

**CITY OF MONT BELVIEU
CITY COUNCIL POLICY**

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Approved By

City Council: February 25, 2008

Reviewed By : Bryan Easum

TITLE : Cash Handling Policy

4.01 Purpose

The Cash Handling Policy was established for the purpose of ensuring adequate internal controls to accounts for the handling of Mont Belvieu’s municipal cash and to maintain public trust. The term "municipal cash" applies to currency, coins, checks, charge payments, other electronic payment media, and other negotiable instruments payable as money to the municipality or to operations owned or affiliated with the municipality (hereinafter referred to as “municipal operations”). The procedures to enforce and controls to ensure that this Cash Handling Policy is carried out are to include but are not limited to those outlined below:

- A. A required cash handling training program.
- B. Written documentation evidencing assigned authority and completed training.
- C. Random drawer audits conducted under the direction of the Director of Finance.
- D. A requirement that any non-compliance with this policy or deviation from set procedures will be reported to the Director of Finance in the form of a memorandum outlining the non-compliant act or procedural deviation.

4.02 Delegation of Authority

- A. The Director of Finance is authorized to promulgate rules for establishing procedures for the receipt, handling, and deposit of municipal cash by municipal employees and persons performing cash handling functions where there is municipal operations being performed, and funds that are to be placed into the municipal treasury. For the purpose of this policy, city employees, employees of companies that perform services operating departments or facilities for the City, volunteers, and all other persons involved in cashier related functions involving municipal cash, whether the employee(s) is/are full or part-time are covered by the terms of this policy. Incorporated within the authority granted via this policy is the right to require regular reporting to the Director of Finance; inspection of departmental cash records, including overages or shortages (See Section 4.11.D Losses/Shortages/Overages); and inspection of departmental practices and procedures in handling municipal cash. The Director of Finance may verify and inspect for compliance with promulgated policies, procedures and rules to assure that they are being adhered to through on-site inspections.
- B. The City of Mont Belvieu is required by law to keep detailed records of transactions

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involving the receipting, retention, and disbursement of all City revenue. The Finance Department is charged with the responsibility of overseeing the proper receipting and safeguarding of all municipal funds.

- C. Responsibility and accountability for the daily collection of funds is delegated to the principal municipal cash custodian of each operating location involved in cashiering operations along with his/her supervisor. The principal custodian and his/her supervisor must satisfactorily complete all required training before municipal cash is relinquished into their custody.
- D. Each person whose duties include responsibilities as a cashier shall complete cash handling training before assuming duties as a cashier.

4.03 Duties of City Departments

A department or operating facility that anticipates receiving municipal cash on a regular basis in the course of its activities shall:

- A. Designate an employee as principal municipal cash custodian for receiving and depositing municipal funds for that facility.
- B. Collaborate with the Director of Finance to establish and maintain a system of procedures, documentation and reporting of receipts, cash handling and depositing funds to the municipal depository.
- C. Notify the Police Department of any loss or theft (See Section 4.11.D Losses/Shortages/Overages) of municipal cash immediately upon discovery. Written notice shall be given to the Director of Finance and City Administrator no later than twenty-four hours after discovery.
- D. Allow the Director of Finance or his/her designee to make on-site inspections and observe the processing of municipal cash, and to make inspections of departmental collection records.

4.04 Duties of Municipal Personnel

Any municipal employee who receives municipal cash in the normal scope and course of his/her duties shall:

