

Ferris State University

BUSINESS POLICY

TO: All Members of the University Community 2015:09

DATE: June 2015

CASH HANDLING AND DEPOSITS POLICY

(Supersedes 2010:12)

I. POLICY

Effective internal controls are to be in place to assure that payments received are deposited in the University's bank account and are accurately recorded in the accounts of the University's financial reporting system in a timely manner.

II. SCOPE

Funds received by the University include State appropriations, tuition, room, board, other receipts resulting from billable charges, sales of goods and services, and gifts. These funds may be in the form of cash, paper check, cashier's check, money order, account receivable check (ARC), credit cards, financial aid, and electronic funds transfers received by University locations.

III. RESPONSIBILITIES

Employees in the departments authorized and responsible for receipt of such funds should, 1) adhere to this policy and its procedures outlined on the Business Operations website, and 2) safeguard and accurately account for these assets while in their possession. All departments receiving funds will ensure operating procedures are written, outlining internal controls and safeguards over funds to include, but not limited to, the process used to track funds from initial receipt to final disposition. Refer to **Attachment A** for information on key internal controls.

The Associate Vice President of Finance is responsible for 1) providing authorization to departments and employees for the handling of cash funds and related assets, 2) evaluating and approving all billing-related procedures, and 3) control of the funds and bank deposits.

All areas that accept credit/debit card payments such as Visa, MasterCard, American Express, and Discover must comply with the Credit Card Processing and Security Business Policy Letter. This policy outlines requirements of the Payment Card Industry Security Standards.

IV. DEPARTMENTS – Cash Handling

- A. Departments must follow official Cash Handling Procedures pertaining to cash receipts, safeguarding cash receipts, reconciling, transporting, and maintaining cash receipt records. These procedures are located on the Business Operations website.

V. BUSINESS OPERATIONS – Controls and Procedures

A. Physical Control of Accounts Receivable Checks (ARC)

1. ARC checks are check payments that are scanned and processed electronically. ARC checks processed must be stamped as such and locked in a secure area in ~~the~~ Business Operations for a maximum of 14 days. In accordance with NACHA regulations, after 14 days, ARC checks must be shredded by Business Operations personnel.

VI. ACCOUNTING OFFICE – Controls and Procedures for Receipt Handling

- A. The Accounting Office must follow official Cash Handling Procedures pertaining to Department miscellaneous receipts. These procedures are located on the Business Operations website.

VII. ADVANCEMENT OFFICE – Cash and In-Kinds Gifts

- A. Funds and in-kind gifts are solicited and received by authorized University officers, faculty, and staff. All funds and in-kind gifts received by authorized representatives of the University and Ferris Foundation are to be forwarded to the University Advancement Office for processing, recording and acknowledgement as prescribed in the Advancement Office Policy and Procedures.
- B. The University Advancement Office is responsible for maintaining detailed records of funds and in-kind gifts donated to the University and the Ferris Foundation. These records must be reconciled monthly to the University's Accounting System accounts.
- C. The Advancement Office after recording all receipts (e.g., cash, checks, credit cards, ect.) received through this process, must be-forwarded to Business Operations using the Departmental/Miscellaneous Receipt form and prescribed procedures.
- D. For gifts of securities (stocks, bonds, ect.), refer to the University Stock and Gift procedure.

VIII. RELATED POLICIES, PROCEDURES and RELEVANT LINKS

- Attachment A — Key Internal Controls
- Attachment B — Depositing Frequency Schedule
- Credit Card Processing and Security Business Policy
- University's Records Management Policy and Retention Schedule
- University Advancement Policy
- Official procedures located on the Business Operations website.

Jerry L. Scoby
Vice President for Administration and Finance

Contact: Business Operations

Attachment A

INTERNAL CONTROLS – Cash, Receipt Handling and Deposit Processing

I. **DEFINITION** - Internal controls are processes that help safeguard University assets and provide reasonable assurance regarding the achievement of objectives such as:

- A. Reliability of financial recording and reporting;
- B. Compliance with applicable laws and regulations.

II. KEY INTERNAL CONTROL ACTIVITIES INCLUDE:

A. **Segregation of Duties** - Duties are divided or segregated, among different people to reduce the risk of error or inappropriate actions. For example, the duties listed below should be separated:

1. Receiving cash, checks, credit card payments, electronic transfers and other similar assets;
2. Recording of transactions in designated accounting system;
3. Preparing and review of the bank deposits;
4. Reconciling the bank deposits to the cash register totals, daily receipts, supporting documents and accounting systems.

It is important to implement restrictions to ensure that employees who physically control receipts do not have the capabilities for approve or updating the designated accounting and reporting system (e.g., financial, student or other University sub-systems).

B. **Authorization and Approval** - Transactions should be authorized and approved to help ensure the activity is consistent with the University or departmental goals and objectives. Individuals approving transactions should have the authority to do so (e.g., a responsible person listed on the account) and the sufficient knowledge to make informed decisions.

C. **Reconciliation and Review** - Reconciliation involves comparing transactions or activity to recorded data and to other sources to help ensure that the information accuracy and completeness of revenue and expense activity throughout the cash, receipt handling and depositing process. Required signatures and date should be included on supporting documents to confirm verification and reconciliation.

D. **Physical Security and Safeguarding of Funds** - Equipment, inventories, cash, checks and other assets should be secured physically and periodically counted and compared with amounts shown on control records. Examples of security measures that should be implemented include:

Providing a safe or secure storage for cash and similar assets such as fireproof safes, locked drawers, bags or file cabinets;

- o Restricting unauthorized employees from access to cash and similar assets;
- o Locating cash registers so that the customer can observe amounts being recorded for their respective transactions. Area without cash registers must supply a handwritten receipt.
- o The college and department should employ appropriate hiring procedures for employees whose job responsibilities include the key internal controls described above.

Attachment B Frequency of Deposits Schedule and Guidelines

Frequency of Deposits will be based on cumulative daily receipts (includes all cash, checks and credit card activity) on hand throughout the day. The following guidelines provide minimum standards, allowing the departments discretion to increase depositing frequency as needed:

Cumulative Daily Receipts	Minimum Frequency of Deposit
More than \$1,000	Next business day
\$500 to \$1,000	Within 3 business days
Less than \$500	Within 5 business days

OTHER REQUIREMENTS - Minimum Frequency of Deposits Timeframes:

- a.** If a large portion of cumulative receipts on hand is comprised of cash (more than 10% of total cumulative receipts), deposits should be made more frequently than outlined above.
- b.** If a single receipt for \$5,000 or more is received, every effort should be made to deposit this on the same business day.
- c.** All departments with receipt handling responsibilities should develop a deposit schedule, based on the above guidelines to ensure cumulative daily receipts on hand are timely deposited and before the Accounting Office month ending closing schedule. For a copy of the Accounting office End of Month Closing Schedule, [CLICK HERE](#).

Any other exceptions to above depositing guidelines must be requested in writing, approved respective department or division head and must be endorsed by the Associate VP of Finance. Also, if departments are granted exceptions to the above depositing schedule, they will be subject to more frequent cash handling audit.