

Cash Handling Basics

Financial Foundations Training Program



Welcome to Cash Handling Basics, part of the Financial Foundations training program.

Learning Objectives

- Define "cash" at UK
- Explore cash acceptance regulations, policies and procedures
- Explain cash handling roles and responsibilities
- Departmental cash handling procedures



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The purpose of this training is to provide a broad, high-level overview of the importance of following proper cash handling procedures in your department. Future training modules will cover more in-depth cash handling procedures. In this module we will define what is meant by "cash" at UK. Explore the regulations, policies, and procedures related to the acceptance of payment for goods or services at UK, including HealthCare facilities. Explain the roles and responsibilities of departments and employees involved in handling cash. And review the importance of your department having written cash handling procedures in place.



BPM E-2-1: Treasury Operations Manual

What is Cash?

U.S. coin and currency



Cash equivalents

- Checks An icon of a checkbook.
- Credit cards An icon of a credit card.
- Electronic funds transfers An icon of a laptop with a globe.
- Foreign funds An icon of a globe.

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We're going to start by defining what is meant by the word "cash" and the various ways we receive cash at UK. According to Business Procedures Manual, or BPM, E-2-1: Treasury Operations Manual, cash includes U.S. coin and currency and cash equivalents, such as checks, credit card sales, electronic funds transfers, for example automated clearing house, or ACH, transactions and wire transfers, and foreign funds, which could be currency, checks, or electronic transfers.

Sources of Revenue

- Sale of goods or services
- Tuition and fees
- Gifts
- Patient services
- Commonwealth of Kentucky
- Grants and contracts
- Investment income



Modes of receipt:

- Over the counter
- Mail
- Electronic funds transfer



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The university has multiple sources of revenue which all involve receiving cash or cash equivalents, such as the sale of goods or services, tuition and fees, gifts from donors, patient services, the Commonwealth of Kentucky as a public postsecondary education institution, UK receives state appropriations, then we have grants and contracts, and investment income.

These sources of revenue can be received in several ways in person, also called over the counter, through the mail, or through electronic funds transfer. As you might imagine, there are quite a few regulations, policies and procedures related to the acceptance of cash. As was mentioned at the beginning of this course, the purpose of this module is to cover the basic information you need to know regarding cash handling. More detailed training will be available in future modules but it's important that you begin to familiarize yourself with the regulations, policies and procedures that pertain to cash handling at the university.



Cash Handling

BPM and KRS

Treasury Operations BPMs:

1. E-2-1: Treasury Operations Manual
2. E-2-2: Investment Earnings Policy
3. E-2-10: Collection of Amounts Owed to the University from Overpayment
4. E-2-11: Cash Payments Over \$10,000



Additional BPMs:

5. E-1-2: Requests for Exceptions to Business Procedures
6. E-1-3: Fiscal Roles and Responsibilities
7. E-1-4: Internal Control
8. E-17-6: Reconciliation and Review of Financial Transactions

Kentucky Revised Statutes (KRS):

- KRS 164A.550-164A.630: Financial Management of Institutions of Higher Education
- KRS 45: Budget and Financial Information
- KRS 45A: Kentucky Model Procurement Code
- KRS 514.070: Kentucky Criminal Code

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There are four BPMs related to Treasury Operations, which apply directly to cash handling. BPM E-2-1: Treasury Operations Manual is considered the primary cash handling BPM as it provides a centralized framework to utilize in constructing adequate cash handling policies, procedures and internal controls to meet the unique operational needs of organizational units across campus and UK HealthCare.

This BPM will be referenced multiple times throughout this module. The next three Treasury Operations BPMs are E-2-2: Investment Earnings Policy, E-2-10: Collection of Amounts Owed to the University from Overpayment, and E-2-11: Cash Payments Over \$10,000. It's important that you take time to review these policies as they cover critical information to your role in helping to safeguard university assets.

