changes in equipment must be cleared through Accounting.
4. Complete processing procedures must be fully documented.
5. Only a financial institution specified by the Accounting Division may be used for credit transactions.

#### **J. Deposits**

1. Metro funds must be deposited into a Metro bank account using a bank deposit slip.
2. All cash should be deposited daily and intact, not intermingled or substituted with other funds. No expenditures may be made or checks cashed from cash receipts. No cash receipts may be retained within a department for departmental use.
3. Deposit slips should list the composition of the deposit (checks, cash and change).
4. Deposit slips should be completed in duplicate or triplicate (one copy to the bank, one for entry documentation, optional copy for the department).
5. Bank advices should be sent directly from the bank to the Accounting Division.

#### **K. Documentation/Training**

1. An indisputable audit trail must exist for all cash related transactions.
2. All employees involved in the cash handling process are required to be trained in these procedures.
3. Where cash registers are used, the cash handling supervisor must understand register capabilities and limitations.
4. An acknowledgment showing that employees involved in the cash handling process have read the written documentation for their specific tasks should be kept by the departments.

#### **L. Gift Certificates/Rainchecks/Coupons**

1. Gift certificates, rainchecks and other cash equivalents must be immediately canceled to prevent re-use.
2. Blank stock must be kept in a secure environment.
3. All gift certificates, rainchecks and coupons must be pre-numbered and those numbers accounted for.

#### **M. Individual Responsibility**

1. Individual employees are assigned specific powers and responsibilities for which they are held accountable.
2. Individuals assigned tasks must perform those tasks themselves to insure separation of duties and strong internal control.

#### **N. Information Technology Security**

1. Programs and spreadsheets used for cash handling activities or reporting are required to have limited access and be password protected.
2. Separation of duties must be maintained within the computer system to prevent misappropriation.
3. Passwords are required to be changed periodically and when there are staff changes.

#### **O. Inventories**

1. Inventory counts of retail items should be conducted periodically and compared to sales data. Significant differences should be investigated and documented and procedures updated if appropriate.

2. Inventories must be counted by employees having no responsibility for cash handling.

#### **P. Mail Processing Controls**

1. Controls over mail collection are important because the person making the payment is not present and no receipt is issued at the time of collection.
2. Mail must be opened and processed daily by a person who does not prepare bank deposits and does not have access to accounts payable.
3. Mail receipts should be processed independently of over-the-counter receipts.
4. Checks must be restrictively endorsed as soon as possible.
5. Written procedures should be established to describe how receipts that cannot be identified should be handled.

#### **Q. Monitoring the cash receipts process**

1. Supervisory personnel should approve unusual transactions, voids and refunds (in writing).
2. Surprise cash counts should be performed as appropriate.

#### **R. Overages/shortages**

1. Shortages must not be “made up” from other funds and must be recorded as shortages. Overages must be recorded as overages and deposited.
2. All over/shorts must be recorded on daily cash balancing forms and on a cash over/short log.
3. Records of over/shorts are required to be maintained for each employee handling cash. These records should be reviewed periodically by a supervisor.
4. Over/short amounts must be separately recorded and investigated and resolved to the extent possible.
5. Supervisors must identify and analyze cash overages/shortages to determine if corrective action is necessary.

## **S. Recording Cash Received**

1. There must be a system to record the receipt of all cash as soon as it is received. This ensures that all payments received are processed and that any payment may be traced from initial receipt to final disposition. Each individual cash receipt should be identified and controlled by a unique, sequential transaction number, such as a cash register ring number or cash receipt number.
2. Receipts, either manual or cash register/computer generated are required for all cash received.
3. Receipts should include the date, a description of items sold, quantity sold, unit price, extended price, and the form of the payment (check, cash, credit card).
4. Manual receipts should be signed or initialed by the person issuing. Cash register/computer receipts should also indicate the person issuing.
5. All cash receipts must be maintained in numerical sequence. Manual receipts are required to be pre-numbered and receipts must be issued in numeric order.
6. All customers must be provided a receipt and be encouraged to take it as proof of payment.
7. Manual receipts should be in triplicate to allow for a customer copy, cash-handler copy, and a copy that remains in the receipt book. All pre-numbered receipts must be accounted for, including voided originals, and should be retained by the department. Void or canceled receipts must be clearly marked so that they cannot be reused.
8. Employees who collect and deposit cash must not record cash receipts or prepare general ledger entries.
9. Revenue sources must be properly classified.

## **T. Record Security**

1. Strict control must be maintained over all receipts.
2. Blank receipt stock must be safeguarded with limited access.

## **U. Refunds/Voided transactions**

1. Document refunds with receipts, which include the customer's signature, date of the transaction, reason for the refund and the employee's signature who made the refund.

2. Refunds must be accounted for (rung up if using a cash register) in the customers presence.
3. Supervisory personnel should approve all voided receipts or transactions. All copies of the voided receipt forms must be retained and the word "VOID" written across the face of all copies.
4. Checks or credit card transactions will not be cashed or written for more than the amount of purchase.

## **V. Robbery Procedures/Reporting of Losses**

1. Each area handling cash is required to have written procedures for use should a robbery take place. Cash handlers must be instructed in how to act during and after a robbery to ensure their safety and that of co-workers.

## **W. Routine Reconciliation and review**

1. Each cashier should balance cash receipts to sales records daily, including accounting for all overages and shortages.
2. Cash receipts must be reconciled to the cash register ("Z" tapes) or to pre-numbered receipts at the end of the day or at the end of each shift. Cash must be reconciled separately from checks/credit cards by comparing actual cash received to the cash total from the cash register tape or to the sum of the cash sales from the manual receipts.
3. The consolidated cash reports and transmittal forms must be prepared by someone other than cashiers.
4. Document the deposit date, amount, and detailed receipts included to provide adequate support for each deposit.
5. Supervisory reviews must be included in cash procedures. Supervisory duties include monitoring cashier performance, keeping records of individual over/shorts, investigating bank discrepancies and being aware of changes in expected revenues.
6. Cash supervisors must ensure that the full "Z" tape sequence is accounted for where a cash register is used.

## **X. Separation of duties**

1. There must be a separation of duties between staff responsible for receiving and depositing the cash versus the staff responsible for the accounting records. No employee should be in a position to both commit an irregularity and conceal it.

## **Y. Training**

1. Staff must be adequately trained. Training should be repeated if necessary.

## **Z. Written Cash Handling Procedures**

1. All cash handling procedures must be documented in writing and dated.
2. Written cash handling procedures must include a designation of the positions that are responsible for receiving and handling cash.
3. Include copies of forms used in the process with links to detailed instructions.