CITY OF HOUSTON

Administrative Procedure

Subject: **Cash Handling**	A.P. No: **4-8 Revised**
	Effective Date: **November 10, 2014**

1. AUTHORITY

1.1 Article VI, Section 7a, of the City Charter of the City of Houston.

2. PURPOSE

2.1 To establish procedures to ensure that all cash collections are recorded timely and accurately into the City's financial systems and to establish strong internal controls for cash collection to prevent misuse.

3. OBJECTIVE

3.1 To establish a framework by which all departments shall develop departmental policy that governs accurate and responsible cash handling methods that is specific to each department's operational scope.

4. SCOPE

4.1 Any official or administrator with responsibilities for managing City cash handling and those employees who are entrusted with the receipt, deposit, reconciliation and recording of cash for City related activities.

5. DEFINITIONS

Cash – All mediums accepted by the City used to transfer legal tender, i.e., coin, currency, checks, money orders, debit cards and credit card transactions.

Cash Collection Point – A business entity within a department that handles cash.

Cash Handling System – A combination of coordinated manual or electronic actions carried out for the purpose of maintaining responsible custodial controls on cash handled.

Change Fund – A fixed currency amount withdrawn from an authorized account to facilitate the receipt of fees/fines or other payments.

Internal Control – Process for ensuring achievement of the City's objectives in operational effectiveness and efficiency, reliable financial reporting, compliance with laws, regulations and policies, and involves everything that controls risks to an organization.

Minor Cash Collection Point – A cash collection point where the cash volume does not exceed $500.00 per month averaged over the course of a fiscal year. This average is based on the number of occurrences over the $500.00 threshold, as opposed to overall dollar amount. For example, if a $500.00 average was exceeded six or more times in a fiscal year, a formal cash collection point would have to be established.

Payment Card Industry (PCI) – Security Standards Council responsible for setting standards for payment card data security, payment security and PIN transaction security. Information on PCI may be obtained at www.pcisecuritystandards.org.

Segregation of Duties – A formal business practice that delineates the particular roles within a process and insulates those roles from each other by having them carried out by different people. For the purposes of this policy, these roles include collecting, depositing, reconciling and recording.

6. RESPONSIBILITIES

6.1 Departments shall:

6.1.1 Develop a departmental policy that further defines the framework established in this Administrative Procedure.

6.1.2 Report information on all cash collection points to the Controller's Office as requested.

6.2 The Controller's Office shall:

6.2.1 Conduct periodic audits of cash handling procedures.

6.2.2 Examine the need for all cash collection points.

6.2.3 Serve as the centralized information source for all cash collection points maintained by the City.

6.3 The Finance Department (Finance) shall:

6.3.1 Review each department's local cash handling policy and subsequently:

6.3.1.1 Approve or deny the policy based on its effectiveness; and

6.3.1.2 Offer analysis on suggested revisions if applicable.

7. PROCEDURES

7.1 Business units that receive cash shall be examined by the Controller's Office and be designated as cash collection points.

7.2 Establishment of a Cash Collection Point

7.2.1 The Controller's Office must authorize all cash collection points. The request will be reviewed, and if appropriate, approved by the Controller's Office before collection begins. Departments requesting a new cash collection point must submit a request to the Controller's Office that includes:

7.2.1.1 The purpose it is to serve.

7.2.1.2 A list of employee positions involved with the cash collection point, a description of their duties and how segregation of duties will be maintained.

7.2.1.3 Whether there is a need for a change fund.

7.2.1.4 A description of the reconciliation process, including frequency of reconciliation.

7.2.1.5 A description of the process for safeguarding cash until it is deposited.

7.2.1.6 A schedule of how often cash deposits will be made that clearly establishes associated timelines.

7.3 PCI Compliance

7.3.1 Cash collection points that process payment card transactions must be PCI compliant. The City shall institute a Payment Card Industry (PCI) Compliance Plan as soon as practicable, which outlines the following key elements to the extent it is consistent with City's existing policies and or Ordinances, where applicable:

7.3.1.1 Department's shall build and maintain a secure network, protect cardholder data, maintain a vulnerability management program, implement strong access control measures, regularly monitor and test networks, and maintain an information security policy.

7.3.1.2 Finance is responsible for oversight and administration of all payment card processing and will work with Houston Information Technology Services (HITS) to ensure that PCI Security Standards and adhered to.

7.3.1.3 New requests for merchant card services will be reviewed and processed by the Finance Director or designee.

7.3.1.4 Departments must notify the Finance Director or designee, in writing, at least two weeks prior to making changes to existing services and/or adding or deleting equipment.

7.3.1.5 City departments processing payment card transactions must identify resources necessary to comply with the PCI Data Security Standard.

7.3.1.6 Quarterly network scans for external facing connections are required at all PCI levels from an Approved Scanning Vendor (ASV). Finance and HITS shall establish the City-wide contract with a single designated ASV for all City departments. HITS will monitor quarterly network scans, review reports, and coordinate any remediation items with client department.

7.3.1.7 A Report on Compliance (ROC) or Self-Assessment Questionnaire (SAQ) will be completed by departments annually to the extent required by the PCI rules or other legal obligations.

7.3.2 Use of third party vendors for payment card processing services and quarterly network scans is contingent upon prior approval of the Finance Director, who, in

conjunction with the directors of HITS and the Legal Department, is responsible for defining the terms and conditions of the City's relationship with such vendors. Special dispensation may be granted by the Finance Director allowing a department to continue operating under an active merchant card services contract for the duration of a contract in existence as of the effective date this policy.

7.3.3 All third party vendors with whom the City contracts for quarterly scans and payment card processing services shall adhere to the Payment Card Industry Data Security Standards and agree to legal terms and conditions requiring the same.

