**Sample Cash Management Policy (Small Unit)**

**[Name of Local Government] Cash Management Policy**

1. **Purpose**
The purpose of this Cash Management Policy is to establish procedures for the safe handling, timely deposit, and secure management of all public funds, ensuring compliance with North Carolina General Statutes and regulations and promoting best practices in cash management. This policy includes procedures for managing petty cash funds, documenting receipts and deposits, performing monthly reconciliations, and ensuring proper internal controls to safeguard public funds. Additionally, it incorporates periodic oversight through spot checks conducted by a Town Board member to ensure the accuracy and accountability of all cash transactions.
2. **Scope**
This policy applies to all cash receipts, deposits, petty cash management, and related financial transactions conducted by [Name of Local Government]. It specifically pertains to the **Finance Officer** and **Board Clerk**, the two designated employees responsible for managing cash handling, documentation, petty cash procedures, deposit preparation, and monthly reconciliation processes. Periodic spot checks for oversight will be conducted by a designated **Town Board Member**.
3. **Cash Handling and Receipt Procedures**
	1. **Responsibilities**

**Finance Officer**: The **Finance Officer** is responsible for receiving, documenting, and recording all incoming funds (cash, checks, money orders, etc.) into the local government’s financial system. The **Finance Officer** will also prepare and maintain all deposit documentation.

**Board Clerk**: The **Board Clerk** is responsible for reviewing the deposit documentation prepared by the **Finance Officer**, ensuring accuracy, and physically making the deposit at the official depository or bank. The **Board Clerk** will assist in verifying all documentation and resolving any discrepancies.

* 1. **Receipt Documentation**

Upon receipt of any funds, the **Finance Officer** will record the following information on a receipt log:

* + - Payer’s name
		- Date of receipt
		- Amount of payment (cash/check/other)
		- Purpose of payment (e.g., fees, taxes, fines)

A receipt will be issued to the payer, and a copy will be retained for local government records.

The **Finance Officer** will verify the funds (count cash, verify checks) and document the total amount received.

* 1. **Deposit Requirement (NCGS § 159-32)**

**Statutory Compliance**: As per **NCGS § 159-32(a)**, all public funds, including taxes and fees, must be depositedin the town’s official depository(ies) daily.

The **Finance Officer** will ensure that all collected funds are deposited into the local government’s official depository(ies) once per 24-hour period during days that the town is open for business. If funds are received or collected after the daily deposit is made, those funds will be deposited no later than the next business day, unless a higher deposit threshold is authorized by the governing body (funds up to $500).

Until deposited, all funds must be securely stored in a locked cash drawer or safe. Access to this secure area will be limited to the **Finance Officer** and **Board Clerk**.

1. **Cash Deposit Procedures**
	1. **Preparation of Deposit**

The **Finance Officer** will prepare the deposit slip by:

* + - Counting all cash and checks.
		- Ensuring the total matches the documented receipts.
		- Recording details on the deposit slip (amount of cash, checks, etc.).

The **Finance Officer** will prepare a deposit summary, including:

* + - A breakdown of cash and checks.
		- A reference to each receipt (e.g., receipt numbers or payment descriptions).
		- A summary of the total deposit amount.
	1. **Verification of Deposit**

The **Board Clerk** will review the deposit slip and summary prepared by the **Finance Officer**, cross-referencing the amounts listed with the original receipts to verify accuracy.

The **Board Clerk** will also check that the receipt totals match the amounts being deposited.

Once verified, both the **Finance Officer** and **Board Clerk** will sign the deposit documentation to confirm its accuracy.

* 1. **Making the Deposit**

The **Board Clerk** will transport the funds to the bank or official depository for deposit. A duplicate deposit ticket or bank receipt must be obtained from the bank.

If electronic deposits are used, the **Board Clerk** will ensure the deposit is made securely through the bank’s online portal, and the appropriate documentation is printed and retained.

* 1. **Reporting the Deposit**

After the deposit is made, the **Board Clerk** will provide the **Finance Officer** with the duplicate deposit ticket or bank receipt.

The **Finance Officer** will record the deposit in the accounting system and maintain all supporting documentation for audit purposes.

1. **Petty Cash Policy and Procedures**
2. **Purpose of Petty Cash**

Petty cash funds are established to handle small, incidental expenses that cannot be paid through the standard accounts payable process. Petty cash is for minor expenses, such as office supplies, postage, or other routine expenditures that do not exceed a set limit.

Petty cash funds are to be used only for official business and must be managed in accordance with local government policies.

1. **Establishment and Amount of Petty Cash Fund**

A petty cash fund will be established with an approved maximum amount of $[amount], as authorized by the governing body.

The **Finance Officer** is responsible for establishing and maintaining the petty cash fund, ensuring that the amount does not exceed the approved limit.

Petty cash will be kept in a locked, secure location and will be accessible only to authorized personnel (the **Finance Officer** and **Board Clerk**).

