



# ALABAMA MUNICIPAL INSURANCE CORPORATION MUNICIPAL WORKERS COMPENSATION FUND, INC.



## *Loss Control Division*

### Risk Management Solutions

## Handling Revenue

Every municipality handles some type of revenue. Whether the transaction is cash, check or credit, the need to properly control and account for each transaction is essential. Appropriate policies and procedures are especially important to municipalities because the revenue municipalities generate belongs to the public they serve. Any policies and procedures a municipality adopts should serve to protect its capital, the safety of its employees, and the confidence of its constituents. To assure success, the municipality should implement revenue-handling policies and procedures based on established business practices. These practices have, over time, proven to minimize the risk of losses and establish accountability for transactions from inception through reclamation.

Developing sound revenue handling policy and procedure requires that the municipality evaluate each component of its operations to determine needs. Some organizations may require sophisticated systems that are networked to capture transactions at remote sites. Others may use a simple electronic cash register to track and record transactions.

Regardless of the size of the operation, municipalities should consider the following as they develop their policies and procedures:

Form a focus group to assess revenue handling and assign the following tasks:

- **Identify all locations where the municipality collects revenue, including temporary and seasonal locations.**
- **Review the reason monetary transactions occur at each location.**
  - What exact service does the municipality provide at each location?
  - Do transactions have to occur at each location?
  - Does the law require the transaction to occur at the site of service?
  - Is it a legitimate business practice to have transactions at each location?
  - Has the municipality "always done business that way"?
- **Identify the risk exposures at each location.**

#### **Lighting:**

- Is proper lighting provided around the point of transaction during business hours?

#### **Design:**

- Does the location where transactions take place limit access to funds and reduce the threat of theft or robbery?

**Location:**

- Does the location of the cash drawer allow employees to observe it and prevent unauthorized access?

**Revenue handling and storage procedures:**

- Does the municipality have an established procedure that requires employees to balance transactions at the end of their shift? Do employees establish the amount of start-up money at the beginning of each shift? Does management make sure that all funds are locked in a secure area with limited authorized access?

**Cash on hand:**

- Are procedures in place that limit the amount of cash employees may keep in the cash drawer? Does the organization have procedures for timely cash pick up when reducing the amount of on hand cash is necessary?

**External exposures:**

- Has the organization established procedures for conducting audits and making bank deposits that minimize the risk of loss? For example, do employees make deposits at different times of the day so that they do not establish a recognizable pattern that can lead to a robbery? Has the organization reviewed the building to eliminate possible security breaches in the protection of employees and assets? Can the police observe points of transactions from outside the building? Does the area require videotape monitoring?

**Internal exposures:**

- Are cash handling employees bonded? Does the organization conduct a thorough background investigation as part of the employee selection process? Are doors locked that should be? Does the organization limit cash drawer access to authorized employees? Do employees count cash away from public view? Does the organization store funds in a proper vault after business hours?

**Staffing issues and employee turnover:**

- Does the organization change locks, combinations, passwords and electronic access codes when employees terminate or the organization discharges them? Has management reviewed the number of employees needed at the point of transaction so that appropriate levels are available to maintain security? Has the organization determined acceptable risks?

**Environmental issues:**

- If the funds handling takes place out-of-doors, have appropriate safety issues been addressed by management to avoid employee shock injury from electronic machinery? Has the management put appropriate supervision and security measures in place to monitor and audit transactions at remote sites (landfills, boat ramps, ball fields, parks)?

**Communication:**

- Has the organization provided a telephone, radio or alarm system for employees to call for assistance should an emergency arisen?

**Emergency Response:**

- Has management developed an emergency response plan that outlines duties and responsibilities during an emergency? Has management consulted with the police and fire departments responsible for responding to emergencies? (The consultation should include planning and a walk-through.) Do employees have training in first aid and are kits

available on site? If the kits are provided, do employees receive proper training in infectious disease exposure? Do employees have access to fire extinguishers and have they been trained in their use? Have employees received training on what actions to take during a robbery or after the discovery of a theft?

- **Identify current practices for documenting, transferring and auditing funds by the proper authority.**
  - Does the organization assure that the employee counts out the cash drawer at the end of the shift or day?
  - Does a different person audit the receipts and prepare the beginning cash for the next business day?
  - Does management place the daily receipts and cash in a secure location that has limited access?
  - Does a supervisory or management level employee prepare the bank deposit? Are deposits placed in a locked bank bag to be taken to the bank? Are deposit slips returned inside the locked bank bags? Do only management level employees control the keys to the bank bags?
  - Does management reconcile deposit slips against monthly statements of accounts to ensure the integrity of the system?
  - Does an independent accounting firm perform annual audits? If an audit is performed, does the organization implement recommendations the accounting firm makes?
- **List problems that are identified with the current system.**
- **Develop solutions and develop a plan to implement change.**

Often a municipality allows tradition or convenience to determine the way it handles its operations. This can make implementing change difficult. However, following safe and secure business practices, particularly when cash transactions are necessary, is essential if a municipality is to provide a safe and secure workplace for its employees. By initiating appropriate revenue handling procedures, the municipality will reduce the risk of losses and limit the apparent opportunity to become a victim of crime.

In order to maintain the integrity of any operation, municipal management must establish a series of checks and balances that will protect the organization's employees and assets. To meet this responsibility, management should establish proper policies and procedures that will guide employees while engaged in the performance of their duties.

These policies and procedures should clearly state that employees who fail to follow proper cash handling procedures will be subject to discipline, up to and including discharge. In addition, the municipality should train employees on its policy and procedures. Training should include "hands-on" experience in counting out the start-up cash drawer and individual cash transactions, as well as balancing the drawer at the end of the shift. In addition, instruction should cover what employees should do if a robbery occurs, how to recognize and handle an apparent short change artist, and recognizing counterfeit currency. The municipality should document all such training.

**The following are key points to remember:**

- ✓ Employees should handle cash only in secure locations that are away from public view.
- ✓ Locations where employees handle cash should have limited access.

- ✓ Management should establish the amount of start-up money for each cash drawer.
- ✓ Management should require employees to count cash and sign receipts before going to their workstations.
- ✓ Management should require that employees record all transactions by receipt or preferably by electronic means.
- ✓ Management should establish the maximum amount of cash that employees should keep in the drawer under normal circumstances.
- ✓ Management should require employees to deposit excess cash from drawers in a conveniently located but secure place. Management can achieve this by arranging for management level employees to make cash pick ups or by providing locked and secured cash boxes at each workstation. The key is establishing a one-way system so that once an employee deposits cash, checks, or charge slips, only authorized individuals can retrieve them.
- ✓ Management should require employees to count all money in their drawer at the end of the day or shift, seal it in an envelope and sign it. Employees should give their envelopes to the proper authority for audit and to re-establish the start-up cash.
- ✓ Once they receive the money, managers should audit the envelopes against the receipts and/or cash register tapes and re-establish the start-up drawer. Management should then total all the envelopes, make up the bank deposit, and check the contents of the safe.

NOTE: This document is not intended to be legal advice. It does not identify all the issues surrounding the particular topic. Public agencies are encouraged to review their procedures with an expert or an attorney who is knowledgeable about the topic. Reliance on this information is at the sole risk of the user.<sup>1</sup>