There are four additional BPMs that cover topics related to cash handling which were also referenced in other Financial Foundations training modules: Internal Controls and Fiscal Responsibility, Account Reconciliation, and Procurement Card. These are BPMs E-1-2: Requests for Exceptions to Business Procedures, E-1-3: Fiscal Roles and Responsibilities, E-1-4: Internal Control, and E-17-6: Reconciliation and Review of Financial Transactions. There are also several Kentucky Revised Statutes, or KRS, that are pertinent to financial management in higher education, including KRS 164A.550 through 164A.630: Financial Management of Institutions of Higher Education, KRS 45: Budget and Financial Information, KRS 45A: Kentucky Model Procurement Code, and KRS 514.070: Kentucky Criminal Code.

Cash Handling

KMSF

KMSF Cash Handling Operations Manual and Policy



- Maintained by KMSF Finance and Accounting
- Adopted from UKHC Policy A07-040: Collection and Processing of Patient Payments

UK HealthCare clinics and offices collecting payments and making deposits for KMSF

- Patient services
- UKHC retail sales
- Pharmacy
- Business offices



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Specific to UK HealthCare clinics and offices that collect payments and make deposits for the Kentucky Medical Services Foundation, or KMSF, the KMSF Cash Handling Operations Manual and Policy should be followed. This includes UK HealthCare areas such as Patient Services, UK HealthCare Retail Sales (for instance, the Optical Shop), Pharmacy, and Business Offices. This manual is maintained by the Finance and Accounting department of KMSF and was adopted from UK HealthCare Policy A07-040: Collection and Processing of Patient Payments.

Cash Handling

Roles and Responsibilities

University Financial Services

Cash and cash equivalent:

- Policies and procedures
- Internal controls
- Banking processes
- Credit card processes
- Grant and contract related deposits and corrections
- Financial reporting



BPM E-2-1: Treasury Operations Manual



Slide notes

Now that you are more familiar with where to find the primary cash handling policies, we are going to discuss the roles and responsibilities of departments and individuals at UK that pertain to cash handling, including a high-level overview of the main policies and procedures. As a reminder, you will receive more detailed training in future cash handling modules. As we mentioned earlier, the primary cash handling Business Procedures Manual is E-2-1: Treasury Operations Manual. It provides detailed information that any department handling cash or cash equivalents needs to know and adhere to.

Cash Handling

Roles and Responsibilities

KMSF - Finance and Cash Applications

- Maintain bank record and reconciliations
- Clinic cash operation audits
- Fee and payment entry services
- Quarterly reports



BPM E-2-1: Treasury Operations Manual



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Roles and responsibilities are in place from executive leadership to individuals within departments. Executive and administrative officers, like the president, provost, vice presidents, deans and directors, must ensure that treasury operations over which they have control are operating in accordance with university policies and procedures. Within University Financial Services, or UFS, there are several offices that provide oversight of university finances, including the Treasurer, Treasury Services, Merchant Card Services, Research Financial Services, and Accounting and Financial Reporting Services. These areas are responsible for cash and cash equivalent policies and procedures, internal controls, banking processes, credit card processes, grant and contract related deposits and corrections, and financial reporting. Of particular importance regarding banking processes, only University Financial Services has the delegated authority to establish bank accounts in the name of UK and its affiliate organizations. Any requests for establishing bank accounts or banking services should be sent to UFS.

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Cash Handling

Roles and Responsibilities

Organizational Units

- Administrative area
- College
- Department
- Division
- Center
- Office



BPM E-2-1: Treasury Operations Manual



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The last area of roles and responsibilities lies within the organizational unit, such as your administrative area, college, department, division, center or office. Let's take a closer look at department-level roles and responsibilities.

Slide 8 - Cash Handling Department Head



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Foundations

Cash Handling

Department Head

Supervisors are **responsible** for ensuring appropriate **internal controls** are **in place** and setting an **example of accountability** by routinely **monitoring** work to ensure internal control **policies** are **consistently practiced**.

