

CASH: CASH CONTROLS

Contents

	<u>Page</u>
I. Introduction	2
II. General Description of Cash Operations	2
III. Bank Account Controls	3
A. Regulations Governing Bank Accounts	3
B. Establishment of Bank Accounts	3
C. Withdrawals and Authorized Signers	3
D. Depositories and Authorized Signers	4
E. Personnel	4
IV. Separation of Duty Controls	5
A. Disbursement Funds	5
B. Depository Funds	6
C. Treasurer's Daily Report	7
V. General Ledger Controls	7
A. Depository Funds	7
B. Controlled Disbursement Funds	8
C. Other Accounts	8
D. Petty Cash Funds	8
E. Change Funds	9
VI. References	9

CASH: CASH CONTROLS

I. INTRODUCTION

This chapter sets forth the regulations governing the establishment of University bank accounts, and the delegation of signature authority to other University representatives. In addition, the chapter details the internal control procedures and the requirements for the separation of duties of individuals who are authorized to handle University funds. The accounting procedures used to record cash in University funds are described in various other accounting manual chapters, which are referenced in specific sections below. *These chapters detail the procedures that must be used in accounting for the University's cash, and should be consulted in conjunction with this chapter.* In addition, Business and Finance Bulletin [BUS-49](#), Cashiering Responsibilities and Guidelines, outlines responsibilities for the operation of cashiering activities.

II. GENERAL DESCRIPTION OF CASH OPERATIONS

With the exception of petty cash and change funds, the Treasurer of The Regents centrally manages all of the University's cash. The Treasurer invests cash balances and ensures that cash is available for payroll and other disbursements when needed. All campus receipts are deposited in the Treasurer's depository accounts; most disbursements are made from controlled disbursement bank accounts, which are reimbursed by the Treasurer as checks are cleared. All Regents approved bank accounts have a corresponding general ledger account except cash maintained in petty cash and change funds, which do not require Regental approval.

Most of the University's operating cash is recorded in a Current Funds account, called Treasurer's General Cash, in the Office of the President general ledger. Generally, this account contains cash belonging to the five major fund groups: Current Funds, Plant Funds, Endowment and Similar Funds, Loan Funds, and the Retirement System Funds. Cash is not identified by fund group except at fiscal year end when balance sheets are prepared.

III. BANK ACCOUNT CONTROLS

A. REGULATIONS GOVERNING BANK ACCOUNTS

* The Bylaws of The Regents, establish the authority of the President with respect to banking matters. Under the Bylaws, the President "is authorized to designate representatives of the University who may sign checks, drafts, or other orders for the payment of money or initiate electronic transfers of funds against University checking accounts, provided that all such representatives are covered by a fidelity bond. The President is authorized to approve the use of, and to direct banks or other depositories to honor the use of facsimile signatures. The President shall be the representative of the Corporation in, and is authorized to execute agreements in connection with, all matters relating to bank accounts and bank services; banking relationships; and financial and banking type services provided by entities other than banks..."

B. ESTABLISHMENT OF BANK ACCOUNTS

* The President is the only officer of The Regents authorized to instruct financial institutions regarding authorized signers on accounts. Chancellors, Senior Vice President--Business and Finance, and the Laboratory Directors are authorized to recommend to the President those individuals authorized to sign on disbursements accounts. This authority may be redelegated only once.

All requests to open new bank accounts or for changes to existing bank accounts must therefore be submitted to the Treasurer by the authorized individual. The authorization for a new bank account becomes effective when the office requesting the account receives a copy of the Treasurer's letter to the bank, requesting that an account be opened.

C. WITHDRAWALS AND AUTHORIZED SIGNERS

The Treasurer has the authority to make withdrawals from bank accounts. This authority, upon recommendation of the President of the University, can be delegated to other University representatives.

III. BANK ACCOUNT CONTROLS (Cont.)

C. WITHDRAWALS AND AUTHORIZED SIGNERS (Cont.)

Under the Bylaws of The Regents and present delegations of authority *for bank accounts for which the primary purpose is to make paper or electronic payments*, the Chancellors, Laboratory Directors, and the Senior Vice President--Business and Finance recommend to the President those representatives who are

* authorized to sign checks. Accounting Manual chapter [C-173-15](#), Cash: Check Controls, describes the signature control procedures to be followed for checks of various denominations. Only the Treasurer has the authority to instruct banks to honor manual or facsimile signatures on checks.

