Cash Receipts, Cash Disbursements, Petty Cash, Tailings and Reconciliation of Cash

PURPOSE:
To establish sound financial controls and practices to assure all cash receipts are deposited on a timely basis, are recorded on a timely basis, that disbursements are made only after proper authorizations and safeguards; and to assure that cash is reconciled on a timely basis.

AUTHORITY:
MGL Chapter 41 §§35, 41 and 57

CASH RECEIPTS
POLICY:
It is the town's policy that the town treasurer's office is responsible for the entry and/or approval of department entered cash receipts, to the SOFTRIGHT system. The Treasurer's office enters receipts daily into the cashbook. The Treasurer's office is responsible for all bank deposits with the exception of student activity account reimbursement checks, cafeteria receipts, and light and water department revenues. In all other instances the town and school departments must turn over receipts to the Treasurer's office not less than once a week. At a minimum, revenue shall be turned over immediately to the Treasurer's office when the department has collected $250 in cash or $1,000 in checks.
It is each department's responsibility to establish procedures to safeguard the collection and remittance of receipts until turned over to the treasurer. As part of this policy, the department head should review the turnover for accuracy and sign off on the turnover. The department head may designate other appropriate personnel to perform this task.
The Treasurer must give bond annually consistent with the provisions of MGL Ch. 41 §35. The Town Accountant shall verify that the Treasurer has given bond as required. In addition, the Town Accountant shall periodically, but not less than once per year, perform site visits to the departments to audit their receipt process.

PROCEDURES:
• Departments that collect receipts will complete a ***Schedule of Departmental Payments to the Treasurer – Exhibit A (turnover sheet)*** to report respective receipts by appropriate General Ledger revenue account.

• Departmental staff shall deliver the turnover sheet with the cash and checks to the treasurer's office.

• Departmental cash receipts are recorded on a *detail Sheet* and *calculator tape* that balances to the turnover sheet and retain in the department. When all cash, checks and the tape reconcile, the turnover is submitted to the Treasurer's office.

• The Treasurer's office signs the Form as a verification that the total amount indicated on the turnover sheet reconciles with the total cash and checks presented.

• One copy of the turnover sheet is forwarded directly by the department to the Town Accountant as an independent source document for the Town Accountant. The Town Accountant uses the turnover sheet to verify that the receipts have been properly entered in Softright by the Treasurer's office. This copy is sent to the Town Accountant at the same time the receipts are submitted to the Treasurer. This form should not be left in the Town Accountant's mail slot, rather delivered directly to the office of the Town Accountant to ensure proper receipt.

• The department retains one copy of the turnover sheet, signed by the Treasurer or designee as part of their departmental documentation.

• Cafeteria receipts are deposited by the school department daily at a designated account established by the Treasurer.

• The Treasurer's office enters all receipts reported on the schedule in the Receipts module of SOFTRIGHT. All turnovers received during a day are itemized on a Daily Deposit Sheet detailing the department name, with individual totals for cash, coin and checks. Cash is also itemized by denomination and department to ensure total cash to be deposited agrees with the departmental detail. Each Deposit Sheet is assigned a trace number signifying a Bank ID and date of turnover as a reference.

• All cash receipts for a specific date will be entered in the cashbook as of the date of the deposit. The reference from the Deposit Sheet and the packet id# from Softright are also entered in the cashbook as a further reference.

• Each town and school department that receives cash receipts should review the SOFTRIGHT *Revenue Report* for their department each month to verify that all cash receipts that were turned over to the Treasurer are recorded accurately to the respective General Ledger account. Any discrepancies shall be reported to the town accountant.

• All bank accounts are balanced to the cashbook on a monthly basis. *See Reconciliation of Cash section*

• Total cash is balanced from the cashbook to the General Ledger on a monthly basis. *See Reconciliation of Cash section*

School Student Activity Receipts and Disbursements
POLICY:
The town policy is that school officials responsible for these programs have authority to maintain a checking account for expenditure purposes only. All monies received by a school in connection with a particular student activity must be turned over to the Treasurer via the school business office. These receipts will be posted in the general ledger as deposits to a Student Activity Agency Account which will be maintained for each school in the system. The turnovers by the school business manager shall be made using the guidelines in the Cash Receipts section of this policy.

PROCEDURES:

- As documentation of the deposit, the school department is responsible to retain all detail documentation to support the deposits.

- A Student Activity checking account shall be initially funded from the balance of the associated GL agency account.

- The School Committee should set balance limits on the funds that may be held in the Student Activity Accounts by school. The Treasurer and Town Accountant shall monitor the account balances in relation to these limits and report any balance overages to the Superintendent and/or School Business Manager as they occur.

- The Treasurer as well as the school principal shall be authorized signers on the accounts.

