

**CITY OF FREEPORT, TEXAS
CASH HANDLING POLICY/PROCEDURES**

Purpose

These procedures have been developed to establish uniform policies and procedures to be followed in the centralized and decentralized collection, custody, reporting, deposit, auditing and administration of cash receipts for all departments within the City of Freeport operations so to further safeguard public funds.

Policy Guidelines

Each City of Freeport employee who has a role in the cash receipts process is required to be knowledgeable about the contents of the City of Freeport Cash Receipts Policy. It is the supervisor's responsibility to review the policy with the employee and it is the employee's responsibility to ask questions of his or her supervisor if any portions of this policy are not understood. Each employee is expected to comply with both the content and the spirit of this policy. The City of Freeport reserves the right to modify, amend, or terminate this policy without notice.

General Guidelines

1. One City of Freeport employee should not handle a transaction from beginning to end (i.e. taking the payment, creating the deposit, and reconciling the bank statement) unless there are unforeseen circumstances.
2. Cash handling should be separate from record keeping
3. Centralized receiving of cash should be done to the greatest extent possible
4. Cash receipts should be recorded on a daily basis
5. Customers should be encouraged to retain receipts
6. Cash receipts must deposited on a daily basis
7. Employees not responsible for the custody of cash should prepare monthly bank reconciliations. The completed reconciliation should be reviewed promptly by an appropriate official who signed off upon approval
8. Expected cash receipts/disbursements should be forecasted and any variances from the forecasted amounts should be investigated

Acceptable Forms of Cash

“Cash” as referenced herein, includes all acceptable forms of payment that the City of Freeport accepts including:

- Coins issued by the United States Federal Reserve Board,
- Currency issued by the United States Federal Reserve Board,
- Personal Checks,
- E-Payments,
- Cashier’s Checks,
- Travelers Checks for United States Dollars,
- Money Orders,
- Credit Cards (Master Card, Visa,),
- Direct Bank Deposit Remittance Receipts,
- Electronic Funds Transfers from Automatic Clearing House (ACH), and
- Wire Transfer Receipts.

Unacceptable Forms of Cash

City of Freeport will not accept the following **“Cash”** items:

- Severely bent or mutilated Coins or Currency,
- Foreign Coins and Currency,
- Third Party Checks,
- Post Dated or Stale Dated Checks,
- Checks made for an amount greater than is what due unless it can be Applied to a Credit on the Customer’s Account, and
- American Express and Discover credit cards (accepted at Golf Course).

Duties

Public duty values provide a common set of standards to help public officials make consistent and ethical decisions. Public duty values include serving the public interest and acting with integrity which encompasses the values of honesty, transparency, and accountability. This policy should ensure adequate internal controls to account for the handling of City cash and to maintain public trust and should:

- Promote honesty through safeguards such as full documentation and regular financial and ethical training for relevant staff,
 - Be open and transparent,
 - Be fully accountable by being simple, comprehensive, consistent, fully documented, and regularly reviewed, and
 - Be objective and designed to acknowledge and manage major risks such as theft, lack of coordination between cash collection points and manipulation of collection systems.
- Any deficiencies in regard to the set procedures shall be reported to the Finance Director and/or the City Manager's Office immediately.
- Any loss or theft of City cash shall be immediately reported to Department Head, Finance Director, City Manager's Office, and/or Freeport Police Department.
- To the extent staffing levels permit, the physical separation of duties from the function of custodian of cash balances and the accounting and record keeping of the same shall be maintained. Where staffing levels do not permit separation of duties, compensating controls such as strict individual accountability and thorough management review and supervision shall exist. Authorized personnel not assigned the custodial responsibility shall periodically examine, count or perform other reviews of cash funds.

Other specific and separate responsibilities for cash handling include:

A. Finance Department

1. Shall establish, adjust and/or remove till drawers and collection centers as needed in City,
2. Shall establish, implement, and review cash handling procedures,
3. Shall perform semi-annual cash handling training sessions, if necessary, to make sure that all employees working with cash have been adequately trained on City procedures,
4. Shall perform random drawer and procedure audits of cash handling of all departments, and
5. Shall notify Department Director and/or City Manager's Office of deficiencies of cash handling.

