

Effective Date: October 2, 2014

Revision Dates(s):

I. PURPOSE:

This Cash Handling Policy ("Policy") defines and outlines policy with respect to receiving, handling, safeguarding, and depositing of City of Norwalk ("City") funds. Cash handling controls as outlined in this Policy, have been adopted for uniform application in all departments. These controls address the decentralized nature of the receipting and depositing process while providing for standardized training and a periodic review of cash collected and reported.

II. POLICY:

All employees of the City, including uniformed employees, in positions having cash handling responsibilities shall conduct all cash handling activities in compliance with the rules and guidelines set forth by this Policy and by their respective departmental cash handling procedures. An acknowledgement form is required to be completed/signed by each employee to ensure they have a full understanding of this policy (Attachment A).

All City departments having cash handling responsibilities shall maintain, review, and update respective departmental cash handling procedures to assure compliance with this Policy. Any deviation(s) from this Policy must be approved by the Finance Department and detailed in departmental cash handling procedures.

III. DEFINITIONS:

- A. Cash Equivalents:** Checks, money orders, travelers checks, and credit/debit cards.
- B. Cash Handler:** All full-time, part-time, seasonal or temporary employees whose job description includes responsibility for receiving, transmitting, safeguarding, and/or depositing of City funds.
- C. Cash Handling:** The receiving, transmitting, safeguarding, and depositing of all funds received by the City, whether coin, currency, checks, money orders, travelers checks, credit cards, electronic funds transfer, and other cash equivalents.
- D. Cash Handling Site:** Designated City location where funds are received, transmitted, safeguarded and/or deposited, whether coin, currency, checks, money orders, travelers checks, credit/debit cards, electronic funds transfer, and/or other cash equivalents.
- E. Change Fund:** A sum of money set aside for the purpose of making change where cash is collected.
- F. Covert Cash Funds:** Funds established by the Norwalk Police Department used to pay confidential informants and for investigative operations such as narcotics vice.
- G. Custodian:** Caretaker; the person in charge.
- H. Escrowed Funds:** Money that has been put in the custody of others.
- I. Fiduciary:** An individual or organization that is trusted to hold valuable items of another person.

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- J. Final Disposition:** Final deposit or distribution or payment.
- K. Fraud:** Intentional deception to deprive another person of property or to injure that person in some other way.
- L. Imprest Fund:** A fund into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor distributions (i.e. change fund, petty cash fund, cash refund fund). The fund amount always remains constant.
- M. Internal Control:** System that assures assets that belong to the City are received when tendered, protected while in the custody of the City, and used only for City related purposes. The system of internal control consists of all measures employed by the City for the purpose of (1) safeguarding resources against waste, fraud and inefficiency; (2) promoting accuracy and reliability in accounting and operating data; (3) encouraging and measuring compliance with City policy; and (4) judging the efficiency of operations in all divisions of the City. Internal controls are not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur.
- N. Misappropriation:** Using property or money wrong/illegally.
- O. Mitigating Control:** Compensating measure implemented to identify irregularities after-the-fact, as opposed to primary controls that are intended to prevent fraud or detect human error at the point of its origination (i.e. supervisor reviews a batch of cash receipts at the end of a shift versus approving each transaction as it occurs at the point of sale or cash intake).
- P. Mutilated:** Disfigured, bent, destroyed.
- Q. Negotiable (financial instruments):** Money or money equivalents that is easily transferable from one person to another (such as cash, travelers checks, etc.).
- R. Outage:** Cash shortage or overage. A cash handler has a shortage when a collection error is made such as not obtaining physical custody of money or a change-making error. A cash handler has an overage when excess money is collected and the excess cannot immediately be returned to the customer.
- S. Overridden:** When controls are manually or electronically turned off or bypassed.
- T. Petty Cash Fund:** A fund used within an office to make small office purchases, which are \$100.00 or less. Petty cash purchases are usually quick or to meet an emergency need.
- U. Post-dated Check:** Future dated check submitted in payment for City services and/or goods.
- V. Risk Factors:** Assigned to cash handlers based on cash handling activity.
 - a. High: deals with cash on a daily basis
 - b. Medium: deals with cash equivalents
 - c. Low: infrequent users of small amounts of cash

- W. Two-Party Check:** A check originally issued to another party ("payee") that is now offered in payment for City goods and/or services.

IV. POLICY GUIDELINES:**A. Training**

All employees in designated cash handling positions will be required to have their department head's signed authorization that the employee has been trained in its department's cash handling procedures.

C. Performance Expectations/Standards

All cash handling departments will establish performance standards and success measures for all cash handling positions. When establishing standards, the cash handling environment, the average number of cash handling transactions, and the average amount of dollars collected shall be taken into consideration.

