



# NASSAU COUNTY OFFICE OF THE COMPTROLLER

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*Comptroller*

## CONTROL DIRECTIVE 3: CASH RECEIPTS

### A. Introduction

This Directive, applicable to all county departments, is issued pursuant to the Nassau County Charter. The Charter authorizes the County Comptroller to, *inter alia*, “supervise all accounts...required for purposes of administrative direction and financial control” and “prescribe the form of...any accounts or records of financial transactions which may be maintained by any department, institution, office, or agency of the county apart from, or subsidiary to, the general accounts.”<sup>1</sup>

This directive provides procedures and guidelines with respect to cash receipts collections, processing and reporting.

### B. Background

To protect the county’s financial resources as well as federal and state financial resources entrusted to the county, departments must implement stringent cash controls. Control procedures, including tracking, recording and accountability measures, must be implemented to ensure that funds are properly managed and cash is deposited in a timely manner.

### C. Definition of Cash Receipts

Cash receipts include cash, checks and credit card charges received in payment for a variety of departmental fees (e.g. park entrance, concessions, license, various county clerk application/service fees, fines, bail, etc.) and revenues (e.g. state and federal aid, intergovernmental transfer payments, reimbursements, sales taxes, mortgage taxes, event taxes, Health and Drug & Alcohol patient and Medicaid reimbursement, etc.).

### D. Cash Receipt Process

At a minimum, departments should implement the following cash receipt processing measures. Departments are encouraged to develop additional control measures, as well as to request further assistance and guidance from the Comptroller’s Office.

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<sup>1</sup> Nassau County Charter §401 (1), (7) (1999).

## ***1. Procedures***

To ensure the integrity of cash receipts collections, processing and reporting, departments must establish and document comprehensive procedures for the life cycle of cash receipt transactions. Procedures must:

- a. be established, at a minimum, for the receipt of cash, preparation of daily/weekly cash collection reports, cash deposits, reconciliation of cash deposits to cash collection reports, and recording of cash transactions in the county's Nassau Integrated Financial System ("NIFS").
- b. identify the titles of responsible personnel at every aspect of the life cycle.
- c. be approved by the department head prior to promulgation.

***Note: There are a few situations where county departments are entrusted with funds for federal and state program mandated purposes but do not record the transactions in NIFS. Instead, the transactions are recorded in other accounting based applications. In these situations, at least the same standard controls described in this directive should be implemented.***

## ***2. Segregation of duties***

Departments should segregate cash receipt and processing duties conducted by employees to reduce the risk of fraudulent activity. No one employee should control the receipt of cash and/or checks, preparation and reconciliation of daily summaries, depositing of the cash and/or checks, and recording of the transaction in NIFS.

Where departments cannot segregate duties, they should rotate responsibilities and increase supervision.

***Note: The county treasurer is responsible for reconciling NIFS cash balances to bank statements, and accordingly, this duty is adequately segregated.***

## ***3. Cash Receipts***

Whenever possible, departments should centralize the receipt of cash. The initial record of cash receipts may be a cash register tape, a press-numbered receipts form, mailroom records, or remittance advice, depending on the department and the nature of its revenues.

### ***a. Manual/Computerized Cash Registers***

Manual cash registers should be equipped with a tape on which cash collected is listed and accumulated. Two methods can ensure against tampering with manual cash register tapes: "locking" the machine so that the cumulative total cannot be cleared and turned back or using a register that prints a consecutive, non-resettable, sequential number for

each transaction. Computerized cash registers automatically generate receipts for each transaction and produce summary totals at the end of the day.

At the close of each business day, an employee other than the cashier should count the cash and verify the amount to the cash register tape (for manual cash register) or summary total sheet (for computerized cash register). This employee should ensure that any voided transactions are properly explained. If applicable, the register tape should be removed and attached to a daily/weekly cash collection summary report.

*b. Press-numbered Receipt Forms*

Departments must use standard forms to record cash receipts. Serially press-numbered forms and/or cash receipt books must be printed in duplicate and sequentially numbered order. Forms should include space for employees to record the purpose and type of currency received (e.g. cash, check, or money order). Departments must safeguard and track their inventory of forms and ensure the continuance of their forms' numerical sequence.

Voided or cancelled receipts must be marked in a manner so that they cannot be reused. Voided receipts should be maintained on file to account for the sequence during a reconciliation process. A system of cash control that uses press-numbered receipt forms cannot be effective unless a strict accounting is made of all forms.

At the close of each business day, an employee other than the cashier should count the cash and verify the amount to the total of the sequentially ordered individual duplicate receipt forms. Explanations should be provided for the forms that are missing and/or not in sequence.

