

CARROLL COUNTY INTERNAL CONTROL POLICY

Financial Process: **Petty Cash Accounts**

Issue Date: June 2016

Topic: Internal Control Procedures

Applicable To: All County Departments

Objective

Departments shall implement techniques and procedures to provide adequate security and controls for petty cash funds entrusted to them.

Risks

- Lost, stolen, or misappropriated cash (high degree of inherent risk)
- Concealed errors or irregularities going undetected.

Definitions

Cash: Includes currency, coins, and checks drawn on authorized bank accounts.

Petty Cash: A cash fund established for disbursement as needed in making payment for small incidental expenditures.

Change Funds: A cash fund designated to accept payments from (or give refunds to) customers for specific goods and services (i.e. point of sale).

-Operating Accounts: Checking accounts operated at department levels that are used to support programmatic expenditures. These funds are disbursed consistent with the department's mission and objectives.

Internal Control Procedures Include

-Petty Cash should only be used for small dollar expenditures and/or consistent with the intended use of the fund.

(Authorization)

-Petty Cash should not be used to pay vendors for personal services, employee salaries, wages, loans, advances or bonuses.

(Authorization)

-Petty Cash account funding level should be sufficient to meet the normal operating needs of the department, yet restricted enough to require replenishment at relatively short intervals (e.g. monthly).

(Safeguarding of Assets)

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-One employee should be assigned responsibility as custodian of the fund with a designated back-up. Access to and location of petty cash should be limited and restricted to only designated custodians.

(Safeguarding of Assets & Separation of Duties)

-When reconciling, count cash in a non-public area not easily visible to others.

(Safeguarding of Assets)

-The custodian must maintain a Petty cash log which shall list for each disbursement, the payee, the date of disbursement, the amount, indicate the business purpose of the expenditure, and include the signatures of the persons dispersing the cash and receiving the cash. Receipts and logs must be turned over to the Finance Department to be entered into the accounting/accounts payable system.

(Verification/Documentation & Reconciliation)

-The Petty Cash log should be complete – petty cash on hand plus un-reimbursed expenditures should always equal the established fund amount. Receipts for expenditures will be used to justify the replenishment of the fund.

(Reconciliation)

-Petty Cash should be reviewed, reconciled, and replenished, as needed, on a frequent basis.

(Reconciliation & Verification/Documentation)

-A Department Head should approve each account reconciliation and replenishment request.

(Monitoring, Separation of Duties & Approval)

-Petty cash replenishment checks must be cashed promptly, under the control of the custodian.

(Safeguarding of Assets)

-Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance.

(Monitoring)

-Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. Department Head, Finance Director, and/or Administrator).

(Safeguarding of Assets)

-Petty Cash should be maintained in a secure location (i.e. locking file cabinet, safe, or vault) under the control of the custodian.

(Safeguarding of Assets)

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-The custodian should be responsible for knowing which expenditures are allowable prior to authorizing disbursement of funds.

(Authorization)

-Consideration should be given to closing a petty cash account if there is no longer a need for it.

(Monitoring & Safeguarding of Assets)

-The Finance Director should perform unannounced Petty Cash reviews and/or reconciliations.

(Monitoring & Separation of Duties)

Notices

-These internal control procedures are intended to support the internal control framework as presented in the Internal Control Standards Guide.

-In consideration of these internal control procedures, the objective should be on adherence and not on rationalizing ways and means for circumvention.

-Nothing in this document shall limit or supersede any applicable Federal or State laws, statues, bulletins, or regulations.

 (Chairman)
Dave Sorensen

Date 6/8/16

 (Vice-Chairman)
Dave Babson

 (Clerk)
Chris Ahlgren

CARROLL COUNTY INTERNAL CONTROL POLICY

Financial Process: **Cash Receipts & Deposits**

May 13
Issue Date: 2016

Topic: Internal Control Procedures

Applicable To: All County Departments

Objective

Departments shall implement techniques and procedures for the receipt and deposit of money coming into their control and custody, which are designed to adequately safeguard the assets of Carroll County and to minimize idle and nonproductive cash balances.

Risks

- Lost, stolen, or misappropriated cash receipts (high degree of inherent risk)
- Unsafe work environment
- Concealed errors or irregularities going unchecked
- Loss of interest revenue

Definition

The term "cash receipts" as used herein includes currency, coins, checks, money orders, or other negotiable instruments.