Separation of Duties	Security	Training	Oversee
No single person has control over the entire cash handling process, from cash acceptance to reconciling accounts	Cash is properly safeguarded and credit card transaction information is secure	Employees are informed and properly trained on university cash handling policies and procedures	<ul style="list-style-type: none">• All cash activities• Imprest accounts• Monthly reconciliations• Credit card compliance

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Slide notes

As you will recall from the Internal Controls and Fiscal Responsibility module of the Financial Foundations training program, department heads, or supervisors, are responsible for ensuring appropriate internal controls are in place that cover all assets. They must set an example of accountability and routinely monitor work to ensure internal control policies are consistently practiced in accordance with BPM E-1-4: Internal Control. For cash handling, the basic responsibilities supervisors have, which are documented in BPM E-2-1, are to ensure separation of duties is in place, where no single person has control over the entire cash handling process from cash acceptance to reconciling accounts. Security, where cash is properly safeguarded, and credit card transaction information is secure. Training, where any employees hired into cash handling positions are informed and properly trained regarding university and unit cash handling policies and procedures. This includes training on Payment Card Industry Data Security Standards, or PCI DSS, for employees who handle credit card transactions. And finally, supervisors must oversee all cash-related activities, including receiving and depositing funds, proper reporting, imprest fund accounts, monthly reconciliations, and credit card compliance.

Slide 9 - Cash Handling Individual Employees



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Foundations

Cash Handling

Individual Employees

1. Receive and record funds
2. Perform daily cash balancing
3. Prepare deposits
4. Safeguard transactions



BPM E-2-1: Treasury
Operations Manual

5. Collect on returned checks
6. Prepare daily and monthly reconciliations
 - Receipts to sales records
 - Deposits to cost center
 - Imprest change funds
 - Credit card payments

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Slide notes

When referencing cash handling responsibilities for individual employees within the department we are referring to any employee who handles cash or cash equivalents and/or prepares reconciliations, regardless of job title or position. The responsibilities could include one or more of the following, depending on your unit needs. First, receive funds and record receipt of the funds accurately. Second, perform daily cash balancing and compare received funds to the sales record. Third, prepare deposits, ensuring funds are deposited in a timely manner. Fourth, safeguard and properly account for transactions, including transactions that occur after the daily deposit has been made. Fifth, perform collections on returned checks received by the unit. And sixth, prepare daily and monthly reconciliations. This includes reconciling daily cash receipts to sales records, deposits to the cost center, imprest change funds, and credit card payments. Remember, future cash handling courses will cover in depth processes related to many of the responsibilities just discussed for supervisors, individual employees, and departments.

Slide 10 - Cash Handling Resources UFS



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Foundations

Cash Handling Resources

UFS - Treasury Services

Responsibilities

- Cash and checks
- Electronic funds transfers (EFT)
- Imprest accounts
- Credit card acceptance
- Banking supplies
- Cash flow and investments



uky.edu/ufs/treasury-services

Resources

- Contact information
- Forms
- Quick Reference Guides
- FAQs
- Operating Fund Investment Policy
- Prohibited International Payments

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Slide notes

While supervisors are responsible for ensuring appropriate internal controls are in place, the Internal Controls and Fiscal Responsibility module taught us that internal and financial controls are everyone's responsibility and should be part of how you do your job every day. There are many resources available to help you establish solid internal controls specifically related to cash handling for your area. Earlier we referenced areas within University Financial Services that are pertinent to cash handling.

Specifically, Treasury Services is responsible for assisting with cash and check depository needs, coordinating electronic transfers of funds, establishing imprest accounts, providing solutions for accepting credit card payments, ordering banking supplies, and the overall management of daily cash flow and investments. Their website contains several resources, including contact information, forms, quick reference guides, frequently asked questions, or FAQs, the operating fund investment policy, and information on prohibited international payments. You can access this information by going to uky.edu/ufs/treasury-services. Before we examine additional cash handling resources available to you, let's take a moment to briefly discuss two important topics noted on this slide, imprest accounts and prohibited international payments, beginning with the latter.