7.4 Cash Collection Point Transactions

7.4.1 Appropriate segregation of duties shall be maintained at all times which include cash collection, deposit, reconciliation and recording.

7.4.2 Transactions shall be captured through manual or electronic means at the time of collection into a cash handling system.

7.4.2.1 All checks, currency and credit card receipts must be protected by using a cash lock box, safe or other secure place until they are deposited. A secure area for processing and safeguarding funds received is to be provided and restricted to authorized personnel.

7.4.2.2 Records or a log must be maintained identifying any personnel who has access to a cash drawer or lock box during a single shift.

7.4.2.3 Monies shall be reconciled at the start and end of each shift.

7.4.2.3 Checks must be made payable to the City of Houston or applicable department and must be endorsed promptly with a restrictive endorsement stamp payable to the City of Houston.

7.4.2.4 Checks or credit card transactions will not be accepted for more than the amount due to the City.

7.4.2.5 Refunds shall be made through an appropriate approval process, and shall not be paid in currency.

7.4.2.6 The Houston Permitting Center (HPC) located at 1002 Washington Avenue is granted special dispensation in regards to §7.4.2.4 & §7.4.2.5. Specifically, this facility may provide change for check amounts not greater than $5 over the fee due to the City. Currency may be used to provide this change.

7.4.2.6.1 This special dispensation is granted on the contingency that the HPC has in place a traceable method that may be used to record the change that has been given as a part of its reconciliation process.

7.4.2.7 Transactions administered in person:

7.4.2.7.1 Receipts shall be given for any cash collected by the City. At a minimum, the receipt must include the date, mode of payment (cash, check or credit card), and the identification

of the department to include the person issuing the receipt. Receipts must use a continuous numbering system and each receipt has a unique identifying number. Receipts issued for transactions associated with fines shall include the signature of the employee executing the transaction.

7.4.2.7.2 Checks must be endorsed immediately with a restrictive endorsement stamp payable to the City of Houston.

7.4.2.7.3 Voided transactions are to be approved by an authorized supervisor.

7.4.2.7.4 No form of customer identification may be written on currency collected by the City. Each department must identify a process for tracking potential counterfeit currency.

7.4.2.7.5 Each department must identify in detail its policy and procedure for accepting checks in person.

7.4.2.8 Transactions administered by mail:

7.4.2.8.1 Departments shall establish methods for a clear chain of custody and accountability.

7.5 Cash Collection Point Reconciliation

7.5.1 Funds received by cashiers must be reconciled to the cash handling system report at the end of the day or at the end of the shift. Currency and checks must be reconciled separately from credit cards by comparing actual cash received to the cash total generated by the cash handling system report.

7.5.2 All funds must be deposited in a designated bank account.

7.5.3 Only designated accounts may be used in the course of City business unless approved by the Mayor.

7.5.4 All funds collected must be balanced by comparing the total of the currency, checks and credit cards to the cash handling system report totals and deposited within three business days of completed reconciliation unless the point of collection is classified as a minor collection point.

7.5.5 Administration of Deposits:

7.5.5.1 An itemized list (i.e., calculator tape, written log, etc.) of checks and currency should be included with each check bundle. The completed deposit should be bagged, sealed and turned in for securing until an armor car courier pickup. Alternative processes may be used if approved by Finance.

7.5.5.2 The appropriate general ledger account number(s) must be included on the deposit slip or journal voucher.

7.5.5.3 Once the reconciliation is complete, the deposit entry should be made into the financial system. All deposits must be recorded in the City's financial accounting system daily or as soon as practical. Diligence in this regard may be the subject of audit inquires.

7.5.5.4 Deposits should be made daily or as soon as practical, at a minimum, three times per week. See §7.5.4.

7.6 Minor Cash Collection Points

7.6.1 Minor cash collections must follow the same cash handling policies and procedures that apply to the cash collection points with the following exceptions:

7.6.1.1 Funds collected may be reconciled and deposited weekly; and

7.6.1.2 A formal request for a cash collection point review from the Controller's Office is not required.

7.7 Exceptions

7.7.1 Exceptions to this A.P. must be submitted to and approved by Finance in writing. For example, in cases where there is not enough staff available to maintain segregation of duties, an alternate process to safeguard City funds must be established and approved by Finance.

7.8 Record Retention

7.8.1 All cash receipts and related documents must be maintained in accordance with record retention schedules: cash handling system reports, deposit slips, journal vouchers, credit card receipts, mail in check logs, etc. Current retention schedules can be obtained through the Administration & Regulatory Affairs Records Management Division.

7.9 Security

7.9.1 Controller's office shall work in concert with Finance on restricting unauthorized personnel from obtaining direct access to assets or indirect access through accounting records which could be used to misappropriate assets.

7.9.2 The City's financial assets shall be adequately protected. Access to the City's financial physical assets shall be limited to authorized personnel.

7.9.3 Each employee, from a front line cash handler to a department director, is responsible for protecting the financial assets of the City. Responsibility is designated to department directors to install and maintain a Cash Handling control system that will prevent, detect, and deter fraud and losses.

7.9.4 Known or suspected misappropriation or disappearances of cash shall be reported to the appointed designee, departmental management, or Finance within one hour of detection. Losses in any department from robbery shall be reported to the Treasurer or appointed designee within one hour of detection and to the appropriate police authorities immediately.

7.9.5 If a City employee has knowledge or suspicion of a misuse of funds or dishonest act by another City employee, the employee must report the concern to their department Director, the Office of the Inspector General, or to the Finance Director.

7.9.6 Each department is encouraged to consult with the Houston Police Department, HITS, Legal, Controller's Office, or Finance on specific needs, as necessary.