*c. Mailroom records*

Departments should prescribe uniform times at which the mail is opened by two or more designated employees. When received, checks should be restrictively endorsed and logged, preferably on an electronic cash report. The checks, and a copy of this cash report, should then be transmitted to the cashier. The cashier must verify that the amount received agrees with the total of the items on the list. The cashier should sign and forward a copy of the cash report to the department's accounting staff for recording in the accounting system.

*d. Credit card payments*

An employee other than the employee who originally accepted the credit card payments should tally all the credit card receipts. The employee should compare the tally to the credit card terminal summary report and the Daily/Weekly Cash Collection Reports. The department must maintain on file supporting documentation, such as the credit card receipts and credit card terminal summary reports.

The department must record the total amount of charges in NIFS. This information must also be forwarded to the County Treasurer, who in turn will validate and reconcile the information the next day to on-line bank records. (Note: credit card companies will automatically deposit funds into county bank accounts the day after charges are recorded.) The county treasurer will later reconcile daily submissions to monthly bank statements.

#### ***4. Deposit of Cash Receipts***

Cash receipts must be deposited promptly. All cash receipts received from the time of the prior deposit should be deposited at the same time to facilitate reconciliation of deposited amounts to amounts recorded in accounting records.

Independent lists of checks deposited and dates of deposit must be maintained so that it is possible to compare deposits with receipt details, thereby identifying potential cash receipt manipulations. Upon verification of checks to the cash receipt listing, cashiers should prepare bank deposit tickets. Departments must deposit the cash receipts with the county treasurer at times designated by him or “in no instance less frequently than once a week”<sup>2</sup>. Department heads must verify that physical and recorded amounts match, and must approve the cash report before the checks and/or cash are forwarded to the county treasurer or the bank (for those departments that directly deposit their own cash). The department head should make certain that employees adhere to scheduled drop-off or deposit times.

Credit card companies will automatically deposit credit card receipts into bank accounts the business day following the day the credit card charge is incurred. Therefore, it is critical that departments report and post credit card activity into NIFS the same day it occurs so that bank statements can be reconciled accurately.

Undeposited cash receipts must be adequately safeguarded. Pending deposit, cash must be secured in a safe accessible only to authorized personnel.

County banks should return uncollectible checks to employees responsible for bank reconciliations, not employees who make deposits. Employees receiving uncollectible checks should record the reasons for the lack of collectibility. Returned checks should be redeposited using separate deposit tickets from deposits of current receipts so that redeposited checks will appear separately on bank statements and facilitate orderly bank reconciliations.

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<sup>2</sup> Nassau County Charter §2205

## ***5. Supervision/Monitoring of Cash Receipts***

Departments must prepare daily/weekly cash collection reports to account for the daily/cash receipts, to facilitate independent verification to deposit, and to monitor departmental revenues trends. At least monthly, departments should review collection activity to determine whether any changes in weekly revenues warrant additional scrutiny.

Department heads, or their designates, should conduct surprise audits of cash receipt locations to ensure adherence to control procedures.

Lastly, departments should implement monthly performance metric reporting. It should include the comparison of cash receipts against department specific statistics (i.e., park attendance, number of traffic violations, etc), thus enabling departments to track trends and substantiate the reasonableness of cash receipts. Departments should investigate where cash receipts are not in accord with expected department transaction volume.

## ***6. Recording of Cash Receipt transactions***

An employee who physically receives the cash should not record the transaction in NIFS. See Section D.2 Segregation of Duties, above.

Employees responsible for recording transactions in NIFS should pay special attention to the recording of cash receipts. There are three transactions codes that can be input in NIFS for the recording cash received and are noted as follows:

### ***a. Cash received in recognition of earned revenue***

When monies are received as planned (budgeted) or unanticipated (not budgeted), the receipt should be recorded in NIFS as code “708-Cash Receipt Distribution to Revenue”. NIFS will automatically debit “Cash” and credit “Revenue” on the county’s automated general ledger.

### ***b. Cash advances***

When the state and/or federal governments advance monies to the county in anticipation of county services being rendered and eventually invoiced, the advance cash receipt transaction should be recorded in NIFS as code “711-Advance Cash Receipts”. NIFS will automatically debit “Cash” and credit “Deferred Revenue” on the county’s automated general ledger. After the transaction is posted, the department must periodically review these outstanding “Deferred Revenue” balances to ensure that the services have not yet been rendered. If services have been rendered, the department must record an offset to the original advance transaction by recording the transaction in NIFS as code “712 – Advance Offset” and finally recognizing part of or the entire advance as realized revenue.

*c. Cash receipts to satisfy outstanding receivable accounts*

Where departments receive cash for services rendered after billing another entity (in most cases, reimbursement from the federal or state government), the transaction must be recorded in NIFS as code “709 – Payments received on accounts receivable invoice.” NIFS will automatically debit “Cash” and credit “Accounts Receivable” on the county’s automated general ledger.