Slide 11 - Know Your Customer



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Know Your Customer

Prohibited International Payments



OFAC

Prohibited sanction programs

- Research collaboration
- Academic exchanges
- Conferences and workshops
- Fee-based services
- Other educational activities

Seek advice from UFS Treasury Services

- Funds received from sanctioned country
- Payments to sanctioned country
- Payments to payee residing in sanctioned country

uky.edu/ufs/treasury-services

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The University of Kentucky conducts business with numerous international entities and is committed to complying with all U.S. laws, including U.S. sanctions laws and regulations administered and enforced by the U.S. Department of the Treasury Office of Foreign Assets Control, or OFAC, and the U.S. Department of State. Current law broadly prohibits U.S. businesses and their personnel from engaging in any activities involving Iran, Cuba, North Korea, and various other countries, so it's important to follow what is considered "Know Your Customer" procedures. At UK, the general prohibitions of these sanction programs apply without limitation to all aspects of university business, including research collaboration, academic exchanges conferences and workshops, fee-based services, and other educational activities.

Violations of sanctions laws and regulations can lead to severe civil and criminal penalties against faculty, researchers, and other university employees, as well as the university itself. It is crucial that you seek advice from UFS Treasury Services if funds are being received from banks or entities in any sanctioned country payments are directed to a bank in any sanctioned country or payments are directed to a bank that is not located in any of these countries, but the payee, the organization or individual resides in any of the sanctioned countries. Before conducting business with any international entity please check the U.S. Department of the Treasury OFAC list. This list can be found by visiting the US Department of the Treasury website or that link is also available through the UK Treasury Services website at uky.edu/ufs/treasury-services and then scrolling down to Prohibited International Payments.

Slide 12 - Imprest Accounts: Change Funds



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Foundations

Imprest Accounts

Change Funds

Imprest fund/account: advance from the university to an *individual custodian* to provide change or make payments of relatively *small amounts* for authorized purchases. Funds may *only* be used for the specific purpose for which the fund was established.



Slide notes

The second topic for which Treasury Services has responsibility that we want to discuss in this module is imprest funds or accounts. An imprest fund is an advance from the university to an individual custodian to provide change or make payments of relatively small amounts for authorized purchases of supplies, non-personal services, and research. Per KRS, 164A.560, funds may only be used for the specific purpose for which the fund was established. For example, custodians may not use imprest funds to pay for expenditures if the fund was established for making change.



Imprest Accounts

Change Funds

Change fund: used to make change for a customer. May not be used to cash checks, make purchases, or loans. Commingling of funds is not permitted.

To establish a fund:

- Imprest Request Form

BPM E-2-1: Treasury
Operations Manual
Section III.C.



Custodian Responsibilities

- Liable for cash losses and discrepancies
- Maintain documentation and records
- Request change order and maintain receipts
- Monthly reconciliation
- Submit quarterly and annual (end of fiscal year) reconciliations to Treasury Services

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There are five types of imprest funds as outlined in BPM E-2-1, but our focus in this module is on change funds. Normally permanent in nature, change funds, also known as petty cash funds, are used to make change for the customer. They may not be used to cash personal checks, make departmental purchases, or loan funds to anyone. Commingling of imprest funds with other university or personal funds is not permitted. To establish a change fund, complete the Imprest Cash Forms Request for Imprest Bank Account. The link for this form as well as instructions on how to complete it is available in BPM E-2-1 Section III C. The form is also available on UK's eForms site.

Change funds must have a custodian, someone who is assigned sole responsibility for the funds. They remain responsible for the funds until it is fully repaid to the university or transferred to another approved custodian. The custodian's responsibilities include being liable for cash losses and discrepancies, maintaining detailed documentation and records, such as request forms, payment request documents or PRDs, supporting documentation, and distribution of funds. The custodian is also responsible for requesting change orders and maintaining those receipts. In addition, the custodian must reconcile the fund at least monthly, and submit reconciliations to Treasury Services quarterly and annually at the end of the fiscal year. Detailed information on these responsibilities can be found in BPM E-2-1 section III. C.

