

State of Rhode Island
Department of Administration, Office of Accounts and Control
Internal Control Best Practices: Cash Receipts and Deposits

Objective

Departments are responsible for developing processes and procedures for the receipt, recording and deposit of cash receipts coming into their control and custody. These processes and procedures should be designed to adequately safeguard the assets of the State and to minimize idle and nonproductive balances. Strong internal control procedures also protect State employees from unfounded charges of mishandling funds by defining responsibilities related to the cash receipts handling process.

Risks

- Lost, stolen, or misappropriated cash receipts (high degree of inherent risk)
- Cash receipts recorded in incorrect account or incorrect fiscal year
- Concealed errors or irregularities going undetected
- Loss of interest income

Definition

The term “cash receipts” is all encompassing and refers to currency, coins, checks, money orders and debit/credit card transactions.

Noted in brackets below after the individual item is the Internal Control Principle that corresponds to each best practice. For more information refer to the glossary on the last page.

These best practices are intended to be read in conjunction with the RI Office of Internal Audit’s Internal Control Guide and Resources available here –

<http://www.omb.ri.gov/documents/control-guide/NEWEntireInternalControlGuide.pdf>

Best Practices Include:

Timely deposit of all cash receipts: Deposit daily when cash receipts total more than \$500, but in no case less frequently than once a week. [\[Safeguarding of Assets\]](#)

Restrictively endorse checks (“for deposit only”) immediately upon receipt. [\[Safeguarding of Assets\]](#)

Cash receipts must be properly safeguarded at all times prior to deposit through the use of adequate physical security (e.g. safes, locking cabinets, etc.). [\[Safeguarding of Assets\]](#)

Access to and location of cash receipts should be limited and restricted only to authorized employees. [\[Safeguarding of Assets\]](#)

All cash receipts are to be deposited into a bank account designated and/or approved by the General Treasurer and State Controller. [\[Authorization and approval\]](#)

Conduct appropriate background/reference checks on prospective cash receipts handlers. [\[Safeguarding of Assets\]](#)

Provide receipts to each payer, if practical. [\[Safeguarding of Assets and Independent Internal Verification\]](#)

Count cash in a non-public area not easily visible to others. [\[Safeguarding of Assets\]](#)

Review checks to be deposited and verify that:

- 1) The check has been signed and dated.
- 2) The pre-printed name (personal checks) agrees with the signature.
- 3) The numbered amount agrees with the written amount.
- 4) The check amount agrees with any accompanying documentation.
- 5) The check is not stale-dated and has not been altered.

Centralize for each department or agency within an office the receiving of cash, if practical. The preference is to minimize the number of employees who actually handle the cash before it is deposited, while maintaining appropriate separation of duties. [\[Segregation of Duties\]](#)

Separate cash handling duties among different employees:

- A. In larger agencies, different employees should be designated to (1) receive cash, (2) deposit cash, and (3) record transactions so that no single employee has control over the entire process.
- B. In smaller agencies, with a minimal number of employees, cash operations should be reviewed and approved by someone (preferably a supervisor or manager) other than the person receiving the funds. [\[Segregation of Duties\]](#)

Departments should maintain written procedures for all cash receipting and deposit operations. Procedures should address, at a minimum, staff responsibilities (including backup personnel), key activities, timelines, and the safeguarding of receipts. [\[Independent Internal Verification\]](#)

Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance. [\[Independent Internal Verification\]](#)

All cash receipts must be deposited intact in the bank, that is - no checks may be cashed or disbursements made from cash receipts. [\[Segregation of Duties\]](#)

Bank deposit tickets are encoded with a four-digit location number assigned by Treasury to each agency to easily identify the agency depositing funds. This same location number is entered in the cash receipt entry in RIFANS to facilitate matching the deposits in the bank to journals in RIFANS. [\[Independent Internal Verification\]](#)

Require regular vacations for all employees who receive or record cash receipts.

Maintain and match a copy of the deposit slip with the bank deposit receipt for all bank deposits. [\[Independent Internal Verification\]](#)

Upon suspicion of fraud or theft, immediately notify the appropriate personnel (i.e. state agency management, Office of Internal Audit, State Controller). [\[Independent Internal Verification\]](#)

RIFANS Best Practices Include:

Employees are set up in the State's accounting system which is known as RIFANS with user names and passwords appropriate for their duties, and their access is requested by their supervisor, and reviewed and approved by Office of Accounts and Control staff. Employees do not share passwords. Only authorized employees are allowed to process payments. [\[Authorization and Approval\]](#)

Only authorized agency employees request drawdowns from the federal government. [\[Authorization and Approval\]](#)

An authorized state agency employee initiates the cash receipt journal entry (CR entry) in RIFANS. If material, the RIFANS hierarchy requires it to be approved by the employee's supervisor. [\[Authorization and Approval\]](#)

The CR entry must then be approved by an authorized employee in the General Treasurer's office who verifies that it agrees to the amount deposited in the state's bank account. [\[Segregation of Duties\]](#)

Bank reconciliations are prepared monthly, and reviewed by supervisors to ensure that general ledger balances in the accounting system (RIFANS) are reconciled to account balances in the bank. [\[Independent Internal Verification\]](#)

The Controller's office and the General Treasurer's office have reviewed the need for agencies to accept cash payments, and whenever possible have restricted agencies to only accept electronic forms of payment, or checks/money orders to restrict access to cash. [\[Safeguarding of Assets\]](#)

Glossary of Internal Control Principles:

Internal control consists of all of the related methods and measures adopted within a business to enhance the accuracy and reliability of its accounting records by reducing the risk of errors (unintentional mistakes) and irregularities (intentional mistakes and misrepresentations) in the accounting process.

Authorization and Approval – Control is most effective when those responsible for a task are limited to as few employees as possible who are authorized and trained appropriately. In order to have appropriate backup in place, another person should be trained to perform those duties in the event of a planned or unplanned absence.

Segregation of Duties – The work of one employee should provide a reliable basis for evaluating the work of another employee, and the responsibility for record keeping for an asset should be separate from the physical custody of the asset.

Safeguarding of Assets – Methods and measures adopted to protect assets from employee theft, robbery, and unauthorized use. These controls include physical, mechanical and electronic controls.

Independent Internal Verification – Review, comparison, and reconciliation of data prepared by employees performed by an employee independent of the personnel responsible for the information.