B. City Departments

1. Shall make requests for change of cash drawers to the Customer Service department when needed,
2. Shall collaborate with Finance to establish and maintain a system of procedures, documentation and reporting on receipts handling and deposit of City money,
3. Shall ensure that all employees in department have received City cash handling training, and

4. Shall make on-site inspections and observe the processing and reporting of City cash within department.
- C. Any City Personnel Who Receives City cash in the Normal Scope and Course of his/her Duties
1. Shall attend a training session of the City's Cash Handling Procedures within six months of hire and whenever he/she or Department Director deems necessary,
 2. Shall follow City Cash Handling Procedures and make recommendation to those procedures to supervisor and/or Finance Department,
 3. Shall be subject to disciplinary action, up to and including termination for failure to comply with the City's Cash Handling Procedures,
 4. Shall establish and maintain good customer relations during all services to a customer, especially cash transactions,
 5. Shall receive, payout and properly record all cash transactions, and
 6. Shall aid in the protection of the assets of the public through sound loss prevention practices.

Receipt of Cash

- A. Face to Face / Counter Transaction
1. Welcome customer to the City of Freeport and ask how you can assist the customer.
 2. Clearly understand and communicate customer need and amount due.
 3. Accept proper payment type as listed above and as authorized in City computer program.
 - a. *Currency / Coin*
 - 1) Properly recognize currency.
 - 2) Do **not** place currency in drawer before transaction is completed and change is counted to customer.
 - 3) Count change twice. Once when taking out of the drawer and once when handing the change to the customer.
 - 4) Count back change to the customer starting with the largest bill to the smallest coin.
 - b. *Check*
 - 1) Verify current date (postdated or stale dated checks should not be accepted).
 - 2) Verify payee as the City of Freeport (third party check are not accepted).
 - 3) Verify bank name, routing number, and account number are preprinted on the check.
 - 4) Verify that the written amount matches the numeric amount (this should not be more than the amount due unless the City has an account that it can credit).
 - 5) If a temporary check, payer's name and address should be on the check.
 - 6) Verify signature.
 - 7) Verify no alterations on check.
 - 8) Immediately endorse check with City of Freeport endorsement for Deposit Only.
 - 9) Place endorsed check in cash drawer for day end balancing and processing.

c. Credit Card

- 1) Verify amount to be charged to credit card.
- 2) If there is any hesitation that the card presented is not that of the card holder, ask for identification to verify.
- 3) Process through credit card machine.
- 4) Do not return card until transaction through machine is complete as sometimes the credit card company will ask the clerk to retain the card.
- 5) Verify that only the last few digits of the credit card number appear on the receipt from the credit card machine. If at any time it does not, the supervisor should be advised.
- 6) Have customer sign credit card receipt.
- 7) Place merchant copy of receipt in cash drawer for day end balancing and processing.

d. Over the phone Credit Card

- 1) Verify name on card
- 2) Ask for card number
- 3) Card type
- 4) Card expiration date
- 5) Mailing address and zip for the bill
- 6) 3 digit security code

e. Money Order

- 1) Verify payee as the City of Freeport
 - 2) Verify no alterations on check
 - 3) Do not accept if money order is altered in any way
4. Properly apply payment to City computer program.
 5. Issue receipt of payment
 6. Inspect receipt as to the process just completed, billing statement, court document, permit, civic center booking, etc... before giving to customer to verify accuracy of processing. If customer paid by credit card, give customer copy of that customer receipt as well.
 7. Finalize the transaction before moving to someone else or another task.
 8. Thank the customer for coming to visit the City.

B. United States Mail

1. Customers should be encouraged not to place currency or coin payments in the U.S. Mail.
2. City employees shall observe opening of payments to verify no cash payments are made. If a cash payment appears both employee and supervisor must observe the counting, depositing, and recording of the transaction.
3. If no cash payments are located, employee can proceed with the processing of payments.
4. Verify the check matches the payment amount on the stub. If the stub does not match the check, change the stub to match the check and initial.

5. Verify the written check amount with the numeric check amount. If those do not match, contact customer or mail the check back to the customer asking them to issue a correct check and return to the City.
6. Separate stubs from checks in same order.
7. Run a calculator tape on each stack. Verify the tape from each stack should match. If tapes do not match find and correct any discrepancy.
8. Process payments in City computer program.
9. Verify that the batch of checks entered match the calculator tapes from the checks and stub totals.
10. Stamp all of the checks received with a City of Freeport Deposit Only endorsement stamp.
11. Place checks in cash drawer for day end balancing and processing.