- The school shall maintain a 'sub-ledger' which breaks down the funds held in the agency account by purpose; such as: Alumni, Student Council, Yearbook, general etc. The total of these sub-ledger accounts should agree to the total dollars in the combination of the General Ledger Agency Account and the associated checking account

- Each school should forward a copy of a monthly sub-account reconciliation to the Treasurer within 7 days of the end of each month as of the previous month-end. The reconciliation should summarize by sub-ledger account, beginning balance, total receipts for the month, disbursements for the month and an ending balance*. See Exhibit B*

- Disbursements from the Agency Accounts may be made either by the accounts payable process or by a check written by the principal on the school's checking account.

- All disbursements from the student activity checking accounts shall be made by written check only and recorded by the school. The following items should be detailed by the school:
  1. Date of check
  2. Check number
  3. Payee name
  4. Purpose of check
  5. Sub-account associated with disbursement..

- Disbursements made through the accounts payable process must also be detailed on the sub-account reconciliation to the proper account.

- This disbursement detail, as well as copies of the written checks, must be sent to the Town Accountant with each request to replenish the school's checking account. In addition, copies of all receipts or bills must accompany all check requests. The Town Accountant shall review all invoices for appropriate expenditures. Any disbursements found to be inappropriate shall be reported by the Town Accountant to the School Business Manager and the Treasurer.

- The reimbursement check issued by the Town shall be the only deposits allowed to be made in the school's checking account.

- All checks must be accounted for in the disbursement detail sent to the Accountant. Originals of any voided checks must be sent to the Accountant with the disbursement detail.

- Any invoice not paid by the Accountant will result in a shortage to the Student Activity Agency Account and should be carried forward as a reconciling item until resolved by either a submission of detailed disbursement information relating to student activities or an adjustment to the school operating budget for such expense.

- The School Department will be responsible for any shortages to the Student Activity Accounts and should have the proper procedures in place to ensure accurate maintenance of the accounts. The School Department shall provide copies of these procedures to the Town Accountant and Treasurer.

- The Town Treasurer and/or the Town Accountant may, at any time, withhold reimbursements to the checking accounts or close the checking accounts if the above procedures are not met.

CASH DISBURSEMENTS
POLICY:
The town policy is that weekly accounts payable and payroll payments shall be made only from warrants duly signed and approved – either by hand or through an approved electronic process - by the Board of Selectmen and by the Town Accountant. The Treasurer or the Treasurer's designee shall be responsible for the disbursement and mailing of all accounts payable checks and to assure that all town checks are delivered only to the designated vendor.

PROCEDURES:
• After the town accountant and the board of selectmen have signed the warrant(s), the signed warrant will be delivered to the treasurer (or designee).

• The town accountant's office shall verify consistent with MGL Chapter 41 §41 that all payroll vouchers have been sworn (signed) by the head of department or lawful designee.

• The treasurer (or designee) runs the accounts payable checks in SOFTRIGHT and prints them. The outside payroll vendor is responsible to print the payroll checks. The payroll checks are delivered to the town accountant's office to allow for verification of the check register. Payroll checks and a copy of the check register are delivered to the treasurer's office for verification and distribution to departments.

• The town accountant's office provides all of the invoices that are included on the warrant to the treasurer. The treasurer's office then adds the checks to verify the total and match each invoice with the respective check and verifies the amount paid.

• When the treasurer's staff has printed the checks, one copy of the SOFTRIGHT *Cash Disbursements (Check Register)* is produced and retained by the treasurer.

• At the point the treasurer's designee has audited all invoices and checks, the checks can then be mailed to the vendors at the invoice addresses to assure sound control of disbursements.

• Release of checks (other than via mail) will be done only in extenuating circumstances. The treasurer will hold the check for pickup by the vendor. Only the treasurer can approve the release of a check to an individual instead of mailing the check to the authorized address of the vendor.

EMERGENCY DISBURSEMENTS (MANUAL CHECKS)
POLICY:
The town policy is that only in extenuating circumstances will the town accountant and treasurer allow the issuance of a manual check outside of the normal warrant process.

PROCEDURES:
• In a bona fide emergency where payment must be made to a vendor outside of the normal accounts payable process, the town accountant and town administrator must sign a form authorizing payment to the same standards as for a normal warrant. All documentation to substantiate the reason and receipt of services shall be submitted within five days.

• The treasurer shall produce the manually produced check upon receipt of the authorization of the town administrator and town accountant.

• The treasurer must provide the town accountant with a copy of the manual produced check.

• The town accountant must include this payment on the next week's SOFTRIGHT produced warrant as a "no check" item to assure that the payment is posted to the General Ledger and charged to the respective department's appropriation.

PETTY CASH ADMINISTRATION

POLICY:

The policy of the Town is that *Petty Cash* accounts may be established for departments that need a small of amount of cash to meet payments required at the time of service. Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review of the town accountant. Petty cash transactions will never be used to finance payroll.

PROCEDURES:

• Requests for petty cash accounts or changes to the limit authorization should be submitted in writing to the town accountant.

• All requests for establishment of petty cash accounts or changes to limits should be subject to approval of the town accountant.

• If approved by the town accountant, the specific petty cash account should be under the custody of one authorized official in the respective department. The petty cash must be kept in a locked, secure location.

