

**LOYOLA MARYMOUNT UNIVERSITY
POLICIES AND PROCEDURES**

DEPARTMENT: CONTROLLER'S OFFICE	
SUBJECT: UNIVERSITY CASH HANDLING POLICY	
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Approvals: Business & Finance Policy Steering Committee	Date for next Review: January 1, 2015

1 Statement of Policy

This policy outlines the definitions, authority, responsibilities, procedures, and guidelines for cash/check ("cash") handling at Loyola Marymount University ("University"). This is a University policy. Divisional and/or departmental policies may incorporate more rigorous guidelines.

The University departments should be committed to strong internal controls of cash receipts to prevent the mishandling of cash and to safeguard against loss of University assets. Internal controls related to cash receipts are the business practices established to ensure all cash received is deposited in the bank and accurately recorded in the general ledger system. Establishing and following written procedures that include separation of duties and month-end reconciliations are key business processes used to ensure the safeguarding of cash receipts. Strong internal controls also protect employees from being falsely accused of mishandling cash (theft, embezzlement) by defining crosschecking roles for cash handling responsibilities.

Senior Vice Presidents, Provost, Vice Provost, Deans, Vice Presidents, Directors and Department Heads are responsible for implementing and maintaining internal controls in their respective areas to comply with the University Cash Handling Policy by establishing written departmental procedures. Departmental cash handling procedures and practices may be subject for review by Internal Audit and/or the Controller's Office to ensure compliance. Areas not complying may lose the privilege of collecting cash.

The Business and Finance office establishes all banking arrangements, including the acceptance of credit cards and electronic payments. Bank accounts may not be established at the department level in the University's name (i.e. Loyola Marymount, LMU, etc.) or any derivative thereof. To be authorized to accept Credit Card payments, you must first obtain permission from the Business & Finance office. Contact the Treasurer at the Business and Finance office if your department is interested in processing credit cards. Please also refer to the Credit Card Processing policy.

Gifts and other donations should be handled through the University Relations Office.

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2 Definitions

Balancing	To reconcile cash/check on hand with transactions recorded on receipts.
Collecting	Collection of cash.
Cashier	Individual who processes cash transactions.
Cash collection point	Physical location where cash is collected.
Cash collection point supervisor	The person who is responsible for overseeing employees who process cash transactions. Generally, this will be the operational department manager.
Change Fund	A specific amount of money placed in the custody of an individual for the purpose of making change while conducting University business. The amount on hand should remain the same at all times; therefore these Change Funds do not require replenishment.
Check Scanner	Equipment that is used to remote deposit checks online to the bank through check scanning.
Depositing	To deposit cash/checks to the Cashiers at the Office of the University Bursar.
Manual transactions	All other sales transactions not processed through a POS terminal.
POS terminal	University approved "point of sale" ("POS") register that processes sales transactions of any tender (i.e. cash, check and/or credit cards). The Business and Finance office manages the distribution of these terminals and approves the type of payment that may be received through these terminals.
POS terminal transactions	Sales transactions processed through a POS terminal.
Receipt	A written acknowledgment that a specified article or sum of money has been received
Reconciliation	Process of verifying the amount of cash in a cash fund as of the close of business agrees to the general ledger. Differences are identified and supported with receipts or other proper documentation.

3 Department Manager Responsibilities

Department managers are responsible for establishing an effective internal control system. This includes:

1. Delegating responsibility for cash handling duties
2. Maintaining proper segregation of duties
3. Requiring that staff handling cash be properly trained
4. Requiring that staff follow all cash handling and depositing procedures
5. Reviewing receipts and reconciliations on a regular basis, then signing and dating the documentation reviewed

Any exception from University policy and the reason for the exception should be documented on and approved by the VP/Dean for the department. Any permanent exception to the University policy needs to be approved by the Controller's office.

4 Cash Collection

This section only refers to the process with regards to collection of cash or checks. For receipt of funds through credit cards, please refer to the Credit Card Policy (as above).

4.1 *Establishing a Departmental Cashiering Function*

Prior to a department, individual, or other unit establishing a cashiering function to process cash transactions other than through the Office of the University Bursar, the authorization to do so must be obtained from the Business & Finance office in writing. Depending on frequency and volume of transactions, the department may be issued a POS terminal to process cash receipts. Cash transactions may be processed in one of two ways: through a POS terminal or manually. The following are general criteria on what qualifies a department to process cash transactions through a POS terminal or manually.

POS terminal qualifications- Areas accepting cash on a **regular basis** (weekly transactions of 30 or more and total collections of \$1,000 or more) should process cash transactions through a POS terminal. In order to obtain a POS terminal, contact the Treasurer at the Business and Finance Office for an application. For those departments collecting cash on a **regular basis**, cash and/or check deposits must be made daily (within 24 hours of receipt or next business day). Deposits should not be sent via campus mail. Check deposits must be made to the cashier either in person or via the drop box if after hours. Cash deposits must be made in person.