D. DEPOSITORIES AND AUTHORIZED SIGNERS

For depository bank accounts, and bank accounts used to transfer funds between University bank accounts, the Senior Vice President--Business and Finance may

* recommend to the President, for his or her approval, individuals who are authorized to make such transfers. Withdrawals from campus depository bank accounts are prepared and processed in the Treasurer's Office. Two signatures or authorizations are required to countersign checks or send wires: one by an authorized representative from the Treasurer's Office and the other by an authorized representative from the Corporate Accounting Office.

E. PERSONNEL

The University carries fidelity bonds that protect it from losses associated with defalcations. These bonds provide coverage for all University employees, effective as of the employee's hire date; there is no requirement to notify the bonding company when an individual's employment begins or ends.

In addition, background checks are required for cashiers. This includes a state felony review, a misdemeanor records review in a designated county, and a national credit review, which must be performed prior to employment. Any felonies, misdemeanors, or

judgements that resulted in a fraud related to cash, stocks, bonds, or any other financial transaction should be addressed immediately. Business and Finance Bulletin [BUS-49](#), Cashiering Responsibilities and Guidelines, provides further details regarding background checks.

IV. SEPARATION OF DUTIES

Accounting Manual chapter D-224-17, Delegation of Authority-Signature Authorizations, describes the guidelines to be followed when delegating signature authority. Backup personnel also are subject to all separation of duty controls. *Any deviation from these procedures should be approved by the location's accounting officer.*

A. DISBURSEMENT FUNDS

The following minimum separation of duties applies to individuals in departments and accounting offices who are responsible for the disbursement of funds:

1. University Departments

The following departmental duties should be performed by different individuals:

(a) Authorized Signer - authorized to sign check request transactions, provided a sample of his or her signature is on file in the accounting office.

*

(b) Departmental Ledger Reviewer - reconciles the department ledger, and prepares a document reporting the transaction activity which should be reviewed by a manager.

(c) Check Receiver - sends checks to payees.

Smaller departments with limited staff should request that certain duties be performed outside the department in order to maintain the above separation of duty controls.

2. University Accounting Offices

The following accounting office duties should be performed by different individuals:

IV. SEPARATION OF DUTIES (Cont.)

A. DISBURSEMENTS FUNDS (Cont.)

2. University Accounting Offices (Cont.)

- (a) Check Request Reviewer - audits for University business purpose, applicable University policy, original backup documentation, and authorized signature.
- (b) Check Preparer (or automated) - prepares check and ledger entry.
- (c) Check Issuer (or automated) - has check signed and approves ledger entry.
- (d) Check Deliverer - **check should be mailed directly to the payee.** If a check is returned to the department, it should be sent to the check receiver (see section A.1.(c) of this section).
- (e) Reconciler - reconciles bank statement to the general ledger cash account.

B. DEPOSITORY FUNDS

The following minimum separation of duties applies to individuals in departments and accounting offices who are responsible for depository funds:

1. University Departments

The following departmental duties should be performed by separate individuals:

- (a) Mail Distributor - opens mail and endorses checks.
- (b) Cashier - collects cash, determines account coding, and deposits in bank account or delivers to another cashier.
- (c) Auditor - ensures that all checks received are deposited and account coded correctly; also receives checks returned to the accounting office.

- (d) Ledger Reviewer - reconciles departmental accounting records to accounting office records.

2. University Accounting Offices

The following accounting office duties should be prepared by separate individuals:

- (a) Records Maintainer - Receives returned items from the bank and returns to department; maintains deposit slip control.
- (b) Reconciler - reconciles bank statement to the general ledger cash account.

C. TREASURER'S DAILY REPORT

The Treasurer's Daily Report, which is the document used to record the Treasurer's cash transactions in the General Ledger, lists the daily transfer activity for the bank accounts described in this chapter, with the exception of petty cash, change funds, and trustee accounts. To ensure that duties are appropriately separated, the Treasurer's Office lists all deposits, withdrawals, and balances for each of the bank accounts then forwards the report to the Corporate Accounting Office for account coding.

V. GENERAL LEDGER CONTROLS

A. DEPOSITORY FUNDS

Depository bank accounts are established by the Treasurer for the purpose of depositing cash collected at cashiering stations. This cash is considered part of the Treasurer's General Cash. **Accounting Manual chapter C-173-14, Cash: Campus Cash Collection Deposits**, describes the specific accounting procedures for depositing cash and recording cash deposits.