D. Discipline**1. Civilian Employees**

Failure to comply with this Policy may result in disciplinary action in accordance with Collective Bargaining Agreements between the City and personnel. In the case where the employee is not covered by a bargaining agreement the disciplinary action will be in accordance with the City's disciplinary policy. Discipline will be evaluated and based upon the number of violations and severity of the incident. The Human Resources Department must be consulted by a department when assessing the appropriate level of disciplinary action.

2. Uniformed Employees

Failure to comply with this Policy may result in disciplinary action in accordance with Collective Bargaining Agreements between the City and uniformed personnel. Internal procedures adopted for uniformed personnel of the Police and Fire Departments must conform to the provisions of this Directive

- 3. Individuals engaged in fraud** (i.e. theft) will be subject to immediate dismissal and possible legal action.

V. RESPONSIBILITIES:**A. Finance Director's Office**

1. Establish an adequate internal control system over City cash and cash equivalents.
2. Direct the Office of Management & Budgets to conduct cash handling reviews as deemed necessary.

B. Finance Department

1. Safeguard the City' financial assets and manage its financial resources in accordance with the goals of the Common Council, Mayor and in compliance with applicable laws and generally accepted accounting and financial principals. Establish and update this Policy as necessary.
2. Perform cashiering functions in designated locations.
3. Approve the establishment of petty cash and change funds, including related amount of the fund.
4. Coordinate with the Office of Management & Budgets to provide basic and specialized Cash Handling training.
5. Contact the Norwalk Police Department and/or the Finance Director when a department has communicated a suspicion of theft or dishonest act by a City employee (i.e. missing or stolen funds).
6. Approve others authorized to inspect/review citywide cash handling operations.

C. Departmental Directors

1. Ensure the safeguarding of City funds.
2. Maintain clearly written and approved procedures for all areas of their department's cash handling operations.
3. Ensure procedures are in place to comply with this Policy and assume accountability for exceptions and deviations from this Policy.
4. Authorize each employee that has been newly hired, transferred, demoted, promoted or reclassified into designated cash handling positions to perform those duties after being trained in the department's cash handling procedures.

D. Cash Handler

1. Use due diligence in handling City assets so that reasonable protection is provided to those assets at all times.
2. Report to their Department Director, who should in turn alert the Finance Director, of any instance where a City employee has knowledge or suspicion of a theft or dishonest act by another City employee.

E. Office of Management & Budgets

1. Coordinate basic and specialized cash handling training.
2. Conduct cash handling reviews as deemed necessary by the Finance Director.

3. Conduct random unannounced reviews and/or audits.

VI. CASH HANDLING CONTROLS:**A. General Cash Controls**

1. All employees with access to cash funds shall be covered under the City's Commercial Crime or Employee Dishonesty Insurance Policy as prescribed by the City's Risk Manager.
2. Cash handling sites shall have an individual designated by the Department Director as custodian with specific responsibility for cash handling at the respective location(s) during all shifts.
3. The number of employees with access to cash shall be limited for internal control purposes. Efforts shall be made for the physical separation of duties and responsibilities between the cash custodian and that of the individual or individuals that perform the accounting and recordkeeping function pertaining to cash.
4. Where the separation of responsibility is precluded due to limited available personnel, the supervisor shall perform specific verification steps for sound cash handling controls. This supervisor shall not be involved in the original transaction steps that are to be verified. Departments should confer with the Finance Department to establish other mitigating controls where separation of responsibility is precluded.
5. At least two people per cash handling site shall be involved in the cash handling process unless otherwise authorized by the Finance Department.
6. Where possible, cash handling duties shall be rotated on a periodic basis. This can help to prevent departments from becoming dependent upon one person for a particular function and can make it easier to identify and correct procedural weaknesses and breaches.
7. When practicable, cash handling sites will have alarm devices, videotaped surveillance, and/or electronic microphone recording installed.
8. If billing invoices are used, the cashier cannot make adjustments to an invoice. The supervisor/administrator shall make any necessary corrections, changes or adjustments.
9. Physical protection of cash through the use of bank facilities, armored vehicles, vaults, and locked cash boxes, locked cash bags, or locked drawers shall be practiced at all times. Armored car service will be made available to those cash handling sites that require such service. Departments, in conjunction with the Finance Department, shall assess the reasonableness, practicality, and security in determining the use of armored car service.

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10. In general, collections in the field are prohibited unless specifically authorized by the Director of Finance.
11. Cash on the premises will be held to a minimum to reduce the amount of idle cash that is available, as well as for cash control purposes. Deposits shall be made within twenty-four hours. Departments, in conjunction with Finance, shall assess the reasonableness, practicality, and security in determining the timing for deposits, especially when deposits exceed the twenty-four hour time requirement noted above.