Cash Handling Resources

Department Policies and Procedures

All cash handling employees must:

Read

- BPM E-2-1: Treasury Operations Manual
- Cash Handling Quick Reference Guide



What we do policies

Sign

- Cash Handling Form



Why we do it importance

How we do it procedures

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Slide notes

We have already mentioned the importance of becoming familiar with the content of several BPMs related to cash handling as they provide an outline of university policies and procedures. However, it is required that every employee, including supervisors, in units and organizations within the university that handle cash or cash equivalents, read BPM E-2-1: Treasury Operations Manual as well as the Cash Handling Quick Reference Guide. After reading these two resources, these employees must sign and retain the Cash Handling Form. Links for the Cash Handling Quick Reference Guide and the Cash Handling Form can be found in BPM E-2-1 section six: Personnel Related Issues. Links are also available in the course description of this module. Departments are encouraged to modify the Cash Handling Quick Reference Guide to include procedures unique to their unit, in accordance with university policies and procedures, and ensure all applicable employees read and have access to this departmental guide. Having written policies and procedures in place, and closely monitoring them, establishes the departmental expectations of proper internal controls. It lays the foundation of "what", "why" and "how". What we do, the policies we follow related to cash handling. Why we do it, the importance of following the policies. And how we do it, the specific procedures we follow.

Slide 14 – Cash Handling Resources: Department Policies and Procedures 2



Financial Foundations

Cash Handling Resources

Department Policies and Procedures

Every cash handling policy should include information pertaining to....

Safeguarding of assets:

- Limit physical access to cash
- Cash and transaction safekeeping
- Cash transportation

Operational efficiency:

maximize the use of cash by ensuring timely deposits



Record of accountability:

- Cash receipts
- Reconciliation

Training opportunities:

in myUK Learning or other available offerings

What we do
policies

Why we do it
importance

How we do it
procedures

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Slide notes

While each department may have unique circumstances, every cash handling department should address the following in their policies and procedures. First, safeguarding of assets. Ensure the security of cash and cash equivalents. This includes limiting the physical access to cash, safekeeping of cash and transactions, and transportation of cash. Next is operational efficiency. We need to maximize the use of cash by ensuring timely deposits. Third, is a record of accountability. The receipt of cash must be accurately recorded and reconciled. And finally, training opportunities for employees who have cash handling and/or reconciliation responsibilities. This could include the Financial Foundations training program, upcoming cash-handling courses, and other cash-related training available in myUK Learning or from University Financial Services. Remember, these written policies and procedures should cover the “what”, “why”, and “how”. Let’s look at some recent examples that happened at UK to better explain the importance of including the “what”, “why”, and “how” in your departmental procedures.

Slide 15 - Inadequate Internal Controls

Inadequate Internal Controls

Cash Handling

Separation of duties not implemented

Cash handlers were able to:

- Accept cash
- Void transactions
- Balance cash
- Prepare deposits
- Deliver deposits



Why does that matter?

It could allow them to void transactions, alter deposit amounts, and pilfer cash without detection.



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Slide notes

We have discussed separation of duties in several Financial Foundations modules. No single person should have control over an entire transactional process. From a cash handling perspective, that would be from cash acceptance to reconciling accounts. In a few situations at UK, individual cash handlers were found to be able to accept cash, void transactions, balance cash, prepare deposits and then deliver deposits to the drop-off location. While fraud was not confirmed in these instances, separation of duties was clearly not implemented. Why does that matter? No single person should be able to perform all these duties as it could allow them to void transactions, alter deposit amounts, and pilfer cash without detection.

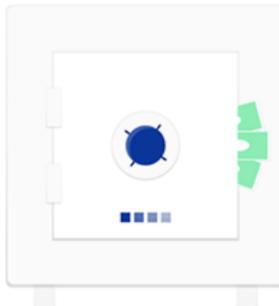


Inadequate Internal Controls

Cash Handling

Safeguarding practices not implemented

One person has both the safe combination and safe key



Petty cash locked in box

Key stored in a drawer accessible to staff

Why does that matter?

Sole access to the contents at any time, increasing the potential for fraud

Why does that matter?

Anyone has access to the cash at any time, increasing the potential for fraud

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Slide notes

In other instances, weak safeguarding practices were uncovered. A number of areas across UK have been found to allow one single person to have both the safe combination and the safe key. Why does that matter? This enables that one person to access the safe without another person present, giving them full access to the contents of the safe at any time, thus increasing the potential for fraud. In another example, units have been found to keep petty cash in a locked box, but they stored the key to that box in a nearby drawer, all the while other staff knowing where both the box and the key were kept. Why does that matter? This enables all those employees' access to the cash at any time with no controls in place, once again, increasing the potential for fraud.