• The town accountant will create the petty cash account by reducing unrestricted cash and increasing petty cash. The town accountant will reclassify fund balance simultaneously by reducing *Undesignated Fund Balance* and increasing *Fund Balance Reserved for Petty Cash.*

• All petty cash transactions shall be documented with a receipt from the vendor/service provider to the authorized departmental petty cash cashier. The total receipts and/or cash in the petty cash box must equal the total "approved petty cash" amount.

• Periodically the petty cash custodian in the department should submit all documentation on a *voucher* to the town accountant as part of the accounts payable warrant process in order to replenish the petty cash account. This replenishment must be completed prior to the final warrant of the fiscal year.

• The petty cash account will only be replenished by the town accountant based on review of the documentation submitted through the warrant process. If there have been any inappropriate uses the petty cash account will be terminated.

TAILINGS (Uncashed Checks)
POLICY:
The town's policy is to identify and research all *Uncashed Checks (Tailings)* as a part of the timely reconciliation of all bank accounts.

Current law requires that municipal treasurers wait three years before an uncashed check may be deemed abandoned and start the process of reclaiming the funds.

MASS GENERAL LAW CHAPTER 200A SECTION 5: Subject to the provision of section one A, all intangible personal property not otherwise presumed to have been abandoned under any other section of this chapter, including but not limited to all certificates of ownership, dividends, stocks, bonds, money, drafts and claims for money and credit….shall be presumed abandoned unless claimed by the beneficiary or person entitled thereto within three years after the date prescribed for payment or delivery.

CHAPTER 200A SECTION 9A: On or before November first of each year the treasurer of any city or town holding checks issued by said city or town which have not been cashed and which are deemed abandoned under section five may issue a written determination that it is in the best interest of said city or town to follow the procedures set out in this section.

A listing of all uncashed checks shall be published once a year consistent with Massachusetts General Law. Checks not claimed must be reported by the treasurer to the town accountant so that revenue can be increased and the liability can be eliminated.

PROCEDURES:
• All town bank accounts shall be reconciled each month; uncashed checks (tailings) will be identified and investigated as part of this process.

• The treasurer shall identify all checks that have not cleared the bank account. If the check has not cleared for more than twelve months, the treasurer (or designee) shall prepare a list of all uncashed checks.

• The treasurer shall investigate the uncashed check by reviewing the check register run on the date of disbursement of checks on the weekly accounts payable warrant. The uncashed payroll checks shall be checked by reviewing the payroll vendor's check disbursement report.

• The treasurer shall identify and record on a spreadsheet a listing of uncashed checks, the date of issuance, and amount of check, name and address of check recipient.

• The treasurer's clerk shall send a notice of the uncashed check and the amount to the recipient at their last known address and retain evidence of this mailing.

• If the check has not been cashed 3 years after the date of issuance, the treasurer, consistent with Massachusetts General Law, shall submit a *List of Uncashed Checks* to the town accountant so that cash can be adjusted and the liability of the tailings/abandoned property can be recorded on the General Ledger.

• The treasurer shall publish the *List of Uncashed Checks* consistent with state law.

• The Treasurer shall prepare a *List of Abandoned Property/Uncashed Checks* for all checks that are not claimed after the public advertisement.

• After signing the document the treasurer shall submit the *List of Abandoned Property/Uncashed Checks* to the town accountant. The town accountant will increase the revenue of the Town on the General Ledger and eliminate the liability.

Checks issued by the Town of Littleton that remain un-cashed are subject to the following actions:

1. Letters are sent to named payees of un-cashed checks along with an acknowledgement form for claiming the funds.
2. For checks over $100.00 an advertisement is placed in the local newspaper.
3. An un-claimed check list is posted on the web-site.
4. Checks may be claimed up to one year after the date of advertisement or web posting.

RECONCILIATION OF CASH

POLICY:

It is the policy of the Town that the Treasurer and the Town Accountant shall reconcile cash as recorded in the *Treasurer's Cashbook* and as recorded on the General Ledger within 25 days of the close of the prior month.

PROCEDURES:

• The Treasurer or designee reconciles the Treasurer's *Cashbook* to the bank statements. This is completed within five days of receipt of the bank statements.

• The Treasurer identifies all reconciling items between the C*ashbook* and the bank statements. These items will include: deposits in transits, outstanding checks and other items that represent timing differences between the bank and the *Cashbook*.

• The Treasurer will make the appropriate entries in the cashbook or at the bank for the reconciling items that are not the result of timing differences (that would clear the next month).

• The Treasurer will reconcile the cashbook total cash to the general ledger total cash on a monthly basis

• The Treasurer will provide a signed copy of the Cashbook/General Ledger reconciliation to the Town Accountant. The Town Accountant shall review the reconciliation for any entries that may require General Ledger adjusting entries.

• The Town Accountant shall review the reconciliation, recording an adjusting entry to cash on the General Ledger if appropriate, based on supporting documentation.

• The Town Accountant shall sign the reconciliation, sending it back to the Treasurer to file with the monthly reconciliation backup. The Town Accountant shall attach any adjusting entries made based on the reconciliation.