Sample Cash Management Policy and Procedures

**Context for Sample Policy: Small Local Government with a Three-Person Finance Department: Finance Officer, Clerk, and Accounting Technician**

*In the small town of Tar Heel, citizens occasionally come in person to Town Hall to remit payments for fees owed to the town for services provided. The town has three employees involved in the cash collection process* — *the finance officer, clerk, and an accounting technician. Together, they each play a role in the cash collection and daily deposit process.*

This sample cash management policy is provided by the UNC School of Government. This model policy is intended for informational purposes only and does not constitute legal advice. Prior to adopting this policy, local governments should edit the policy to reflect the cash management process and procedures that it follows. Please note that position titles and assigned duties will differ for each jurisdiction. For example, this model policy has the finance officer making the deposit with the bank. That may not be how your local government has assigned this duty.

When drafting the cash management policy, be sure to appropriately segregate duties during the cash receipts process. Revenue in the form of both cash and checks is highly susceptible to mismanagement and misappropriation. Ideally, one person should receive the payment and issue a pre-numbered receipt to the payer; another person can prepare the deposit slip; and a third person should deposit the money into the bank.

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# Definitions

* **Cash Collection Service**: a properly licensed and recognized third-party service that collects, handles, and delivers money on behalf of the unit to the official depository.
* **Daily Collection Report**: a written or electronic record, such as register tape or a handwritten log, in which the cash transactions are tracked, including moneys received, voids, and refunds.
* **Daily Mail Collection Report**: a daily record that tracks the checks received during daily mail collections.
* **Official Depository**: a bank, savings and loan association, or trust company in North Carolina that the unit’s governing board has selected to hold the unit’s cash.[[1]](#footnote-3445)

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# Purpose and Scope

Except as otherwise provided by law, [N.C.G.S. § 159-32](https://www.ncleg.net/enactedlegislation/statutes/html/bysection/chapter_159/gs_159-32.html#:~:text=%C2%A7%20159-32.,in%20accordance%20with%20this%20section.) requires that all monies, including taxes, fees, donations, grants, loans, deposits, and gifts collected or received by any officer or employee of the [COUNTY/CITY/TOWN (hereinafter “UNIT”)] shall be deposited daily with the finance officer or in an official depository, or be submitted to a properly licensed and recognized cash collection service.[[2]](#footnote-4298)

The purpose of this policy is to establish sufficient management practices for the collections of cash, checks, electronic payments and other receipts. This policy establishes a process for the collection and deposit process that provides reasonable assurance that all moneys will be adequately protected and deposited in accordance with the requirements set forth in [N.C.G.S. § 159-32](https://www.ncleg.net/enactedlegislation/statutes/html/bysection/chapter_159/gs_159-32.html#:~:text=%C2%A7%20159-32.,in%20accordance%20with%20this%20section.). Before a new employee may collect or handle cash, the finance officer shall train them on the cash handling procedures established herein.

* Each employee responsible for handling cash on a reoccurring basis should maintain an individual drawer, lockbox, or register, for which they are solely responsible.
* Never leave the cash drawer or lockbox unattended. If the cash drawer must be left unattended, then the cash drawer and lockbox must be locked.
* Cash is never to be used for the purpose of making change for an employee, cashing personal checks, or providing temporary “loans” for any employee.
* The cash operation must have a permanent collection record, such as a cash register tape or a handwritten log sheet that records all transactions, including voids, refunds, or cancels. These records are called the Daily Collection Report. This permanent record shall be retained for a period of three years.[[3]](#footnote-22004)
* A non-accounting staff person should receive the mail, open it, and list all checks received on a Daily Mail Collection Report. This report should show the date, the name of the person submitting the payment, and the amount and type of the payment. All checks should be restrictively endorsed immediately upon receipt.

# Cash Management: Daily Operating Procedure

## **Opening Activity/Cash Drawer Setup**

1. **Verify and Record Amount of Opening Cash**: At the start of each business day, the accounting technician shall remove the cashbox from the safe and count the moneys to verify that total sum matches the previous reported closing balance. The accounting technician shall record the opening cash amount in the Daily Collection Report.