Internal Control Procedures Include

- Timely deposit of all cash receipts: Deposit cash receipts in no case less frequently than once per week.

(Safeguarding of Assets)

- Deposit all cash receipts on-hand on the last working day of the fiscal year (regardless of any dollar or time threshold); this is to ensure that receipts are made available for their intended purpose and that activity is posted to the correct accounting period.

(Reporting)

- Cash receipts must be properly safeguarded prior to deposit through the use of adequate physical security (e.g. safes, locking cabinets, vaults, etc.).

(Safeguarding of Assets)

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-Access to and location of cash receipts should be limited and restricted to only designated employees.

(Safeguarding of Assets)

-All cash receipts are to be deposited into a bank account, designated and/or approved by the Carroll County Commissioners.

(Authorization)

-Conduct appropriate background/reference checks on prospective cash handlers.

(Safeguarding of Assets)

-Make available receipts to each payer, if practical.

(Reconciliation)

-Count cash in a non-public area not easily visible to others.

(Safeguarding of Assets)

-Review checks and verify that:

- The check has been properly signed and dated.
- The pre-printed name (personal checks) agrees with the signature.
- The numbered amount agrees with the written amount.
- The check amount agrees with any accompanying paperwork.
- The check is not stale-dated and has not been altered.

(Verification)

-Maintain a comprehensive cash receipts log that includes for each item:

- The date each remittance was received.
- The name of the remitter.
- The amount of each remittance.
- The purpose of the collection (if known).

(Documentation)

-Keep copies of checks (where feasible).

(Documentation)

-Centralize within each department the receiving of cash, if practical.

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(Separation of Duties)

- Separate cash handling duties among different employees:
- In larger departments, different employees should be designated to (1) receive cash, (2) deposit cash, and (3) record transactions so that no single employee has control over the entire process.
- In smaller departments, with a minimal number of employees, cash operations should be reviewed and approved by the Department Head or someone other than the person receiving the funds.

(Separation of Duties)

*Note: The key to effective cash control, while maintaining appropriate separation of duties, is to minimize the number of employees who actually handle the cash before it is deposited.

- Departments should maintain written procedures for all cash receipting and deposit operation. Procedures should address, at a minimum, staff responsibilities ("separation of duties"), key activities, timelines, and the safeguarding of receipts.

(Documentation & Supervision)

- Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance.

(Monitoring)

- All cash receipts must be deposited intact, that is no checks may be cashed or disbursements made from cash receipts.

(Reconciliation)

- For the deposit of currency and coin, utilize numbered deposit slips to facilitate sequential control of deposit activity.

(Verification & Reconciliation)

- For deposit of checks, utilize the check scanners provided by the County's bank. Each staff member designated with the duties of depositing checks will utilize the check scanning software via secure login and password. The software maintains a scanned copy of the check as well as a numbered deposit slip report to facilitate sequential report of deposit activity. Maintain a file of the actual scanned check documents for at least one month after deposit in the event that an issue regarding a check occurs.

(Documentation, Verification & Reconciliation)

- Maintain and match a copy of the deposit slip with the bank deposit receipt for all bank deposits.

(Documentation, Verification, & Reconciliation)

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-The Finance Department will be responsible for physically delivering the cash deposits to the bank at the end of each workweek. Each department will deliver their respective cash deposits to the Finance Department in a locked bank bag where it will be stored in the Commissioners' Office until delivery of the deposits. The bags will be unlocked by the bank teller upon delivery.

(Safeguarding of Assets)

-Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. Department Head, Finance Director, and County Administrator).

(Safeguarding of Assets)

-On a weekly basis, match cash receipt logs to bank deposit receipts to the Online Banking System.

(Verification)

-Record the deposit within one day into the checkbook ledger, which includes the date and amount of the deposit.

(Documentation & Reconciliation)

-On a monthly basis, provide a copy of the cash receipts log to the Department Head for their review.

(Reporting & Reconciliation)

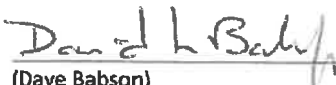
Notices

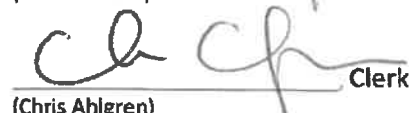
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 Chairman
(Dave Sorensen)

 Vice-Chairman
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 Clerk
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