Manual processing - Those areas with **infrequent collections** of cash (i.e. occasional refunds, reimbursements, rebates, etc.) do not need a POS terminal and will need to process cash transactions manually. For departments receiving **infrequent collections** of cash, cash and/or

check deposits must be made must be deposited within 24 hours from receipt or next business day.

4.2 POS Terminal Transactions Guidelines & Procedures

The following procedures are in reference to transactions processed through a POS terminal.

4.2.1 Segregation of Duties

Segregation of duties is an important control in the cash collection process. A different person should be assigned responsibility and accountability for each step: 1) collecting, receipting & balancing cash on hand to total receipts issued, 2) depositing and 3) reconciliation.

4.2.2 Collecting Cash/Check and Receipt

The cash received must be entered on POS terminal and a copy of the receipt given to the customer.

All refunds and/or voided transactions are to be approved and initialed by the cash collection point supervisor.

Checks received should be immediately restrictively endorsed, "For Deposit Only to Loyola Marymount University". If a stamp with this message is not available, this can be written on the back of the check.

Occasionally, departments receive checks lacking sufficient documentation for determining if these checks belong to the department. If these checks cannot be "identified" within 24 hours, the check (including the envelope, if applicable) must be taken to the Controller's Office for deposit in the University's unidentified account. The Controller's Office will assume responsibility for identifying and posting these payments.

For any bounced checks received, the associated bank fees will be charged to the related to department in which the revenue was originally recorded.

4.2.3 Securing Assets

Cash and checks should be secured in a fireproof locked cabinet or safe, to which access is limited to full-time staff members only and should be limited further to the person collecting the cash and that person's supervisor. The combination or key should be changed when someone

leaves, or when offices rotate, and any keys should be kept in a secure, confidential place. If there is more than one person receiving cash at the same time, each person must have his/her own cash box and cash receipts log.

In the case of a loss of cash or if a supervisor suspects irregularities in the handling of cash, the individual should follow policy with respect to reporting suspected misconduct/fraud. This policy can be found on the myLMU website in the President's division.

4.2.4 Depositing Cash for POS Terminal Transactions

The deposit should be prepared by someone who did not collect the cash. All cash payments are to be deposited in total, inclusive of any over/short, and may not be used for direct payment of miscellaneous small purchases within the department collecting the cash. This would misrepresent the amount of sales and expenditures incurred by the department. If such a need exists for frequent, small (less than \$25.00) purchases, the department may request, from Controller's Office, the establishment of a petty cash fund. Please refer to Section 5 of this policy for the Petty Cash policy.

To deposit cash:

1. Hand-deliver the deposit to the Cashier's office using a locked bag. Cash should not be delivered through campus mail.
2. Deposit collections within in 24 hours of receipt or next business day.
3. Deposit transmittal to the Cashier should include the following documents:
 - o Daily cash report from the POS terminal signed and dated.
4. The Cashier will verify receipt of cash and stamp the date received on the duplicate copy of the deposit transmittal. Do not leave cash and/or check deposits with the Cashier without having it verified.

4.2.5 Reconciliation/Monitoring

All cash receipts should be balanced on a daily basis.

1. The starting balance of the cash on-hand should be verified on a daily basis by the supervisor.
2. At the end of the day, daily cash reports shall be prepared by each cashier, reconciling cash to receipts and accounting for overages and shortages. The cash reports should be signed by each cashier and the supervisor.

On a monthly basis, the department manger should perform a reconciliation of cash receipts entered into the general ledger to verify accuracy.

4.3 Manual Cash Transactions Guidelines & Procedures

The following procedures are in reference to cash transactions NOT processed through a POS terminal.

4.3.1 Segregation of Duties

Segregation of duties is an important control in the cash collection process. A different person should be assigned responsibility and accountability for each step: 1) collecting, receipting & balancing, 2) depositing and 3) reconciliation.

4.3.2 Collecting Cash/Check and Receipt

Pre-numbered receipts must be utilized and a copy of the receipt given to the customer. It is preferable to issue receipts using a pre-numbered receipt book with duplicate receipts, and record the receipt in a receipt log. Receipt books may be purchased through the University's approved vendor: Office Max. Information on the pre-numbered receipt should ideally include: 1) the payer's name; 2) purpose or description of the cash payment; 3) quantity, and unit price, if applicable; 4) type of cash received (check, currency, etc.); 5) total amount of cash received; 6) date and 7) the signature of the person collecting or receiving the cash.

Should pre-numbered receipting be not feasible for certain events, please defer to your department's internal policy to ensure proper cash collection.

