



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.07, **Cash Collections**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish rules and guidelines for handling cash collections.

REVIEW: This HSC OP will be reviewed on April 1 of each year (EY) by the Directors of Accounting and Student Business Services, and the Chief Audit Executive, with recommendations for revisions forwarded to the Executive Vice President for Finance and Administration by April 15.

POLICY/PROCEDURE:

1. Definitions.

- a. **Cash Collections.** Cash collections include payments to TTUHSC in the form of currency, coins, checks, credit cards, warrants, wire transfers or other forms of valuable consideration.
- b. **Cash Collection Points and Custodians.** Each location involved in regular collections of cash is considered a cash collection point and must appoint a cash collection custodian. Cash collection custodians are responsible for establishing and maintaining cash handling procedures, safeguarding cash collections, and communicating cash handling procedures to supporting staff.
- c. **Deposit Custodians.** Deposit custodians are responsible for ensuring that deposits are made to the secondary depository(ies) in a timely manner. Deposit custodians must establish internal controls and maintain comprehensive written procedures for proper cash and deposit handling (see HSC OP 50.08).

2. General Guidelines and Recommendations for Cash Collection Procedures. Establishing and maintaining internal cash controls at each cash collection point is crucial to prevent the mishandling of funds and to safeguard against loss. Strong controls are also designed to protect employees from inappropriate allegations of mishandling funds by defining assigned responsibilities in the cash handling process.

All personnel entrusted with handling cash must be trained in cash controls to comply with state laws, to adhere to TTUHSC policies, to protect employees, and to demonstrate fiscal responsibility to all that are served. Each cash collection custodian is responsible for developing, administering, and documenting the cash controls training of all cash handlers for the cash collection point. This training could include, but should not be limited to, cash fund training developed by Accounting Services, and control environment, cash controls, and fraud awareness training developed by Audit Services. Cash collection custodians and deposit custodians must perform periodic reviews of the entire cash collection and deposit process to ensure that adequate controls are in place and are being followed properly by personnel.

Establishing safeguard procedures for cash receipts is mandatory for each cash collection point. Deans, Vice Presidents, Regional Deans, deposit custodians, and cash collection custodians must continually consider possible cash vulnerabilities and resolve concerns immediately. Each Assistant VP for Fiscal Affairs bears the responsibility for the respective regional campus cash controls. Business Affairs or Audit Services may be contacted at any time for assistance.

All cash collections must be recorded on the TTUHSC balance sheet and deposited through the Banner Financial System. Anyone with knowledge of off-the-book cash transactions should

immediately notify the Executive Vice President for Finance and Administration or the Director of Accounting Services.

No person at the institution has the right to circumvent state law. If it is discovered that state law is being violated, disciplinary action will be taken in accordance with *Regents' Rules*, Section 07.03, Fraud Policy. Every employee has the responsibility for contacting Audit Services or the Texas Tech Police Department to report possible fraudulent acts, if there is a reasonable basis.

3. **Specific Guidelines for Receipt, Deposit, and Reconciliation of Cash Collections.**

a. **Receipt of Cash in Person.**

- (1) Cash received in person must be recorded on a cash register, if available, and a cash register receipt must be given to the customer. If a cash register is not available, then pre-numbered receipts must be utilized and a copy of the receipt must be given to the customer.
- (2) All checks received must be endorsed immediately with a restrictive TTUHSC endorsement stamp.
- (3) Cash collection points must not accept postdated, third-party, or altered checks. (For more information on handling altered checks, see HSC OP 50.11.)
- (4) All voided transactions must be approved and initialed by the cash collection custodian.
- (5) Only one cashier can be allowed access to a cash register or cash drawer during a single shift. Transfer of accountability must be documented if funds are passed off from one cashier or custodian to another. The cashier or custodian accepting the funds must verify the funds and initial and date the mail log, balancing sheet, or deposit backup.
- (6) Cash and supporting documentation must be stored in a locked safe or similarly secured area until it is deposited.
- (7) For policies specific to receipt of payment by credit card, refer to HSC OP 50.08, Section 9(c).

b. **Receipt of Cash by Mail.**

- (1) When mail is opened, all checks received must be immediately endorsed with a restrictive TTUHSC endorsement stamp. The checks must be recorded on a mail log and entered into the appropriate accounting system.
- (2) Cash collection points must not accept postdated, third-party, or altered checks. (For more information on handling altered checks, see HSC OP 50.11.)
- (3) All voided transactions must be approved and initialed by the cash collection custodian.
- (4) Cash and supporting documentation must be stored in a locked safe or similarly secured area until it is deposited.

c. **Balancing of Cash Receipts.** All cash collected must be balanced daily by comparing the total cash on hand to the cash register totals, pre-numbered receipt totals, and/or mail log totals, as applicable.

d. **Preparation of Deposits.** All deposits must be prepared by someone not involved with collecting cash or opening the mail. Deposit preparation includes counting the cash collected and preparing the deposit documentation.

The funds to be deposited and associated documentation must be hand delivered in a timely manner to the deposit custodian's cash collection point so that the cash can be deposited to the bank in accordance with state law and institutional policy.

- e. **Reconciliation of Cash Collected.** Reconciliations of collections must be performed by an employee who has no cash handling responsibilities. The reconciliation must include verification of deposits recorded to supporting documentation (cash register totals, pre-numbered receipt totals, and/or mail log totals). These reconciliations must be completed at the time the deposits are being prepared.

