

**Cash Receipts, Cash Disbursements, Petty Cash,
Tailings and Reconciliation of Cash
Policies and Procedures**

**Approved by: Board of Selectmen
Effective: December 16, 2009**

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 accountant's office is solely responsible for the entry of cash receipts to the FUNDWARE system. The treasurer/collector's office enters receipts daily in Quicken. The treasurer/collector's office is responsible for all bank deposits with the exception of school lunch receipts and student activity receipts. 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 \$1000 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.

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 **Form AD-9/10** entitled **Schedule of Departmental Payments to the Treasurer - Attachment xxx** to report respective receipts by appropriate General Ledger revenue account.

- Departmental staff shall deliver the form with the cash and checks to the treasurer/collector's office. Departments shall stamp all checks with the town endorsement stamp upon receipt of checks. At a minimum, departments must write "For Deposit Only – (department name)".
- Departmental cash receipts are recorded on a *detail Sheet* and *calculator tape* that balances to the "departmental turnovers" (Form AD-9/10) and retain in the department. When all cash, checks and the tape reconcile, the turnover is submitted to the treasurer/collector office for recording in the Quicken *Cashbook* and deposit at the bank.
- The treasurer/collector's office signs the Form AD-9/10 as a verification that the total amount indicated on the form reconciles with the total cash and checks presented.
- One copy of the Form AD-9/10 is forwarded directly by the department to the town accountant as an independent source document for the town accountant to verify that the receipts have been entered in Quicken by the treasurer/collector's office. This copy is sent to the town accountant at the same time the receipts are submitted to the treasurer/collector, but without treasurer/collector signature. 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 Form AD-9/10 as signed by the treasurer/collector's clerk as part of their departmental documentation.
- The treasurer/collector's office enters all receipts reported on the schedule as benefit receipts in the Accounts Receivable module of FUNDWARE.
- All cash receipts activity for a specific date will be entered in Quicken generally the day after receipt.
- Each town and school department that receives cash receipts should review the FUNDWARE *Revenue and Expenditure Monthly Report* for their department each month to verify that all cash receipts that were turned over to the treasurer/collector are recorded accurately to the respective General Ledger account. Any discrepancies shall be reported to the town accountant.

School Lunch and School Student Activity Receipts

POLICY:

The town policy is that school officials responsible for these programs have authority to make deposits at the bank. The deposits shall be made at least once per week, upon collection of the receipts.

PROCEDURES:

- As documentation of the deposit, the school department should provide one copy of the deposit slip and bank deposit receipt to the treasurer/collector. The school is responsible to retain all detail documentation including cash register receipts to support the deposits.

- The town accountant shall verify said documentation held by the treasurer/collector to ensure that all school receipts are properly posted to the General Ledger.

CASH DISBURSEMENTS

POLICY:

The town policy is that weekly accounts payable and bi-weekly payroll payments shall be made only from warrants duly signed and approved 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/collector (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/collector (or designee) runs the accounts payable checks in FUNDWARE 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/collector'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/collector. The treasurer/collector'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/collector's staff has printed the checks, one copy of the FUNDWARE *Cash Disbursements (Check Register)* is produced and retained by the treasurer/collector.
- At the point the treasurer/collector'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/collector 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/collector 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/collector shall produce the manually produced check upon receipt of the authorization of the town administrator and town accountant.
- The treasurer/collector 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 FUNDWARE 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 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. All checks that are not cashed within 90 days of the date of issuance will be investigated. Checks that are not cashed after 120 days will be reported to the town accountant as uncashed so the General Ledger can be adjusted to increase cash and to record a corresponding liability.

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/collector shall identify all checks that have not cleared the bank account. If the check has not cleared for more than two months, the treasurer/collector (or designee) shall prepare a list of all uncashed checks.
- The treasurer/collector 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/collector 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/collector'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 120 days after the date of issuance, the treasurer/collector, 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/collector shall publish the *List of Uncashed Checks* consistent with state law.
- The assistant treasurer/collector shall prepare a *List of Abandoned Property/Uncashed Checks* for all checks that are not claimed after the public advertisement and submit it to the treasurer/collector for approval.
- 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.

RECONCILIATION OF CASH

POLICY:

It is the policy of the Town that the treasurer/collector 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/collector or designee reconciles the *Treasurer's Cashbook/Quicken* to the bank statements. This is completed within five days of receipt of the bank statements.
- The treasurer/collector identifies all reconciling items between the *Cashbook/Quicken* and the bank statements. These items will include: deposits in transit, outstanding checks and other items that represent timing differences between the bank and the *Cashbook/Quicken*.
- The treasurer/collector will correct the cashbook for the reconciling items that are not the result of timing differences (that would clear the next month).
- The treasurer/collector will forward to the town accountant all the adjustments made to cashbook based on the reconciliation to the bank statements.
- The town accountant will record an adjusting entry to cash on the General Ledger if appropriate and based on supporting documentation.
- The treasurer/collector will follow up on any check that remains outstanding for ninety days as described above under the *Tailings Policy and Procedures*.

- The treasurer/collector will maintain the *Cashbook/Quicken* on a daily basis for warrants issued, deposits, transfers between accounts and investment income.
- After the month's activity in the *Cashbook/Quicken* is reconciled to the bank statements, the treasurer/collector or designee produces the month-end *Treasurer's Cash Report*.
- The treasurer/collector produces a *Treasurer's Cash Report* based on:
 1. Receipts reconciliation documenting:
 - The receipts per the *Cashbook/Quicken*
 2. Disbursements Reconciliation documenting:
 - The disbursements per the *Cashbook/Quicken* as reconciled to the bank statements

These reconciliations are evidence that the *Cashbook/Quicken* and bank ending balance agrees to the cash on the General Ledger. If there are variances the treasurer/collector and town accountant research and document any adjustments.

- A final *Cash Reconciliation Summary Statement* is produced monthly by the town accountant that states the cash balances per the General Ledger and per the cashbook, and documents any adjustments to either the cashbook or to the General Ledger.