Careful consideration shall be given to the risk involved in holding idle cash and/or cash equivalents in the department versus the cost to make more frequent deposits.
12. Authorized personnel within the department who do not have custodial, accounting or recording duties and responsibilities, shall conduct periodic examination, count, or other review of cash.

The Finance Department and the Office of Management & Budgets will also conduct random unannounced reviews and/or audits.
13. City departments, with assistance from the Finance Department, shall publish and update as necessary written cash handling instructions and procedures that will serve as procedural and training documentation for departmental cash handlers.

B. Receipting of Payments

1. Checks, travelers checks, money orders and other negotiable financial instruments shall be endorsed as they are received.
2. All employees charged with the receipting of cash at the point of sale shall be provided by the department with a copy of the current fee and rate schedule as posted in a clear and visible site for the general public's advisement. Posted information shall also include a contact telephone number for a customer to call if a transaction receipt is not provided to the customer when cash and/or cash equivalents are paid.
3. All handwritten receipts shall be pre-numbered to account for lapses in sequence.
4. All checks shall be made payable to the City of Norwalk and shall be accepted only in the amount of the sale or transaction. Checks may not be written for more than the amount due to the City

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5. When accepting a personal check for amounts due the City, the cash handler shall capture the following payer's information and note same at the top of the check: 1) address, 2) telephone number, and 3) driver's license number. No temporary checks are to be accepted by cash handlers.
6. Post-dated or two-party checks will not be accepted.
7. Cash utilized for change ("Change Funds") and undeposited receipts shall not be used for petty cash purchases, loans, advances, or check cashing (except for the Finance Department's change fund, where the practice includes cashing City employees' personal checks).
8. Change Funds are not to be commingled with any other monies.
9. With the exception of the Finance Department no checks shall be cashed from cash receipts.
10. All departments with cash operations shall maintain a permanent collection record, such as a cash register tape, that has the record of all transactions including voids, refunds or cancellations. All revenues collected shall have a receipt or other proof of sale issued to the customer at the point of sale or collection whether handwritten or electronically generated.

There shall be a means of capturing and summarizing daily transactions, which will be reconciled to the amount deposited.

C. Deposits

1. The general operating standard for deposit of negotiable instruments and cash with the depository bank shall be within twenty-four hours of receipt. This includes the counting and balancing of cash receipts for each shift and depositing such receipts intact (i.e. a deposit for each shift). Departments, in conjunction with Finance, shall assess the reasonableness, practicality, and security in determining the timing for the deposits where deposits exceed the abovementioned twenty-four hour requirement. All amounts that are not deposited on a daily basis shall be secured in a safe, vault or locked drawer.
2. Discrepancies between deposited amounts when compared to written receipts, cash register, or computer system generated receipts, shall be recorded along with documentation of the responsible cashier. The supervisor shall review, on a daily basis, such documentation and follow up with the appropriate corrective action, if needed. Department Directors have the ultimate responsibility to ensure discrepancies are identified and corrective measures are taken.

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3. All security and bid deposits received in negotiable form, as well as escrowed funds or other funds that require specialized handling, shall be deposited and held by the City Clerk's Office until final disposition is made.
4. All performance bonds shall be forwarded to the Comptroller for safekeeping.
5. All deposits shall be made intact (i.e. a deposit for each shift) and sealed in deposit bag; departmental receipts shall not be used to create or replenish petty cash or other funds. Un-deposited receipts are not to be used for loans, advances, or check cashing.

D. Covert Cash Funds

1. Covert Cash Funds will be used to pay confidential informants and for investigative operations and will not be subject to the maximum dollar amount established for Petty Cash funds.
2. In order to maintain the confidentiality of cash transactions associated with covert and investigative operations, supporting documentation will be maintained by the Norwalk Police Department. The case number should be used when recording cash transactions.
3. Covert cash funds shall be established with the Finance Department's approval and controlled in the same manner as petty cash funds.
4. The Norwalk Police Department's Petty Cash Custodian will be responsible for the oversight and control of covert cash funds.

E. Petty Cash

The establishment of Petty Cash funds and amounts shall be approved by the Finance Director. Petty cash funds are public funds entrusted to the department for which the fund was established. Petty cash shall be used to purchase incidental items or services on an emergency and infrequent basis, where it is not feasible or practical to submit a purchase requisition, request for payment, or use a procurement card. In no case will Petty Cash funds be approved for greater than \$500.00.

F. Change Funds

1. Change funds shall be established with the Finance Department's approval and controlled in the same manner as petty cash funds; however, change funds are strictly revolving funds and require no replenishment. Change funds are established for the purpose of making change where cash is collected.
2. Petty cash or cash receipts shall not be commingled with change funds.