All refunds and/or voided transactions are to be approved and initialed by the cash collection point supervisor.

See discussion of handling of "unidentified" and returned checks at 4.2.2 above.

4.3.3 Securing Assets

See discussion at 4.2.3 above.

4.3.4 Depositing Cash for Manual Cash Transactions

The deposit should be prepared by someone who did not collect the cash. All cash payments are to be deposited in total, inclusive of any over/short, and may not be used for direct payment of miscellaneous small purchases. To do so would misrepresent the amount of sales and expenditures incurred by the department. If such a need exists for frequent, small (less than \$25.00) purchases, the department may request, from Controller's Office, the establishment of a petty cash fund.

To deposit cash:

1. Hand-deliver the deposit to the Cashier's office using a locked bag. Cash should not be delivered through campus mail.
2. Deposit collections within in 24 hours of receipt or next business day.
3. Deposit transmittal to the Cashier should include the following documents:
 - Cashier Deposit Form (may be obtained online via myLMU under Controller's Office Business & Finance Forms)
 - Cash and check deposits cannot be included on the same deposit form. Each form of tender must have its own deposit form.
4. The Cashier will verify receipt of cash and stamp the date received on the duplicate copy of the deposit transmittal. Do not leave cash and/or check deposits with the Cashier without having it verified.

4.3.5 Reconciliation

All cash receipts should be balanced on a daily basis. To maintain proper segregation of duties, the reconciler should not receive or deposit cash.

1. The starting balance of the cash should be verified on a daily basis by the supervisor referencing the prior day's cash report.
2. Daily cash reports shall be prepared by each cashier, reconciling cash to receipts and accounting for overages and shortages.
3. Compare the sum of pre-numbered receipts issued to the receipts log and to the actual amount of cash in the box.
4. Investigate and resolve discrepancies, then sign and date the balancing record to document the process.

On a monthly basis, the department manger should perform a reconciliation of cash receipts entered into the general ledger to verify accuracy.

5. Petty Cash

Loyola Marymount University permits departments to maintain a petty cash fund, as described by this policy. As a general rule, the total fund is \$200 or less. In all cases, the Controller's Office will review each request for appropriateness based on documentation provided at the time of the request.

Departments are responsible for adequate security and control of their petty cash fund. The fund should be secured at all times in a locked fireproof cabinet or safe and only accessible to full-time staff. Theft and any other losses of petty cash are the responsibility of the department/college.

All petty cash funds of the university will operate as imprest cash. An imprest fund is a fund that is always equal to the sum of the cash on hand plus any un-reimbursed expenditures. Each fund should be balanced frequently, at least at the times of fund reimbursement, and preferably weekly

Personal expenditures or borrowings, in any amount, by the custodian or staff are not authorized uses of a petty cash fund. Non-university related cash, if any, must be kept separately from petty cash fund.

5.1 Purpose and Use

Petty cash can be used to reimburse individuals for non-travel, out-of-pocket expenditures. Petty cash can sometimes be used in place of the university purchasing process where appropriate, for example, as reimbursement for small, incidental department expenses when it is impractical to use normal purchasing means. Petty cash should be used in this manner only when absolutely necessary. A petty cash fund can also be used as a "change fund" in the department for handling ticket sales, etc., where expenses are not incurred.

5.2 Prohibitions

Petty cash should *not* be used for the following (not all-inclusive):

1. Travel expense reimbursements; continue to use the travel expense report;
2. Travel advances (all travel activities need to be reported through the travel reimbursement process: see the university's Travel Policy);
3. Payment for items that can be purchased through the purchasing process according to the university's Purchasing Policy;
4. Payments to vendors;
5. Payments to independent contractors, consultants, awards, etc., to non-university employees;
6. Payments to employees or students for services, awards, bonuses, etc.;
7. Payments of a taxable or non-taxable benefit to an individual;
8. Payments to university service centers (e.g., Bookstore, etc.); use the proper requisition form;
9. Validation for parking on LMU campus – refer to the parking validation policy under Parking and Transportation. Personal borrowing (IOUs);
10. Petty cash distributions to custodian without supervisor review and approval.
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5.3 Petty Cash Custodian

The petty cash fund should be secured at all times. The department is responsible for appointing a custodian who is a member of the faculty or staff to monitor the use of the fund and replenishment. Appointment and approval should be made by the department's budget manager or higher level manager; a custodian cannot appoint or approve himself/herself. In addition, access to the fund should be limited to the custodian and their immediate supervisor.

5.4 Responsibilities

It will be the responsibility of the custodian to ensure that this fund is used to cover only those expense reimbursements for which it is not possible, or is impractical, to use normal purchasing methods such as the [P-Card](#) or purchase order. In addition, the custodian will ensure that fund use is consistent with the manner described in the documentation that initially established the fund.

