

* The individual responsible for the cash drawer/box does not have access to the accounts receivable records and does not prepare deposits.

*Cash accounts are promptly reconciled according to policy.

*Checks received through the mail are listed by the individual opening the mail and forwarded to another individual for deposit. Only the remittance advice goes to the accounts receivable clerk for data entry.

*Checks are restrictively endorsed respectively as soon as they are received.

But...all this control will slow us down!

There are certainly trade-offs where internal controls are concerned. However, the high level of risk in cash operations requires that internal controls be given priority over minor decreases in efficiency.

Whether you are a full-service bank, check-cashing facility, sales operation or receive payments on account, your customers will appreciate the careful attention given to protecting their financial assets.

Internal controls are required by law to protect University assets. Employees should insist on the implementation of internal controls sufficient to protect them from unnecessary risk!

**Have Questions?
Give us a call:**

Rita M. Moore, Director, CPA, CISA

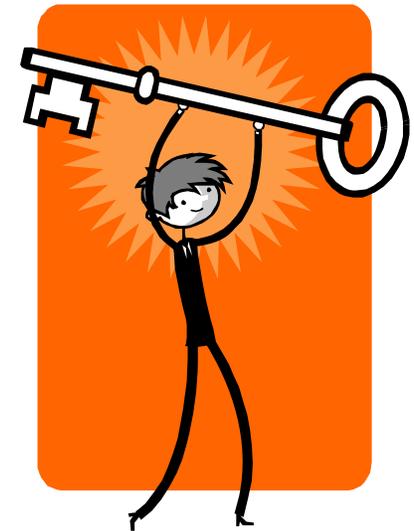
Michael R. Sartorius, Internal Auditor

Phone: (309) 298-1664

Internal Auditing Presents ...

THE KEYS

to



**INTERNAL CONTROL
in SMALL
CASH OPERATIONS**

Internal Control over Cash

The purpose of this brochure is to provide WIU cash handling operations with the key elements that should be present in order to ensure that appropriate internal controls over cash operations have been implemented. A cash operation is any WIU entity which receives payments from customers for services, payments on account or other purchases.

It is the intent of the WIU Internal Auditing office to assist in the assessment of control risk in individual operations, and provide meaningful recommendations that mitigate risk both to the institution and its employees.

Segregation of Duties

One of the primary elements of internal control is the segregation of duties such that no one individual controls all aspects of a transaction. This means that no one individual should be able to authorize the transaction, have custody of the asset, and have control over the records of the transaction.

Because of the liquidity of cash, segregation of duties is extremely critical in cash handling operations. Accountability for cash must be established and maintained throughout the transaction process. Errors, including cash over/short, should be traceable to the individual cashier (or other individual whose responsibilities include safeguarding cash receipts).

It's not a matter of trust. . .

The most basic reason for internal controls is to ensure that the organization's assets are not diverted for personal use or covered up by falsified records. The University is required by law to implement internal control procedures capable of preventing, detecting and correcting errors and irregularities in its operations.

Internal controls also provide protection to employees against false charges or suspicion of misappropriation of assets.

Assessing Risk in Cash Operations

In assessing the risk in cash operations, we look at both the physical security provided over cash (e.g. vaults, locked cash registers/boxes, etc.) as well as the accountability for cash transactions. Some of the questions we ask are:

*Is the vault or cash box kept locked and is there limited access?

*Who has access to cash drawers or boxes and are drawers/boxes kept locked and stored in a vault or other secured area when not in use?

*Are there unannounced cash counts of the vault or cash box?

*Have cash limits been established and are they at reasonable levels?

*Are individuals who have responsibility for cash drawers or boxes held accountable for transactions and funds under their control, including cash over/short?

*Does the individual opening the mail make a list of payments received or prepare a remittance advice to forward to the accounts receivable clerk for posting?

*Are cash deposits proposed and/or verified under dual control?

Controlling Risk

Just as there is risk in cash operations, there are internal controls to decrease the risk to a tolerable level. Some of the recommended controls in small cash operations are:

*Cash drawers/boxes are kept locked and only one person (per shift) has access to the cash.

*Unannounced cash counts of the drawers/boxes are performed by someone other than the primary custodian and the custodian is held accountable for overages and/or shortages.

*Cash drawers/boxes are kept locked and in a vault or other secured area when not in use.

*Cash drawers/boxes are replenished by someone other than the individual with primary responsibility for the drawer/box.

*Cash limits have been established and are at reasonable limits.

*Whenever possible, pre-numbered receipts are issued and/or an audit trail is maintained.