

State of Vermont
Department of Finance and Management

Financial Process:	Cash Receipts and Deposits	Issue Date:	March 2006
		Number:	BP-01
Topic:	Internal Control - Best Practices	Revision Date:	N/A
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Objective

Departments shall devise techniques and procedures for the receipt and deposit of moneys coming into their control and custody, which are designed to adequately safeguard the assets of the State and to minimize idle and nonproductive cash balances.

Risks

- Lost, stolen, or misappropriated cash receipts (*high degree of inherent risk*)
- Unsafe work environment
- Concealed errors or irregularities going unchecked
- Loss of interest revenue

Definition

The term “cash receipts” as used herein includes currency, coins, checks, or other negotiable instruments.

Best Practices Include

- ❖ **Timely deposit of all cash receipts: Deposit daily when cash receipts total more than \$500, but in no case less frequently than once a week.**
[\[Safeguarding of Assets\]](#)
- ❖ Deposit all cash receipts on-hand on the last working day of a fiscal period (regardless of any dollar or time threshold); this is to ensure that receipts are made available for their intended purpose and that activity is posted to the correct accounting period.
[\[Reporting\]](#)
- ❖ Restrictively endorse checks (“for deposit only”) immediately upon receipt.
[\[Safeguarding of Assets\]](#)
- ❖ Cash receipts must be properly safeguarded prior to deposit through the use of adequate physical security (e.g. safes, locking cabinets, etc.).
[\[Safeguarding of Assets\]](#)

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- ❖ Access to and location of cash receipts should be limited and restricted to only designated employees. [\[Safeguarding of Assets\]](#)
- ❖ All cash receipts are to be deposited into a bank account designated and/or approved by the Office of the State Treasurer. [\[Authorization\]](#)
- ❖ Conduct appropriate background/reference checks on prospective cash handlers. [\[Safeguarding of Assets\]](#)
- ❖ Provide receipts to each payer, if practical. [\[Reconciliation\]](#)
- ❖ Count cash in a non-public area not easily visible to others. [\[Safeguarding of Assets\]](#)
- ❖ Review checks and verify that:
 - The check has been signed and dated.
 - The pre-printed name (personal checks) agrees with the signature.
 - The numbered amount agrees with the written amount.
 - The check amount agrees with any accompanying paperwork.
 - The check is not stale-dated and has not been altered. [\[Verification\]](#)
- ❖ Maintain a comprehensive cash receipts log that includes for each item:
 - The date each remittance was received.
 - The name of the remitter.
 - The amount of each remittance.
 - The form of each remittance (e.g. check, cash, money order).
 - The check number and date.
 - The purpose of the collection (if known). [\[Documentation\]](#)
- ❖ Keep copies of checks (where feasible). [\[Documentation\]](#)
- ❖ Centralize within each department the receiving of cash, if practical. [\[Separation of Duties\]](#)
- ❖ Separate cash handling duties among different employees:
 - In larger units, different employees should be designated to (1) receive cash, (2) deposit cash, and (3) record transactions so that no single employee has control over the entire process.
 - In smaller units, with a minimal number of employees, cash operations should be reviewed and approved by someone (preferably a supervisor or manager) other than the person receiving the funds. [\[Separation of Duties\]](#)
- ◆ Note: The key to effective cash control, while maintaining appropriate separation of duties, is to minimize the number of employees who actually handle the cash before it is deposited.

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- ❖ Departments should maintain written procedures for all cash receipting and deposit operations. Procedures should address, at a minimum, staff responsibilities (“separation of duties”), key activities, timelines, and the safeguarding of receipts.
[Documentation & Supervision]
- ❖ Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance.
[Monitoring]
- ❖ All cash receipts must be deposited intact, that is no checks may be cashed or disbursements made from receipts.
[Reconciliation]
- ❖ Utilize pre-numbered deposit slips to facilitate sequential control of deposit activity.
[Verification & Reconciliation]
- ❖ Maintain and match a copy of the deposit slip with the bank deposit receipt for all bank deposits.
[Documentation, Verification & Reconciliation]
- ❖ Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. management, State Auditor’s Office, law enforcement). [Safeguarding of Assets]

➤ **VISION RELATED BEST PRACTICES**

- ❖ Regularly match ‘cash receipts logs’ to ‘bank deposit receipts’ to ‘VISION queries and reports’.
[Verification]
- ❖ Record the deposit in VISION within one day of deposit at the bank. [Reconciliation]
- ❖ Enter the pre-numbered deposit slip number in the VISION *Deposit ID* field.
[Documentation & Reconciliation]
- ❖ Enter the date the deposit was made at the bank in the VISION *Received Date* field.
[Documentation & Reconciliation]
- ❖ Report un-deposited cash receipts “on-hand” at the end of the fiscal year on the Department of Finance & Management’s [CAFR-1 Accounts Receivable Form](#) (in accordance with year-end closing requirements).
[Reporting]

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Notices

- These best practices are intended to support the internal control framework as presented in the [*Internal Control Standards: A Guide for Managers*](#)[^].
- In consideration of these best practices, the objective should be on adherence and not on rationalizing ways and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.