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- A. Ensure the delivery or deposit is made in compliance with Section 4.11, Regulation of Deposits.
- B. Comply with rules promulgated by the Director of Finance for handling and processing of municipal cash.
- C. Shall complete a required cash handling class within thirty (30) days of assuming duties as an employee that has cash handling responsibilities.
- D. Notify his/her supervisor and department head of any loss or theft of municipal money immediately upon discovery. Written notice shall be given to them no later than twenty-four hours after discovery.
- E. Shall count, balance, report and relinquish cash drawer collections in excess of the till cash amount to the facility's principal municipal cash custodian no later than the end of his/her shift each day.
- F. Each facility's principal municipal cash custodian/the department head or facility manager shall prepare deposit records and deposit the day's collections before two o'clock p.m. (2:00 p.m.) the following day. An alternate custodian(s) may be utilized, if necessary, for this function on weekends and holidays only. Alternate(s) must have completed the required training.
- G. Municipal employees are subject to disciplinary action for failure to comply with the duties described in the Cash Handling Policy. See Section 4.11 D Losses/Shortages/Overages.

4.05 Liability for Loss

Primary responsibility for care and liability for loss of municipal cash in its custody is recognized at the department/facility level until deposited.

Compliance with the procedures approved by the Director of Finance establishes a presumption that a municipal department/facility is exercising due care in its custody and care of municipal cash.

4.06 Establishment/Increase of Cash Funds

All requests for the establishment of cash funds, (i.e. till cash and petty cash funds) must be made to the Director of Finance. The Director of Finance will maintain a complete listing of all cash funds. The department/facility, custodian and the dollar value of the cash fund are to be maintained on this written

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listing.

- A. A check request signed by the department head; specifying the type of fund (till cash or petty cash), the amount being requested, and an explanation describing the basis for the requested funds is required to be submitted to the Director of Finance.
- B. It is not permissible for cash funds to be established out of cash receipts by any department/facility.
- C. It is not acceptable to use petty cash funds as till cash, nor is it acceptable to use till cash as petty cash.
- D. A cash fund will not be established until a principle cash fund custodian has been designated by the department head/facility manager. The custodian must complete the training requirements and an Employee Acknowledgement form (see Exhibit A) must be signed and returned to the Director of Finance. Cash funds must have only one principle cash fund custodian responsible for managing cash funds. In the absence of the principle cash fund custodian, the supervisor is responsible for the control and management of cash funds.
- E. Should it become necessary to change fund custodians, the supervisor must notify the Director of Finance, see that the proposed principle cash fund custodian receives the required training, and an audit of the cash fund be performed prior to transferring the cash fund to a new principal cash fund custodian. An audit of the cash fund will not be performed unless and until the new custodian is present.
- F. Upon receipt of the cash fund money, the new custodian will sign the custodian list maintained by the Director of Finance.

4.07 Termination of Cash Funds

- A. When the need arises to close a municipal cash fund, the department head/facility manager shall notify the Director of Finance that the cash fund is to be closed by providing a memorandum (e-mail is acceptable) specifying the reason for the closure. At the point funds are to be relinquished, an audit of the cash fund shall be performed in the presence of the department head/facility manager or the municipal cash fund custodian. Any discrepancy from the proper balance shall be noted and addressed at that time. Discrepancies shall be handled in compliance with Section 4.11 D (Losses/Shortages/Overages) of this policy. The Director of Finance shall void and return the

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department head and custodian's signed Cash Handling Policy Employee Acknowledgement Form.

- B. Upon completion of the cash audit and relinquishment of the funds to the Director of Finance or his designee, the cash will be deposited into the municipal depository and appropriate accounting entries recorded to reverse the recognition of the municipal cash funds on the general ledger.

4.08 Security of Cash Funds

- A. Funds must be secured in a safe when not being used operationally or receipts are not being prepared for deposit.
- B. Provisions should be made in departments where more than one cash fund exists to secure all funds that are not being currently utilized.
- C. Only the department head, principle cash fund custodian and alternates should maintain keys and have access to municipal cash funds on hand and relinquished daily receipts when they are not in operational use or being prepared for deposit.
- D. Bank bags must be locked and kept out of sight when transporting municipal funds for deposit at the municipal depository.
- E. All cash funds must be reviewed for propriety on a randomly by the department head/facility manager.
- F. Petty cash funds shall remain secured until need arises to perform a transaction involving petty cash.
- G. Cash register tills shall not be left unattended without the cash register being locked and the register's key removed and retained on the person of the responsible employee.
- H. Cash register tills, including till cash, shall be removed from each cash register before the close of business each day, relinquished to the department head/facility manager, principle municipal cash fund custodian or on duty alternate, and placed in a vault or safe.