C. Drop Box

1. Customers should be encouraged not to place currency or coin payments in the drop box.
2. Two City employees shall observe collection and opening of payments to verify no cash payments are made. If a cash payment appears both employee must observe the counting, depositing, and recording of the transaction.
3. If no cash payments are located, employee can proceed with the processing of payments.
4. Verify the check matches the payment amount on the stub. If the stub does not match the check, change the stub to match the check and initial.
5. Verify the written check amount with the numeric check amount. If those do not match, contact customer or mail the check back to the customer asking them to issue a correct check and return to the City.
6. Separate stubs from checks in same order.
7. Run a calculator tape on each stack. Verify the tape from each stack should match. If tapes do not match find and correct any discrepancy.
8. Process payments in City computer program.
9. Verify that the batch of checks entered match the calculator tapes from the checks and stub totals.
10. Stamp all of the checks received with a City of Freeport Deposit Only endorsement stamp.
11. Place checks in cash drawer for day end balancing and processing.

D. E-Payment

1. Payments on line should be processed and downloaded every business day by approved personnel.

E. Field Collections

1. If a Field Service employee is offered payment in the field he/she should **not** accept payment.

Security of Payments

A. Remote Cash Collection Sites

1. Cash received at each location shall be adequately safeguarded at all times, and properly receipted and/or documented.
2. Until deposited, all cash collections will be kept in locked drawers, cash boxes, or cash registers.

3. The Department Director shall grant access authority to cash funds within department. The number of employees with access to cash funds shall be limited to assure internal controls.
4. Minimal amounts of cash deposits and till cash may be held in the Department overnight if necessary but must be held in a locked secured location with limited access as controlled by Department Director.
5. Cash on the premises will be held to an absolute minimum to insure safety and maximize return on investment.
6. Every employee involved in the handling of money is responsible for its correctness and safe custody. Until the employee hands over the money in an authorized manner and obtains a receipt, he/she will be held responsible for any loss or deficiency or failure to account for that money.
7. The use of surveillance cameras may be used to monitor City funds.
8. City safes, tills or other security devises shall only retain City property. No private monies or possessions are permitted in such devises.

B. Till Cash

1. Wherever practical each clerk/employee who process cash receipts will have his/her own starting cash fund which will not be mingled with any other clerk/employee's transactions.
2. Each employee will have a key to lock their cash drawer and are solely responsible for restricting access to their assigned cash drawer. The only other key to each drawer will be kept under the control of the Finance Department. This could be used when a cash handler has an emergency which requires reconciliation of the employee's drawer. Other situations may arise where the backup key may be warranted for inspection of drawers.
3. Cash should never be left unattended unless it is in a locked safe or other suitable receptacle.

Day End Balancing

A. Balanced Drawer

1. Clerk/Employee shall be responsible for balancing their drawer each day at a designated time by their supervisor.
2. Cash fund should equal starting cash plus other cash and tender equal to the sum receipt activity.
3. Checks should have two (2) tapes: one tape ran two (2) different employees for amount verification.
4. The activity should equal that total on the close out report from the City computer program, z tape from register, or total of yellow hand written receipts.
5. If any receipts are voided they must still be included in deposit with reason for void written on receipts, initialed by clerk/employee and supervisor.
6. Credit card machine must be settled out every business day to avoid additional charges and match to deposit. This can be completed by selecting Report, #2 Details, #3 Totals, and then E-Transmit. Departments can set this up to happen automatically on a daily basis through the credit card processor.
7. Credit card receipts shall then be verified to correct total of the deposit and attached to the appropriate deposit.

8. Each clerk's/employee's total deposit should be verified by a supervisor or other clerk and the clerk's end of day register should be initialed by both employees.

B. Overages / Shortages / Losses

1. Overages occur when a cash handler has collected too much money and cannot immediately return the excess to a specific customer.
2. A shortage is an unintentional collection error such as a change making error.
3. A loss of City funds is when a cash handler has obtained physical custody of money and then due to reasons like negligence, an act of God or an unlawful action, cannot deposit that money into the City treasury. An example of negligence is leaving City money unattended and not properly safeguarding that money from loss.
4. Cash handlers must report all losses to their supervisor immediately. A detailed statement as to the circumstances of the loss must be forwarded to the Finance Director within twenty-four (24) hours.

C. Disciplinary Action Guidelines

1. The following actions (including, but not limited to) may result in immediate termination:
 - i. Taking or borrowing money from any cash drawer
 - ii. Adding or removing cash from a cash drawer that is not party of a transaction (force balancing)
 - iii. Falsifying balancing records, City records, or City documents
 - iv. Maintaining a "slush fund" or "kitty" (a reserve supply of coin or cash) to correct a cash out of balance condition
2. Repetitive overages or shortages in any amount during the current appraisal period will be reviewed and proper disciplinary action taken (i.e. verbal warning, written warning, and termination).