**Receiving and Receipting Funds:** During the [UNIT’s] hours of operations, the following procedures for cash collections should be followed:

1. **Accepting Payments**: The accounting technician shall receive all cash payments paid in person at Town Hall. Each transaction shall be recorded in the Daily Collection Report, noting the payee, amount received, and purpose of the payment.
	1. **Checks**: All checks exchanged for goods and services are to be made payable to the “Town/City/County of \_\_\_\_\_\_.” All checks must include the pre-printed name and address of the payer on the check. The accounting technician shall print the payer’s telephone number and driver’s license number on the face of the check.
2. **Issuing Receipts**: The accounting technician must prepare receipts for all cash and check collections. The receipts should be pre-numbered. All receipts should reflect the total amount paid and identify the employee issuing the receipt. Voided receipted should be marked as “void” on the face of the receipt and should not be destroyed.
3. **Payments Made By Mail**: The clerk is responsible for opening the [UNIT’s] mail. When checks are received by mail, the clerk shall list all checks received on a Daily Mail Collection Report. This report should show the date, the name of the person submitting the payment, the amount, and the reason for the payment. All checks should be restrictively endorsed upon receipt. Receipts must be issued for mailed payments in accordance with Step 2 above.

**Closing Activities:** Near the close of business, the following steps should be followed:

1. **Reconcile Daily Collection Report with Closing Cash Balance**: In the presence of the clerk, the accounting technician shall balance the cash drawer to verify that the amount collected matches the sum reflected in the Daily Collection Report. The accounting technician shall also total the checks received by mail and verify that each check is listed in the Daily Mail Collection Report.

To balance the cash drawer, the accounting technician shall:

* 1. Add all currency and coins by hand. To minimize miscounts, count the cash as many times as it takes to get the same total twice.
	2. Add the sum of the checks received using an adding machine.
	3. Total the amount of all electronic payments using debit/credit cards.
	4. Subtract the opening cashbox amount. The total collections recorded in the Daily Collection Report should match the amount collected.
	5. Add the sum of checks collected by mail and verify that each is listed in the Daily Mail report.
	6. Total all cash and check payments to determine the daily deposit amount.
	7. The accounting technician and clerk both initial the Daily Collection Report to verify that the reconciliation was completed.
1. **Deposit Slip Preparation**: The clerk shall prepare the bank deposit slip in duplicate. The original deposit slip will remain with the bank after the deposit; the duplicate copy will be verified by the bank and retained as documentation to show that the deposit was received.
2. **Depositing Funds**: The finance officer shall take the moneys to the bank and deposit the funds. The finance officer will have the bank verify the deposit amount on the duplicate deposit slip. The finance officer will give the verified deposit slip to the accounting technician upon returning to the office.
3. **Posting the Deposit**: The accounting technician shall verify that the amount of deposited funds reflected on the deposit slip (which should show validation by the bank) matches the amount recorded in the Daily Collection Report. The accounting technician will post the deposit to the general ledger.
4. **Storing Lockboxes at Business Close**: All remaining cash or checks collected after the daily deposit has been made shall be secured in a safe or a vault at the close of business.

**Exemptions from Daily Deposit Requirement**

In limited circumstances, the [UNIT] may have money on hand that is not subject to the daily deposit requirement established in N.C.G.S. § 159-32. These exemptions include:

1. **Vending Machine Proceeds:** When [UNIT] allows a vending company to place vending facilities on [UNIT] property, the collections are exempt from the daily deposit requirement. If [UNIT] has its own vending machines and collects the proceeds, the funds are subject to the daily deposit requirement.[[4]](#footnote-23087)
2. **Sealed Bid Deposits:** Sealed bids submitted for construction and repair contracts that have not been awarded are exempt from the daily deposit requirement.
3. **Cash Seized by Law Enforcement:** Cash seized by law enforcement as evidence of a crime is exempt from the daily deposit requirement.
4. **Statutory Exemptions:** If another state law provides for a different method of depositing monies, it is exempt from the daily deposit requirement.
1. With the written permission of the Secretary of State, a national bank located in another state may be selected by the board. ([G.S. Chapter 159, Section 31](https://www.ncleg.gov/EnactedLegislation/Statutes/PDF/BySection/Chapter_159/GS_159-31.pdf)) [↑](#footnote-ref-3445)
2. The statute allows for an exception to the daily deposit requirement. If the governing board approves, deposition may be required only when the money on hand is five hundred ($500.00) or greater. The daily deposit requirement applies to all monies “collected or received” by employees of the unit, including funds held in a fiduciary or agency capacity. [↑](#footnote-ref-4298)
3. The three-year record retention requirement is based on the [General Records Schedule for Local Government Agencies](https://files.nc.gov/dncr-archives/documents/files/2019_local_standards_0.pdf) issued by the NC Department of Natural and Cultural Resources. See page 18. [↑](#footnote-ref-22004)
4. [G.S. Chapter 159, Section 17.1](https://www.ncleg.gov/EnactedLegislation/Statutes/PDF/BySection/Chapter_159/GS_159-17.1.pdf) [↑](#footnote-ref-23087)