The custodian is responsible to submit a written reconciliation of the fund annually, which they will provide to the Controller's Office. The custodian also handles fund replenishment (see the section on [Reimbursement Process](#)).

The custodian is responsible for reporting all instances of loss of cash, including filing a report with the Department of Public Safety, as soon as the loss is discovered.

5.5 Safekeeping

1. It will be the custodian's responsibility to provide adequate precautions for the safekeeping of the money in their custody;
2. Efforts should be made to provide safekeeping in a locked fireproof file cabinet or a small safe to which there is limited and controlled access to only full-time employees; only the custodian and his/her supervisor should have access to the cash box.
3. Cash should not be left unattended and unsecured at any time;
4. Desk drawers are not considered appropriate petty cash storage, whether locked or not;
5. Any money missing from the petty cash fund will be charged to the responsible department, and the custodian could be subject to disciplinary action.

5.6 Documentation

Properly document each transaction in the following manner:

1. Submit a requisition identifying account numbers and amounts to be charged;
2. Tape original receipts onto an 8-1/2 x 11 sheet, referencing each receipt's corresponding transaction;
3. With the receipts, include who made the purchase, purpose, transaction detail, and date of expense; identify each cost back to the requisition.

5.7 Reimbursement Process

When the fund is reduced to a balance that can't support approximately 5-7 business days of activity, the custodian should perform a reconciliation and send it, along with a request to replenish the fund, to Accounts Payable in the Controller's Office. Include account numbers to which expenditures should be charged. Before being submitted, this reimbursement request must be approved by the immediate supervisor of the fund custodian. The Controller's Office will audit the request to ensure that proper documentation (as described in the [Documentation](#) section, above) has been provided. The reimbursement would be available for pickup at the Controller's Office cashier within 2-3 business days.

5.8 Increasing/Decreasing the Petty Cash Fund Amount

Should a situation arise where it is determined that the size of the petty cash fund should be increased or decreased, a memo should be forwarded to the Accounting Manager in the Controller's Office, requesting this change. This should be done prior to requesting a replenishment of cash. An increase to a petty cash fund is subject to the approval of the Controller's Office, as well as the department budget manager, similar to when the fund is initially established.

5.9 Closing a Petty Cash Fund

The custodian of a Petty Cash Fund must close the fund immediately if the purpose for which the fund was established ends or significantly changes. Upon completion of the custodian's employment by the university, the fund must either be closed or a new custodian appointed (refer to [Changing Custodians](#) below). There will be periodic reviews of account activity and all inactive accounts will be investigated and closed.

To close an existing petty cash fund, deposit any remaining cash in the fund via a "Cashier Deposit Form," and send a memo along with validated "Cashier Deposit Form" and any un-reimbursed receipts to the Accounting Manager in the Controller's Office.

Petty cash fund need not be closed and reopened each fiscal year. They remain active for the life of a department's account or until they are requested to be closed.

5.10 Reconciliation

The custodian must reconcile the petty cash fund on a regular basis, weekly if the fund is very active. Reconciliation ensures that the sum of the un-reimbursed receipts and cash is equal to the original amount of the fund.

The Controller's Office, General Accounting Department requests an annual certification of Petty Cash account balances. Internal Audit periodically performs spot check counts. An appropriate departmental representative other than the custodian should also perform spot checks of fund balances custodian in the presence of the custodian.

5.11 *Changing Custodians*

When the petty cash custodian changes:

1. The Accounting Manager in the Controller's Office should be notified immediately, in writing, so that an audit may be performed and records properly adjusted;
2. The Budget Manager should perform a reconciliation prior to a new custodian being appointed;

Custodial changes that are not communicated to the Controller's Office will not relieve the original custodian of their responsibility.

6 Change Fund

Change Funds are used to accommodate departmental sales for events. Departments wishing for a temporary Change Fund should complete a requisition form. Change funds need to be approved by the Controller's Office prior to being processed by the Cashier. Once the event is over the change fund must be deposited back with Cashiers within 24 hours or next business day. Requests for change funds should be provided 7 days (or 5 business days) in advance.

7 Check Scanner

For departments that use a check scanner to deposit checks, the original checks should be maintained for 14 days. Original checks should be stored in a secured location with limited access. After 14 days, the original checks should be destroyed using a cross-cut shredder. Please note, the department is responsible for providing, upon request, a copy of the original item that was scanned to support any investigation the bank may need to conduct regarding the item.

As of May 2013, only Cashiers and University Relations have access to the check scanners. If your department deals with high volume of checks and is interested in obtaining a check scanner, please contact the Treasurer.

As all checks made to the University uses a check scanner either through Cashiers or University Relations, there is no need to physically endorse the checks. Bank of America will place the appropriate virtual endorsement on the checks.