



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 50.07, **Cash Collections**

PURPOSE: The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish rules and guidelines for handling cash collections.

REVIEW: This HSCEP OP will be reviewed April 1 of each year by the directors of Accounting and Student Business Services, and the chief audit executive, with recommendations for revisions forwarded to the chief financial officer (CFO) by April 15.

POLICY/PROCEDURE:

I. Definitions.

- A. **Cash Collections.** Cash collections include payments to TTUHSC El Paso in the form of currency, coins, checks, credit cards, warrants, Automated Clearing House transfers (ACH), wire transfers or other forms of valuable consideration.
- B. **Cash Collection Points.** Each location involved in regular collections of cash is considered a cash collection point and must appoint a cash collection custodian.
- C. **Cash Collection Custodians.** Cash collection custodians are responsible for establishing and maintaining cash handling procedures, safeguarding cash collections, submitting timely deposits and supporting documentation to the deposit custodian, and ensuring all cash handlers for the cash collection point are adequately trained according to this OP and the department's cash collection procedures.
- D. **Deposit Custodians.** Deposit custodians are responsible for ensuring that deposits are made to the bank in a timely manner, i.e., deposits are picked up by armored car service and checks are remotely deposited daily. Deposit custodians must establish internal controls and maintain comprehensive written procedures for proper cash and deposit handling (see HSCEP OP 50.08). The deposit custodian should ensure all cash handlers for the deposit location are adequately trained according to this OP and the deposit location's cash and deposit handling procedures.

- II. **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. The appropriate vice president and/or dean with responsibility over operations that include the collection of cash must provide oversight and guidance to ensure that internal controls are adequate. Furthermore, the fund manager of the fund receiving the deposit should work with the cash collection custodian to ensure that cash and deposits are handled according to policy, including, but not limited to, verifying that cash and deposits are properly posted to the appropriate fund.

Personnel entrusted with handling cash and credit cards should be trained in cash control policies and procedures, demonstrate fiscal responsibility, comply with state laws, and adhere to TTUHSC El Paso policies. 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, control environment, cash controls, and fraud awareness training developed by Audit Services. All employees who handle cash and credit card payments must complete the cash fund training. 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 collections is mandatory for each cash collection point. Deans, vice presidents, deposit custodians, and cash collection custodians must continually consider possible cash vulnerabilities and resolve concerns immediately. Each dean and/or vice president with responsibility over operations that include the collection of cash bears the responsibility for the respective cash controls in his/her area. Accounting Services, Student Business Services or Audit Services may be contacted at any time for assistance.

Cash collections must be recorded on the TTUHSC El Paso balance sheet through the Banner financial system. Anyone with knowledge of off-the-book cash transactions should immediately notify the CFO, the director of Accounting Services, the director of Student Business Services, or Audit Services.

No person at the institution has the right to circumvent state law. Failure to comply with state law will result in disciplinary action in accordance with *Regents' Rules*, Section 07.03, Fraud Policy. Every employee with a reasonable basis for believing a fraudulent act has occurred has a responsibility to notify their supervisor, the appropriate administrator, Texas Tech El Paso Police Department (TTEPPD), or Audit Services.

III. **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 unavailable, pre-numbered receipts must be utilized and a copy of the receipt must be given to the customer.
2. Checks received must be endorsed immediately with a restrictive TTUHSC El Paso endorsement stamp (see HSCEP OP 50.10).
3. Cash collection points must not accept postdated, third-party, or altered checks (for more information on handling altered checks, see HSCEP OP 50.11).
4. 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 HSCEP OP 50.08, Section IX(C).

B. Receipt of Cash by Mail.

1. When mail is opened, two individuals should be present to ensure accountability for all funds. Checks received must be immediately endorsed with a restrictive TTUHSC El Paso endorsement stamp (see HSCEP OP 50.10). The checks must be recorded in a mail log and entered into the cash receipt system.
2. Cash collection points must not accept postdated, third-party, or altered checks (see HSCEP OP 50.11).
3. 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 Collections. 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. The funds to be deposited and associated documentation must be hand delivered in a timely manner by the cash collection custodian to the deposit custodian so that the cash can be deposited to the bank in accordance with state law and institutional policy (refer to section V. of this HSCEP OP). Deposits must be prepared by someone not involved with collecting cash or opening the mail. Thus, the cash collection custodian and deposit custodian cannot be the same person. Deposit preparation includes counting the cash collected and preparing the deposit documentation.

E. Reconciliation of Cash Collected. The deposit custodian will reconcile the cash collected from the cash collection points. 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 must be clearly documented in the Cash Collection Procedures, including a description of compensatory controls.

IV. Development and Approval of Cash Collection Procedures. Each cash collection custodian is required to maintain written cash collection procedures. The cash collection custodian must also revise cash collection procedures as needed to accommodate operational changes. These written cash collection procedures must be available for review at the request of vice presidents, deans, fund managers, Accounting Services, Audit Services, or other administrative offices on an as-needed basis. Fund managers are ultimately responsible for verifying that cash and deposits posted to their respective funds are accurate and complete. Thus, fund managers must verify that cash collection custodians are in compliance with this policy by regularly reviewing written procedures. Further, each dean and/or vice president with responsibility over operations that include the collection of cash bears the responsibility for respective cash controls in his/her area. Thus, these individuals are responsible for verifying that cash collection custodians are in compliance with this policy by regularly reviewing written procedures. Each cash collection custodian is responsible for ensuring that all cash handlers for the cash collection point are adequately trained according to this OP and the department's 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. Source(s) 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 El Paso stamp) immediately upon receipt must be included (see HSCEP OP 50.10).

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 to store 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. The policy must note that commingling personal funds with TTUHSC El Paso cash collections is 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. 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 III of this HSCEP 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.

- V. **Prompt Deposits.** State law requires timely deposit of receipts. Receipts must be deposited within three (3) business days with no exceptions. Receipts totaling \$500 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 at 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.

- VI. **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 FOP103174-203312-NG, using account 570000. For all other collection accounts, the overage must be deposited to the applicable FOP using account 570000 (see HSCEP OP 50.26 for general deposit procedures).

Custodians must remain cognizant of all overages since they could represent missing receipts.

- B. **Shortages.** 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.

Shortages greater than \$100 or losses of any amount occurring from known or suspected theft must be reported immediately upon discovery to Audit Services and TTEPPD (in addition to notifying Accounting Services).

- VII. **Resolution Process for Cash Issues.** Appropriate custodians will be notified by a representative from Accounting Services, Student Business Services, or Audit Services in the event of cash control questions or concerns.

- A. Custodians are expected to be responsible. Cash handling and/or depositing concerns must be addressed by the custodian promptly, even if a resolution is not immediate. There will be zero tolerance for unresponsiveness or failure to resolve concerns in a timely manner. Any unaddressed or subsequently unresolved concerns will be quickly forwarded to the next higher level of administration for resolution or disciplinary action.

- B. Custodians should seek assistance from Accounting Services, Student Business Services or Audit Services in researching, assessing, and addressing cash handling and/or depositing concerns when needed.