4.09 Regulation of Petty Cash Funds

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Petty cash funds are available for making emergency or immediate purchases of small dollar items that are not routinely carried by departments in their operating supplies inventory. Petty cash funds are not to be commingled with other cash funds. Petty cash funds are to be maintained only for the purpose of providing petty cash as needed, and no department shall possess a petty cash fund without establishing such a fund as outlined herein.

A. Maintenance of Petty Cash Funds.

1. Each petty cash fund must have one, and only one, fund custodian responsible for the disbursement of petty cash. In the absence of the fund custodian, the Department head, or their designee, should make all disbursements from the petty cash fund. Each person with whom the control of petty cash has been entrusted shall be held accountable for: a) making sure that the petty cash fund is properly balanced (cash on hand and vendor receipts equaling the authorized balance), and, b) that a vendor ticket or receipt is on hand for each petty cash disbursement made.
2. Each petty cash fund should have a set dollar amount of funds to be accounted for. The Financial Services Department will not process payment authorizations to reimburse petty cash if the request exceeds the established amount of the petty cash fund.
3. The petty cash fund must be reconciled on a weekly basis by the petty cash custodian. A detailed listing of petty cash payouts is to be used as the transmittal document for reimbursement. The petty cash custodian must sign the detailed listing of petty cash payouts, attesting that each entry is properly coded and has full supporting detail attached. A check request for the imprest amount and all supporting detail should, with the department head's/facility manager's signed authorization, be forwarded to the Finance Department for reimbursement. The Finance Department will review supporting detail, and account codes, and shall verify that the support documentation agrees with the total amount of the requested reimbursement.
4. The payment authorization requesting reimbursement of petty cash is to be processed with enough lead-time to prevent the remaining petty cash funds from being depleted prior to the issuance of the reimbursement check. The custodian should retain a copy of the detail listing sent to the Finance Department for reconciliation purposes.
5. All check payments to reimburse the petty cash fund are to be made payable to the City of Mont Belvieu.

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B. Petty Cash Reimbursement Procedures

1. A petty cash voucher must be completed to support all disbursements of cash from the petty cash fund.
2. The petty cash voucher must be completed in its entirety and approved by the Department head or designated employee with signature authority prior to the disbursement of any cash from the custodian.
3. A receipt ticket must accompany each petty cash voucher in order to qualify for petty cash reimbursement.
4. An employee that obtains petty cash funds in order to make a purchase must sign a petty cash voucher for each vendor ticket or invoice when the petty cash voucher is submitted to the petty cash custodian. The petty cash custodian will sign the voucher as well when the invoice or ticket is returned, acknowledging and registering that cash has been disbursed from the fund.
5. The Department head must approve fund reimbursement/disbursement for purchases made by the petty cash custodian.

C. Cash Advanced for Purchases Made with Petty Cash

1. When cash is advanced for the purpose of making petty cash purchases, a petty cash disbursement voucher must be issued and it must note that an advance of cash has been made. The person receiving the cash must sign the disbursement voucher as the person receiving funds. The custodian will retain the original and duplicate copies until proof of purchase is made and the receipt is returned to the custodian. At the time the receipt for purchased goods and any change is returned and verified as correct by the custodian, the custodian will void the original petty cash disbursement voucher and cross reference to a second petty cash disbursement voucher. The custodian will then prepare the second petty cash voucher recognizing a disbursement of funds for the amount of the returned receipt. The person who has purchased goods will then be given the signed original of the petty cash voucher.
2. Petty cash that is relinquished in advance is not to be held by any employee longer than one business day. Receipts and unused funds must be returned and be reconciled to vouchers

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within one business day.