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3. Change funds that are no longer needed to conduct the business for which they were established shall be deposited at the depository bank within 48 hours from the time it is determined that the funds are no longer required.
4. Funds established for postage shall be used for legal City correspondence and not for personal use.
5. No checks shall be cashed from a change fund.
6. No checks shall be accepted for more than the amount due and change given from the change fund.

G. Returned Checks

1. Occasionally a deposited check may not clear the bank for one of several reasons: non-sufficient funds, account closed, stop payment, funds held, stolen checks, forgery, endorsement, or signature. Should a check be returned, the Finance Department, Accounts Receivable Section will notify the receipting department of the returned check.
2. The Finance Department will attempt to collect the funds for the returned check along with the City's returned check processing fee by mailing a demand letter to the writer of the returned check. Only cash, certified checks or money orders will accepted for payment of returned checks.
3. If collection efforts are unsuccessful after 10 days from the date of the demand letter the Finance Department, Collections Division will refer the returned check to an outside collection agency.

H. Refunds

1. Cash or credit card refunds are permitted only upon presentation of the receipt or other proof of purchase issued at the point of sale.
2. Departments authorized by the Finance Department to issue cash refunds will maintain a cash refund fund on an imprest basis.
3. Refunds shall be completed by charging the revenue General Ledger account that was originally credited.

I. Cash Storage and Safekeeping

1. Access to the cash drawer is limited to one person. The cash drawer shall be counted and balanced before another person takes possession of the cash drawer. Both parties involved in the cash drawer transfer shall be present when cash is counted, and a receipt shall be signed by the person accepting custody.

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2. All areas around the cash handling sites shall be visible and without obstruction.
3. Access to departmental safes or other devices used to store cash on a temporary basis until deposited at the depository bank shall be restricted to a small number of employees. A safe's combination must be changed within two (2) business days after the departure of a person who has had access to the safe.
4. All funds shall be kept out of public view and shall be available for inspection by authorized representative(s) of the department, the Finance Department, the Office of Management & Budgets, the City Auditor, or other authorized personnel as approved by the Finance Director. For money stored in a locked metal box or in a locked desk, the key shall be secured in another location of the office. Only certain assigned personnel shall have access to the key.

J. Foreign and Mutilated Coin

1. Foreign coin and currency shall not be accepted. Only coins and currency issued by the United States Federal Reserve Board are legal tender. Travelers checks must state "U.S. Dollars".
2. No bent or mutilated coins shall be accepted.

K. Other Guidelines

1. The Finance Department is responsible for creating and closing bank accounts.
2. Lost and found cash or its equivalent greater than \$50 shall be deposited in compliance with Connecticut escheat laws after all reasonable attempts have been made to identify and return the lost and found money or its equivalent to the rightful owner. Amounts \$50 or less shall be deposited to the appropriate fund based on the General Ledger coding identified by the Finance Department. If funds are properly claimed subsequently, these funds will be relinquished to the rightful owner through the standard accounts payable process.
3. Departmental controls shall include a practical means for employees to report instances of fraud.
4. Cash handlers shall be watchful for counterfeit bills, checks, etc. Cash handling training shall be provided on this area of responsibility.
5. Senior staff shall monitor and reassess, on a periodic basis, any risk areas and adopt appropriate strategies to manage these functions and thereby minimize opportunities for loss. The preceding includes City departments conferring with the Finance Department on an as needed basis.

DEPARTMENT OF FINANCE

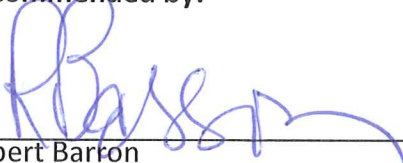
CASH HANDLING POLICY

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This directive supersedes all previous correspondence on this subject. Information and/or clarification may be obtained by contacting the Finance Department at 203 854-7870.

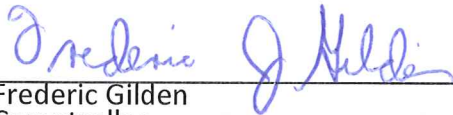
Recommended by:



Robert Barron
Director, Management & Budgets

10/2/2014
Date

Approved by:



Frederic Gildea
Comptroller

10-2-2014
Date

Approved by:



Thomas Hamilton
Finance Director

10/2/2014
Date

Attachment A



CITY OF NORWALK EMPLOYEE ACKNOWLEDGMENT FORM FOR CASH HANDLING POLICY

Employee:

I acknowledge that on _____, 20____, I received a copy of
the City of Norwalk, Connecticut's Cash Handling Policy.

Employee Name (Print)

Department

Employee Signature

ID#