Inadequate Internal Controls

Cash Handling

Monitoring and oversight not implemented

Lack of documentation:

- Who had safe code
- Who had safe key
- Combination change



Why does that matter?

Safe possibly accessible without proper authorization, increasing the potential for fraud

If you have questions.... ask!



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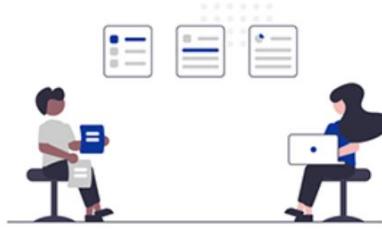
Slide notes

Our final example involves insufficient monitoring and oversight. Several units were found to have no documentation of how many people had the safe code, who had a key, or when the safe combination was last changed. Why does that matter? Without documentation and regular combination changes, the safe could be accessed without proper authorization and may even be accessible by former employees. Again, increasing the potential of fraud. In order to protect both employees and the university, it is crucial that you monitor, review and update as necessary the written policies and procedures for your department, in accordance with university policies and procedures. If you have questions, ask!

UK Internal Audit

Assists the university in complying with policies and procedures

- Offers consultative advice regarding cash handling operations
- Conducts unannounced cash handling audits
- Conducts cash related inquiries and investigations
- Gathers and analyzes Treasury data relating to cash handling activity



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UK Internal Audit assists all members of the university community in complying with policies and procedures and upholding the highest standards of business conduct. Regarding cash handling, Internal Audit offers consultative advice to units regarding cash handling operations, conducts unannounced cash handling audits of campus and UK HealthCare units based on internal risk assessments and by special requests of Treasury Services, conducts cash related inquiries and investigations based on concerns brought forward and/or concerns identified in other audits, and gathers and analyzes Treasury data relating to cash handling activity to identify trends and potential for loss.

Atmosphere of Success

Have a question? Need assistance?

Treasury Services
treasury.services@uky.edu

KMSF
accounting@kmsf.org



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Remember, each campus unit or HealthCare clinic is unique. If you have questions about something discussed in this module, or you think something discussed won't work well for your area, reach out to Treasury Services by emailing treasury.services@uky.edu, or KMSF by emailing accounting@kmsf.org for assistance. They are here to help you build an atmosphere of success! If you see something that does not seem compliant, speak up! Talk to your supervisor, Treasury Services, KMSF or UK Internal Audit.

Reporting Fraud at UK

If you suspect fraud in your area you can report it anonymously:



UK Comply Line

- Phone: 877-898-6072
- Website:
<https://www.uky.edu/legal/report-ethical-issue>

UK Internal Audit Contact form

- <https://www.uky.edu/internalaudit/form/notify-internal-audit>



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We want to make sure you know how to report it should you suspect fraud is happening in your area. First, you can call the UK Comply Line at 877-898-6072, or you can complete the online Comply Line form at [uky.edu/legal/report-ethical-issue](https://www.uky.edu/legal/report-ethical-issue). Another option is to use the UK Internal Audit Contact form. That link is [uky.edu/internalaudit/form/notify-internal-audit](https://www.uky.edu/internalaudit/form/notify-internal-audit). All three options are completely anonymous, though you can opt to give your name and contact information should you be willing to be contacted for more information.

Slide 21 - Check for Understanding



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Cash Handling Basics

Check for Understanding



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Now that we have reviewed cash handling basics, including what is meant by “cash” at UK regulations, policies and procedures, roles and responsibilities of departments and employees, and the importance of having written departmental procedures, there are ten questions for you to answer to help you solidify your knowledge on this topic. Please read each question, select your answer and click submit.

Slide 33 - Congratulations

Cash Handling Basics

Congratulations!

You have successfully completed

Cash Handling Basics

a module of the

Financial Foundations training program.

Please close this browser window to receive credit.



Slide notes

Congratulations! You have successfully completed Cash Handling Basics, a module of the Financial Foundations training program. As a reminder, you can find supplemental links and documents related to cash handling in the course description of this WBT in myUK Learning. Please close this browser window to receive credit for this course.