3. Advances for purchases made from the petty cash fund are not to exceed \$100.00. Purchases that exceed \$100.00 should be purchased by normal purchasing procedures. Splitting of purchases to avoid exceeding the \$100.00 limit is considered a violation of this policy.

D. Petty Cash Restrictions.

1. Loans to employees from the petty cash fund are strictly prohibited.
2. IOUs for employee's personal use to the petty cash fund are strictly prohibited.
3. Cashing personal checks for the department head, petty cash custodian or other employees from the petty cash fund is strictly prohibited.
4. Employees may be reimbursed for sales tax for petty cash purchases if the vendor has not been provided an exemption certificate. It is the responsibility of department heads to ensure that employees are aware of the City's exempt status.
5. Only one open petty cash voucher per person is allowed at any one time.
6. Traveling or training expenses, including use of personal vehicle, parking and entertainment, are not to be reimbursed from petty cash. These expenditures should be reimbursed by submitting the proper expense report form to the Finance Department for audit, approval and issuance of a reimbursement check. Petty cash funds may be used for official organized activities of the City Council.

4.10 Regulation of Change Funds

Change funds, or cash drawers, are to be maintained for the purpose of making change. Change funds are not to be commingled with other cash funds. Change funds are to be maintained only for the purpose of receipting and making change and no department/facility shall possess a change fund without establishing such a fund with the Director of Finance.

A. Maintenance of a Change Fund.

1. Each change fund should have one person responsible for that fund or drawer at any one time.
2. Each change fund shall be established for a set amount as requested on the check request

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and this same amount should be maintained at all times.

3. Change funds are not to be used as petty cash funds. They are to be used only for making change. Cash receipts are not to build up in a change fund. These receipts are to be removed and deposited as outlined in the depository procedures (Section 4.11 Regulation of Deposits).
4. Receipts for all cash should be utilized so that an audit may be done at any time and the amount of the change fund can be verified.
5. It is highly recommended, but not required, that an employee not work out of another employee's cash register till.
6. Only the person responsible for the change fund and the department head or facility manager should maintain keys and have access to the funds not being currently used in cash registers.

4.11 Regulation of Deposits

Departmental deposits delivered to the municipal depository shall be made according to the procedure as outlined below. Departments/facilities shall deliver their deposits daily to the municipal depository **before 2:00 p.m.** A deposit is required if total receipts on hand are equal to or greater than the amount of the change fund, unless approved by the Director of Finance.

Those departments that do not collect revenue on a daily basis, or whose deposit is not sufficient enough to make daily deposits, should make a deposit no less than weekly.

A. Preparation of Receipts.

1. Receipts should be pre-numbered and have duplicate copies.
2. A receipt should be produced for all payments received.
3. All receipts should be used in numerical order, and need to be accounted for, including any voided receipts.
4. Account numbers should be listed on each receipt unless a summary sheet is produced by the receipting program software.

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5. "For Deposit Only" needs to be stamped on the back of each check.

C. Maintenance of Bank Bags and Keys.

1. Bank bags with deposits shall be kept locked at all times when not preparing or verifying deposits. The keys to the locked bank bags will be maintained by cash fund custodian for each depositing department/facility.
2. It will be the responsibility of the department head/facility manager to secure and limit access to bank bag keys. Access to these keys should be limited to the person or persons preparing the deposit. Personnel changes, which affect the possession of keys or the preparation, should be reported to the Director of Finance.

D. Losses/Shortages/Overages.

Director of Finance makes a clear distinction between a "Loss" and "Shortage" of municipal money. This is determined by the cash handler's ability to obtain physical custody of the money and how that person safeguards the money.

