



# State of Arizona Accounting Manual

Topic 20 Current Assets

Issued 11/22/21

Section 10 Cash and Cash Receipts

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## INTRODUCTION

There is a relatively high risk associated with handling cash or, for these purposes, its equivalents (checks, money orders, warrants, electronic funds transfers, payment cards, etc.); thus a strong system of internal controls, as proposed below, is required.

Note that there are other sections of SAAM that may also deal more specifically with cash receipts and expenditures of various sorts and the types of controls that must be in effect for them. In the event of a contradiction, the more specific and later dated policies take precedence over the more general and earlier.

## POLICIES

1. Appropriate segregation of duties must be the first priority of an agency when handling cash receipts and disbursements and related record keeping functions.
2. Cash received must be recorded on the day received. Appropriate posting of the accounting records must occur as soon as practicable after receipt, but not later than the end of the business day following the day deposited with the State Treasurer.
3. The receipt of cash should be appropriately controlled. (The use of pre-numbered receipts or cash register tapes by an individual designated to receive cash are two examples of how cash may be controlled; other reports exist for credit card receipts, electronic funds transfers, etc.)
4. All checks, money orders and drafts received by and payable to an agency must be restrictively endorsed "For Deposit Only, (Name of Agency)" on the day received.
  - 4.1. If an agency receives a check, money order or draft payable to another agency, it should not be endorsed; rather, it should be forwarded to the agency for which it was intended and a memo entry made on the receiving agency's cash receipt log or similar record.
5. Access to cash must be limited to as few employees as operationally practicable.
6. Access to combinations to safes and keys to equipment in which cash may be secured must be limited to as few employees as operationally practicable.
7. Cash received must be deposited intact with the State Treasurer as soon as it is practical to do so. In most cases this means on the day received. When deposit on

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the day of collection is impractical or impracticable, receipts must be deposited the soonest of:

- 7.1. The end of the business day after they total one thousand dollars (\$1,000) or more;
- 7.2. If accumulated receipts total:
  - 7.2.1. Fifty dollars (\$50) or more, within five (5) business days of reaching this total.
  - 7.2.2. Less than fifty dollars (\$50),
  - 7.2.3. Except for monies received in the last month of the fiscal year, by the last business day of the month following the month of receipt.
  - 7.2.4. Monies received in the last month of the fiscal year must be deposited by the last business day of the fiscal year.
8. If cash is not deposited on the day it is received, it must be secured in locked, stationary storage equipment such as a safe, file cabinet, desk, etc.
9. Receipts must be credited to the appropriate fund using the applicable revenue source as soon after receipt as practicable, but in any event not more than five (5) business days after receipt.
10. Mail receipts should be received by employees who are not responsible for maintaining accounting records. Two State employees should be present when mail is opened. If an agency does not have sufficient staff to accomplish this, it should consider:
  - 10.1. Entering into a labor sharing arrangement with another agency, whereby an employee from the first agency works with an employee from a second agency to:
    - 10.1.1. First, jointly open and log the first agency's receipts.
    - 10.1.2. Second, jointly open and log the second agency's receipts.
  - 10.2. Entering into a contract with the CSB to provide appropriate support.
11. The daily mail log, which should be signed by both employees present when the mail is opened, should contain the following information for each receipt:
  - 11.1. The name of the remitter.
  - 11.2. The purpose of the remittance.
  - 11.3. The amount of the remittance.
  - 11.4. The form of the remittance (cash, check, etc.)

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12. Receipt logs, pre-numbered receipts and register tapes must be reconciled with the deposits with the State Treasurer.
13. All bank accounts must be approved by the State Treasurer and the GAO.
14. All bank accounts must be reconciled monthly.
15. All persons who handle cash must be bonded. As of the date of this writing, bonding is automatically provided by Risk Management for State officers and employees.
16. Personal checks must not be cashed or used as an IOU to replace cash.
17. No disbursements should be made from cash receipts or register cash.
18. Written procedures on all cashiering and cash controls must be maintained by each agency.
19. Any favorable or unfavorable deposit discrepancies should be promptly and properly resolved.
20. Any NSF checks as well as any debit or credit memos should be resolved by individuals independent from the cash receipts or disbursement functions. Other sections of SAAM expand upon the handling of NSF checks and bad debts.
21. When a cash register is used to record the receipt of cash, the following controls should be in place:
  - 21.1. Transactions and totals must be locked in.
  - 21.2. Over and short vouchers must be signed by a supervisor. Significant or repetitive overages or shortages may be the sign of poor internal controls over cash receipts, a situation that requires the intervention of and correction by management.
    - 21.2.1. If a shortage or overage occurs in the daily cash receipts, fully explain the variance in the daily cash receipts summary.
    - 21.2.2. All unidentifiable or unattributable overages in the daily cash receipts are to be immediately deposited to the General Fund using Revenue Source 4699.
    - 21.2.3. Any shortage in the daily cash receipts must be recorded as a reduction of revenue. Revenue cannot be recorded in excess of total cash receipts (coin, currency checks, etc.).
    - 21.2.4. If the daily cash receipts are over or short by \$100 or more, or by a significant percentage of the daily cash receipts, contact your GAO liaison to coordinate a resolution.

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- 21.2.5. If excessive and/or repetitive shortages or overages persist in the daily cash receipts, the agency must take the appropriate action; appropriate action may include a personnel action, such as relieving the employee of his duties.
- 21.3. Voided copies of receipts must be retained for audit purposes.
- 21.4. Cash register procedures must reflect proper daily check outs.
- 21.5. Cashiers must be provided separate cash drawers to support accountability.
- 21.6. A cashier's cash drawer must be locked during his absence.
22. A person whose responsibility includes the receipt of cash must not have the authority to sign checks or otherwise authorize the disbursement of monies, make bank deposits, reconcile bank accounts or access accounting records (including records relating to the issuance or renewal of licenses) other than cash receipts.
23. All cash balances (cash on hand and cash on deposit) must be appropriately recorded on AFIS.