1. **Disbursement of Petty Cash**

Petty cash may be used for small, immediate expenses, such as:

* + Office supplies
	+ Postage
	+ Minor emergency repairs
	+ Miscellaneous administrative costs

To request petty cash, an employee must complete a **Petty Cash Voucher** that includes:

* + Date of the request
	+ Amount requested
	+ Purpose of the expenditure
	+ A description of the item or service purchased
	+ The signature of the requester

Receipts must be attached to each petty cash voucher to document the transaction.

1. **Replenishment of Petty Cash**

The **Finance Officer** will review petty cash balances on a monthly basis to determine if replenishment is necessary.

When the petty cash fund reaches a low level (as determined by the **Finance Officer**), the **Finance Officer** will submit a request to replenish the fund, accompanied by a summary of expenditures, receipts, and the current balance.

1. **Reconciliation of Petty Cash**

A monthly reconciliation of the petty cash fund will be performed by the **Finance Officer**. The following steps will be taken:

* + Review of all petty cash vouchers submitted during the month.
	+ Comparison of petty cash disbursements against the petty cash balance.
	+ Reconciliation of receipts to ensure the fund is balanced.

Any discrepancies must be immediately investigated, and the **Finance Officer** will report the findings to the governing body.

1. **Audit of Petty Cash Fund**

The **Finance Officer** will ensure that the petty cash fund is audited at least annually or at any time deemed necessary. The **Board Clerk** will assist with the audit, and the results will be reported to the governing body.

The petty cash fund may also be audited by external auditors during the annual audit process.

1. **Monthly Reconciliation**
	1. **Overview of Reconciliation Process**

At the end of each month, the **Finance Officer** will perform a reconciliation of cash receipts, petty cash transactions, and bank deposits to ensure that all funds have been properly recorded and deposited. The **Board Clerk** will assist in reviewing and approving the reconciliation.

The **Finance Officer** will reconcile the following:

* Cash receipts recorded in the financial system.
* Bank deposits confirmed by bank statements and duplicate deposit tickets.
* Petty cash fund balance, ensuring the fund is balanced and accounted for.
	1. **Steps for Monthly Reconciliation**

**Cash Receipts Review**

The **Finance Officer** will review the receipts log for the entire month, ensuring that all payments (cash and checks) have been documented accurately.

For each receipt, the **Finance Officer** will verify that the amount matches the deposit made and recorded in the financial system.

**Deposit Verification**

The **Finance Officer** will compare the bank statements with the recorded deposits in the financial system.

Any discrepancies must be immediately investigated, and appropriate adjustments made.

**Petty Cash Review**

The **Finance Officer** will verify that the petty cash fund is balanced and that all petty cash expenditures are properly documented with receipts and vouchers.

**Discrepancy Resolution**

Any discrepancies between the bank records, cash receipts, or petty cash funds must be promptly resolved and documented.

**Reconciliation Documentation**

Once the reconciliation is complete, the **Finance Officer** will prepare a formal reconciliation report.

The **Board Clerk** will review the report, ensuring that all discrepancies have been resolved, and will sign off on the final reconciliation.

**Submission to Governing Body**

After completing the reconciliation, the **Finance Officer** will submit a summary report to the governing body for review at the next available meeting.

1. **Periodic Spot Checks by Town Board Member**
2. **Spot Check Process**

To provide oversight and ensure that cash management procedures are being followed correctly, a **Town Board Member** will be designated to conduct **periodic spot checks** of cash handling activities.

Spot checks will include, but are not limited to, the following:

* + Reviewing a random selection of cash receipts logs and verifying corresponding deposits.
	+ Confirming that all petty cash disbursements are properly documented with receipts and vouchers.
	+ Checking that all daily deposits are made in compliance with **NCGS § 159-32**.
	+ Ensuring that proper internal controls are in place to safeguard cash before deposit.
1. **Frequency of Spot Checks**

Spot checks will be conducted on a **quarterly** basis or more frequently, as deemed necessary by the Town Board Member.

The Town Board Member will document the results of each spot check and report any discrepancies or concerns to the **Finance Officer**, **Board Clerk**, and the **Governing Board**.

1. **Accountability**

The results of the periodic spot checks will be reviewed at the next Town Board meeting to ensure that any issues are addressed promptly. The **Finance Officer** and **Board Clerk** will take corrective action if needed, and the Town Board will be kept informed of the status of any ongoing concerns.

1. **Compliance and Auditing**
2. **Statutory Compliance (NCGS § 159-32)**

This policy ensures compliance with **NCGS § 159-32**, which requires the daily deposit of public funds. The **Finance Officer** and **Board Clerk** are responsible for ensuring that funds are deposited on time and that all documentation is accurate and up-to-date.

1. **Internal and External Audits**

Internal audits will be conducted on a periodic basis by the **Town Board Member** during the spot checks.

An external audit of all financial records will be conducted annually by a licensed, independent auditor. The results of the audit will be reported to the Town Board and made available to the public, in accordance with NCGS 159-34 and applicable regulations.

1. **Policy Review and Updates**

This policy will be reviewed annually by the **Finance Officer** and the **Governing Board** to ensure compliance with applicable laws and regulations. Any changes to this policy will be made in writing and approved by the governing body.