1. A shortage is an unintentional collection error such as a change making error. An overage occurs when a cash handler has collected too much money and cannot immediately return the excess to a specific customer.
2. A loss of municipal money is recognized as those circumstances where a person handling cash has obtained physical custody of municipal cash, then, through negligence, an act of God, or an unlawful action, a loss of municipal funds is experienced.
3. An example of negligence is leaving municipal money unattended and not properly safeguarding that money from loss.

Cash custodians must report all losses to their supervisor and the Director of Finance immediately. A detailed statement as to the circumstances of the loss must be forwarded to the Director of Finance within twenty-four hours.

For losses or shortages of money when the circumstances indicate that a loss was a result of acts of negligence or incompetence by an employee, the supervisor shall act in accordance with the following schedule:

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<u>Offense</u>	<u>Value of Loss</u>	<u>Actions</u>
First Offense	\$ 25. to \$ 100. \$ 100. to \$ 200. \$ 200. to \$ 500. Above \$ 500.	Written reprimand One (1) day suspension Two (2) day suspension Minimum three (3) days suspension. Termination may also be warranted, based upon the circumstances.
Second Offense *	\$ 25. to \$ 100. \$ 100. to \$ 200. \$ 200. to \$ 500. .	One (1) day suspension Two (2) day suspension Minimum three (3) days suspension. Termination may also be warranted, based upon the circumstances.
Third Offense	Greater than \$ -0-	Mandatory termination

* Termination shall be strongly considered for larger sums of money. A determination to terminate or not terminate rests solely with the City Council.

Shortages that exceed normal amounts or frequency shall be investigated by the supervisor and reported to the Director of Finance. It is recognized that in some situations, such as when there are multiple users of a cash drawer, it may not be possible to determine who is responsible for a cash shortage. In this instance the supervisor may take various actions including removing responsibility from employees that do not demonstrate the ability to correctly handle cash. He or she may assign sole cash handling responsibility for that cash drawer to a single person in an effort to insure greater accountability. If an employee consistently demonstrates the inability to handle cash, the employee should be terminated in order to avoid future losses.

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CITY OF MONT BELVIEU, TEXAS

**CASH HANDLING POLICY
EMPLOYEE ACKNOWLEDGEMENT FORM**

I, _____ have read and understand the City of Mont Belvieu's Cash Handling Policy. A copy of the Cash Handling Policy was provided to me on this, the _____ day of _____, 20__.

I understand and agree, as department head/facility manager/municipal cash custodian, that I may be held responsible and accountable for municipal cash that is administered under my care and authority on behalf of the City of Mont Belvieu, as provided in the cash handling policy.

Department/Facility Name _____

Department/Facility Location _____

Title as defined by Cash Collection Policy (check the appropriate box):

Custodian Department Head Facility Manager

Signed:

Signature _____

Print Name _____

Date: _____

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Sample Petty Cash Reimbursement Form

Department/Facility Name _____

Department/Facility Location _____

Original Petty Cash Fund Balance: _____

Amount of Requested Reimbursement: _____

Recap of Disbursements – by G/L Account Code:

Item No.	Vendor Name	Invoice No.	G/L Account Code	Amount

Total Amount _____

Signed:

Supervisor's Signature _____

Date: _____

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CITY OF MONT BELVIEU, TEXAS

**CASH HANDLING POLICY
Municipal Cash Fund Custodian
Employee Acknowledgement Form**

I, _____, accept and acknowledge I am a municipal cash fund custodian for the below named department/facility of the City of Mont Belvieu. I have attended the required training and accept and understand the responsibility delegated to me.

I understand and agree, as department head/facility manager/municipal cash custodian, that I may be held responsible and accountable for municipal cash that is administered under my care and authority on behalf of the City of Mont Belvieu, as provided in the Cash Handling Policy of this city.

Department/Facility Name _____

Title as defined by Cash Collection Policy (check the appropriate box):

Custodian Department Head Facility Manager

Signed:

Signature: _____

Print Name: _____

Date: _____