

Issued: Jun-11-2010

Responsible Official: Assistant Vice President, Finance

Responsible Office: University & Student Business Services

BFGuide

Purpose

This guideline establishes processes for reconciling cash received with cash deposited to ensure all funds are properly deposited and recorded.

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Definitions

Reconciliation

This is a determination of the items necessary to bring the balances of two or more related accounts or statements into agreement.

Separation of Duties

Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions.

Procedures

Reconciliation Requirements The reconciliation of cash receipts will monitor performance and ensure directives are carried out. Management is responsible for an effective system that documents the reconciliation process. The cash handling site must consider proper separation of duties when designing its reconciliation process. The volume of receipts and complexity of operations will demand more documentation and greater oversight by management. Generally the reconciliation process is done in two steps – daily and monthly. A dated and signed record of the reconciliations should be prepared and retained. The signatures and dates should include all levels of management responsible for monitoring cash receipts. The USBS Office will assist with the design of forms that can be used for reconciling cash operations.

Daily Reconciliation

Cash and cash items collected should be counted daily using a daily cash count sheet as discussed in Balancing Receipts. Daily reconciliation is accomplished by comparison of the following:

1. The cash receipt records (cash register balancing records, pre-numbered receipts, university cash receipting system, etc.);
2. The completed Deposit Transmittal Form;
3. The deposit receipt(s) from the USBS Office;

All differences should be documented and reconciled immediately.

As a precaution, reconciliations along with receipt books, meter readings and tapes should be safeguarded separately from the actual cash.

The daily reconciliation should include a control tape of all cash receipt forms less all voided transactions. Voided transactions must be easily identified and approved by management. For departments using cash registers, credit card terminals, or other means to record money received, the register or machine tape must be compared to the total receipts.

Monthly Reconciliation

The cash deposits listed in monthly general ledger reports should be reconciled to the department's daily records of cash receipts. Any differences should be investigated and explained.

Each month, after close of books, each area shall prepare a reconciliation of service/material provided against money collected. The reconciliation should be forwarded to management as designated in the authorization of a cash handling site for proper oversight.

Reconciliation of Inventory

Those areas involved in sales activities should conduct a periodic physical inventory of merchandise to ensure that all sales generated from the sales of inventory were deposited. This is a necessary step in a good control environment to ensure no inventory shortages have occurred. This includes ticket sales. If sales inventory cannot be reconciled, identify the reason. Overage and shortages may exist due to theft or errors. If an overage or shortage is discovered, the amount must be reported to an appropriate level of management. Suspected theft, negligence, misappropriations, or carelessness must be reported to Internal Audit.

Reconciliation of Conferences or Workshops

Those areas involved in conferences, workshops, etc. should design a reconciliation process that will use a list of attendees to verify the receipt and deposit of money. Different instruments may be used for control such as attendance logs or official pre-numbered documents for awarding of grades or development credits. The reconciliation should be performed by someone independent of the receipting process.

Monitoring the Cash Receipts Process

1. Management should do a periodic review of the internal controls in place to determine that the controls are:
 - sufficient to safeguard cash collected;
 - understood by staff;
 - performed completely by staff.
2. A member of management should be designated to take responsibility for reviewing and approving the reconciliations in a timely manner, ensuring that reconciliations are complete, accurate and up-to-date.
3. The designated member of management should also review the nature, extent, and resolution of overages and shortages.
4. Management should periodically do an unannounced verification of prepared deposits, comparing the deposits

with cash receipt records, as well as perform monthly unannounced cash counts.

5. Management should ensure that sales tax is collected and accounted for as required by Accounting.
6. Cash custodians should be required to take periodic leave (vacations) allowing for the substitution of other staff to perform the required cash handling.

Contacts

USBS Office <https://www.memphis.edu/usbs/staff.php>

Internal Audit <https://www.memphis.edu/audit/>

Revision Dates

May 2021