Exceptions to these guidelines are subject to approval by the Director of Accounting Services and must be clearly documented in the Cash Collection Procedures, including a description of compensatory controls.

- 4. **Development and Approval of Cash Collection Procedures.** Each cash collection custodian is required to maintain written Cash Collection Procedures and must file such procedures with Accounting Services. Updated Cash Collection Procedures must be submitted to Accounting Services in May of each year. The custodian must also file revised Cash Collection Procedures if changes are made during the year.

Regional campuses are advised to develop a single cash collection procedure which is applicable to each cash collection point at that campus. The Assistant Vice President for Fiscal Affairs for each regional campus should maintain and monitor the campus-wide policy.

Each cash collection custodian is responsible for ensuring that all cash handlers for the cash collection point are familiar with the applicable Cash Collection Procedures

Informational requirements for the Cash Collection Procedures follow:

- a. **Basic Information**

- (1) Name and Title of Cash Collection Custodian
- (2) Location of Cash Collection Point
- (3) Sources of Collections

- b. **Receipt Information.**

- (1) **Documenting Receipts.** The process for documenting cash receipts at the time of payment (in person or by mail) using cash registers, pre-numbered receipts, mail logs, and/or computerized accounting systems must be included. The procedures for handling voids, errors, and other adjustments must also be documented.
- (2) **Endorsing Checks.** The process for ensuring that checks are endorsed (with a restrictive TTUHSC stamp) immediately upon receipt must be included.

- c. **Segregation of Duties Information.** The process for ensuring that the functions of cash collection, deposit preparation, and collection reconciliations are exclusively segregated must be included.

- d. **Safeguarding Information.**

- (1) **Storing Cash and Related Materials.** The type of safe or facility used for storage of cash and related materials (currency, checks, deposit slips, and endorsement stamps) before, during, and after business hours must be included. A list of personnel with access to the cash and related materials must also be included.
- (2) **Restricting Cash Handling.** The process for ensuring that only personnel with the appropriately designated job functions are permitted access to cash collections must be included. Commingling personal funds with TTUHSC cash collections must be strictly prohibited.

- (3) **Voiding Receipts.** The process for reviewing and approving voided receipt transactions must be included.
 - e. **Balancing Information.** The daily balancing and reconciliation procedures to be used at each collection point must be documented in detail. Each cash collection point must be able to reconcile actual cash receipts to daily activity reports, such as cash register reports, mail logs, pre-numbered cash receipts, batch reports from credit card machines, and/or computerized accounting system reports. All reconciling differences must be documented at the cash collection point.
 - f. **Deposit Information.** Detailed deposit procedures must be included. These written procedures must describe in detail the appropriate periodic preparation of cash receipts, and the review and approval of deposits in compliance with section 3 of this HSC OP. The process for the daily delivery of collections to the deposit location must also be documented.
 - g. **Reconciling Information.** The process for reconciling the amounts collected to the financial system postings must be included.
5. **Prompt Deposits.** State law requires timely deposit of receipts. Receipts must be deposited within three (3) business days with no exceptions. Receipts totaling \$100 or more must be deposited by the following business day. When it is necessary to store funds overnight, adequate safeguarding must be provided by the applicable custodian. Institutional policy requires compliance with this law for all receipts collected at each campus and for every cash collection point, regardless of the funding source.

Check dates must be monitored by the deposit custodian to ensure compliance with this requirement.

If a deposit custodian discovers checks that have not been submitted in a timely manner, the cash collection point making the submittal must be notified of the compliance failure in writing by the deposit custodian. In the event of a second occurrence within the same cash collection point, the next higher level of administration must be notified by the deposit custodian. A copy of the second occurrence notification will be sent to Audit Services.

6. **Overages and Shortages in Accounts.** Procedures for accounting for minor overages and shortages follow:
- a. **Overages.** For collection accounts classified as educational and general, a cash receipt must be entered to deposit the amount of the overage to FOP 101041-201312-NG, using account 570000. For all other collection accounts, the overage must be deposited to the applicable income account using account 570000. (See HSC OP 50.26 for general deposit procedures.)

Custodians must remain cognizant of all overages since they could represent missing receipts.
 - b. **Shortages.** All shortages greater than \$10 must be reported immediately to Accounting Services. Accounting Services will determine the action necessary to reimburse the account and/or to record the shortage in the financial system.

All shortages greater than \$100 or losses occurring from known or suspected theft must be reported immediately upon discovery to Audit Services and to the Texas Tech Police Department (in addition to notifying Accounting Services).
7. **Resolution Process for Cash Issues.** Appropriate custodians will be notified by a representative from Business Affairs or Audit Services in the event of cash control questions or concerns.

- a. Cash concerns must be addressed by the custodian immediately, even if a resolution is not

immediate. There will be zero tolerance for unresponsiveness and/or failure to resolve concerns in a timely manner. Custodians are expected to be responsible. Any unaddressed or subsequently unresolved cash concerns will be quickly forwarded to the next higher level of administration for resolution or disciplinary action.

- b. Where needed, custodians should seek assistance from Business Affairs or Audit Services in researching, assessing, and addressing cash concerns.