<u>Clerk Overage/Shortage</u>	<u>Disciplinary Action</u>
A difference equal to or less than \$5.00	May result in a verbal warning
A difference between \$5.01 and \$20.00	May result in written warning
A difference over \$20.00	May result in termination
Excessive overages or shortages in any amount	May result in disciplinary action up to and including termination

Remote Location (Department) Daily Deposit to Finance Clerk – Finance Department

A. Timing

1. City Departments with remote cash collection locations shall deliver their deposits daily to the Customer Service Clerk in Customer Service at City Hall at 200 W 2nd Street before 12:00 p.m.
2. All deposit totals must be verified by the department supervisor and the Department must sign the date and time submitted to Customer Service.

B. Deposit Preparation and Presentation

1. All deposits shall be made intact. Departmental receipts shall never be used to replenish petty cash or other funds.
2. Deposit forms may be filled out to reflect currency, coin, check, and credit card totals equal to the revenue account totals.
3. Attachments to the deposit form shall include:
 - a. Currency should be in denomination order and in a rubber banded bundle if numerous pieces are included. Coins should be placed in zip locking bag inside bank bag so to not get between currency or checks.
 - b. Either the City computer program generated report or a tape if using a register or yellow slip (including voids) if using a three part receipt.
 - c. Two (2) adding machine tapes of check totals should be bundled with checks. Each tape should be generated by 2 different employees.
 - d. Credit card settlement tapes should be included with credit card receipts that match that deposit and settlement report.
4. Upon completion of the deposit form, the employee completing the deposit form should sign the form, make a copy of the form to keep in the Department for possible future verification and lock the original in the bank bag with the actual deposit for transport.

Transporting Deposit

A. Secured Transportation

1. Remote departmental deposits must be transported in a sealed bank deposit bag with all pertinent information included to Customer Service.
2. During the delivery process:
 - a. Bank bags should not be displayed in an obvious manner for public recognition this it is a bank bag.
 - b. Time of transportation should be varied on a daily basis by the Department.
 - c. Direct transportation is highly encouraged to Customer Service.
 - d. If the deposit is large or Department Director feels it necessary, the Freeport Police Department should be called for escort services or delivery to Customer Service.

B. Suggested Times to Customer Service

1. The optimal times of deposit delivery to the central cashier is business days between 8:00 a.m. and 11:00 a.m. and between 4 p.m. and 5 p.m.

Central Cashier Daily Deposit

A. Timing

1. The central cashier should start preparing the daily comprehensive City deposit to the City depository institution at approximately 4 p.m. every business day.
2. The central cashier should retain the yellow copy of the deposit slip and support in a secured location for as long as records retention policy states.

B. Transportation

1. By approximately 4 p.m. every business day the Freeport Police Department will come by for the City deposit to be taken to the City's depository institution.

Identity Theft / Red Flag Policy

- A. All employees performing cash handling activities should be aware of and understand the City of Freeport's Identity Theft Prevention Program ("Red Flag Rules") which is under a separate cover.
- B. Credit card account numbers are confidential and can be subject to fraudulent usage; therefore, documents containing those numbers are to be handled only by trained employees.

Actions in Event of Theft

- A. The danger of security and loss is a constant threat when handling money.
- B. Fund custodians are expected to safeguard City funds against loss; however, protecting human life should be the first concern.
- C. Thefts are to be reported immediately to supervisor.

Auditing

- A. The Department Director shall monitor, review, and audit cash handling and deposits in his/her Department as he/she deems necessary.
- B. The Finance Department shall monitor, review, and audit samples of cash handling and deposits for all Departments and Financial Analyst.

Cash Receipts Policy Employee Acknowledgment

I, _____, have been furnished a copy of the Cash Receipts Policy of the City of Freeport. I have read it, am aware of its contents, and acknowledge that it is my responsibility to adhere to it to the best of my ability.

Non-compliance with this policy will result in disciplinary action as outlined in Section 14 of the City of Freeport Personnel Policies and Procedures Manual. Specifically, Section 14.01 states "It is the policy of the City that all employees are expected to comply with the City's standards of behavior and performance, and that any non-compliance with these standards must be corrected. The City Manager may dismiss, place on disciplinary probation, demote or take other disciplinary action against an employee if such non-compliance is found to exist.

Employee Signature

Date

This form must be returned within five (5) working days to your supervisor