Any department that handles cash must maintain the separation of duty controls outlined in section IV. of this chapter. Smaller departments with limited personnel should utilize a larger administrative unit to provide the necessary separation of duty controls.

V. GENERAL LEDGER CONTROLS (Cont.)

A. DEPOSITORY FUNDS (Cont.)

Regular monthly reconciliations of bank accounts must be performed to ensure that all remittances have been deposited into a University depository account and properly recorded in the general ledger. Any discrepancies must be disclosed to the appropriate authorities and resolved immediately.

B. CONTROLLED DISBURSEMENTS FUNDS

Generally, the University maintains two vendor bank accounts and two payroll bank accounts for each campus. The controlled disbursements method of funding these bank accounts, including the accounting procedures used to record cash, are described in **Accounting Manual chapter C-173-15.2, Cash: Controlled Disbursements Processing.**

All controlled disbursements transactions must be properly authorized. The requisite controls for such transactions are outlined in **Accounting Manual Chapter D-224-17, Delegation of Authority--Signature Authorizations**, which sets forth the guidelines to be followed in connection with delegating signature authority, in both paper and electronic processing environments, to a department or program operating as a functional unit of a campus.

C. OTHER ACCOUNTS

Special purpose bank accounts have been established in a number of situations. On some campuses, such accounts are used to extend small emergency loans to students. Special accounts also are used at distant operations to make small purchases, e.g., at research stations or at operations in foreign countries where the use of the University's normal purchasing procedures is impractical. These accounts, like most University bank accounts, come under the jurisdiction of the Treasurer and are governed by the regulations specified in sections III., IV., and V. of this chapter.

D. PETTY CASH FUNDS

Petty cash funds are established for small expenditures when the use of regular purchasing procedures is not

required. Depending on the requirements of the campus, petty cash funds can be held in the form of coins or small bills. See **Accounting Manual chapter C-173-61, Cash: Petty Cash Disbursements**, for information on the establishment of petty cash accounts, operating and internal control procedures, and the responsibilities associated with those funds.

E. CHANGE FUNDS

Change funds are used to provide a constant amount of change, both in currency and coins, at cash collection stations. Typically, departments that make cash sales have change funds. These departments withhold the amount of the change fund account from their collections before they are deposited with a bank or major cashiering station. The change fund is used for the next day's cash sales activity. No expenditures of any kind may be made from change funds. If one station has both a petty cash fund and a change fund, *the two funds should be maintained separately*. See **Accounting Manual chapter C-173-61, Cash: Petty Cash Disbursements**, for information on the establishment, operating and internal control procedures, and responsibilities for change funds.

VI. REFERENCES

Bylaws of The Regents: Bylaw 21.4, Duties of the Treasurer, establishes the duties and responsibilities of the Treasurer for University cash.

Delegation of Authority: Letter from the President of the University to Chancellors, Laboratory Directors, and Senior Vice President--Business and Finance dated, March 26, 1990.

Associate Treasurer Patricia A. Small, Memorandum to Wells Fargo Bank on University of California, Payroll Controlled Disbursement Revolving Fund Accounts, Payroll Surepay Revolving Fund Accounts, and Various Funding Accounts, dated March 16, 1992. (Includes Regents resolution of March 10, 1992 authorizing establishment of these accounts, as certified by Secretary of The Regents on March 17, 1992).

** Standing Order 100.4 PP.

Accounting Manual Chapters:

C-173-14 Cash: Campus Cash Collection Deposits

C-173-15 Cash: Check Controls

VI. REFERENCES (Cont.)

- C-173-15.2 Cash: Controlled Disbursements Processing
- C-173-61 Cash: Petty Cash Disbursements
- D-224-17 Delegation of Authority--Signature Authorizations

Business and Finance Bulletin:

- BUS-49 Cashiering Responsibilities and Guidelines

Historical note: Original Accounting Manual chapter first issued 12/1/70. Revised: 11/1/72, 12/1/76, 12/1/85, 11/15/87, 12/1/92, 12/30/95, 3/31/96, 12/30/96, 9/30/97, 6/30/98, 12/30/99, 12/31/03, and 6/30/05; analyst--Jerry Frantz.