

Office of the State Controller

Self-Assessment of Internal Controls

Cash Receipts Cycle

Objectives and Risks

Agency _____

Year-End _____

| <u>Objectives</u> | <u>Risks</u> |
|---|--|
| All collections are properly identified, control totals developed, and collections promptly deposited intact. | <ul style="list-style-type: none"> • Failure to record cash receipts; withholding or delaying the recording of cash receipts. |
| All bank accounts and cash on hand are subject to effective custodial accountability procedures and physical safeguards. | <ul style="list-style-type: none"> • Misappropriated cash or petty cash funds; diverted cash receipts; unauthorized cash disbursements; loss of funds. |
| All transactions are promptly and accurately recorded in adequate detail and appropriate reports are issued. | <ul style="list-style-type: none"> • Concealing unauthorized transactions or misappropriated collections by substituting unsupported credits or fictitious expenditures; under or overestimating cash or receivables. |
| All transactions are properly accumulated, correctly classified and summarized in the general ledger; balances are properly and timely reconciled with bank statement balances. | <ul style="list-style-type: none"> • Misstating cash balances; concealing unauthorized transactions by falsifying bank reconciliations. |

Office of the State Controller

Self-Assessment of Internal Controls

Cash Receipts Cycle

Control Policies and Procedures

Agency _____

Year-End _____

Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.

A. Control Activities / Information and Communication:

Yes No N/A

- ___ ___ ___ 1. Is there a formal organizational chart defining responsibilities for processing and recording cash transactions?
- ___ ___ ___ 2. Do written procedures exist regarding the collection of funds, timely deposit, and recording of funds in the accounting records at each cash receipting location?
- ___ ___ ___ 3. Is a restrictive endorsement placed on incoming checks at the earliest point of receipting?
- ___ ___ ___ 4. Do deposit slips have an official depository bank number preprinted on the document?
- ___ ___ ___ 5. **If payments are made in person (seminars, workshops, etc.), are manual receipts used and accounted for and balanced to the deposits?**
- ___ ___ ___ 6. Are pre-numbered receipts issued for all cash collections and are numbers of all receipts accounted for?
- ___ ___ ___ 7. **Are logs of receipt book issuances maintained and reconciled?**
- ___ ___ ___ 8. Are unused portions of receipt books required to be returned to the issuance location?
- ___ ___ ___ 9. **Are the following responsibilities performed by different people:**
 - ___ ___ ___ a. **Custody of the funds, reconciliation of the funds and access to cash receipts?**
 - ___ ___ ___ b. **Completing the disbursement receipts, disbursement, and reconciliation?**

- ___ ___ ___ c. **Making a deposit, billing, making General Ledger entries and collecting?**
- ___ ___ ___ d. **Collecting cash, balancing cash, closing cash registers, making a deposit, maintaining Accounts Receivable records and making General Ledger entries?**
- ___ ___ ___ e. **Collecting of licenses, fines, and inspections (etc.) and making General Ledger entries?**
- ___ ___ ___ f. **Collecting cash and reconciling the bank account?**
- ___ ___ ___ g. **Reconciling Cash registers daily by a person not involved in cash receipting?**
- ___ ___ ___ h. **Preparing the deposit and verifying the validated bank deposit slip?**
- ___ ___ ___ 10. Is a mail receipts log maintained?
- ___ ___ ___ 11. Is the mail receipts log reconciled to:
 - ___ ___ ___ a. The cash receipts journal?
 - ___ ___ ___ b. Validated deposit slips?
- ___ ___ ___ 12. Are receipts deposited daily as required by the Daily Deposit Act?
- ___ ___ ___ 13. Are the authorization records of the depository banks up to date?
- ___ ___ ___ 14. Is there adequate physical security surrounding cashiering areas?
- ___ ___ ___ 15. Are employees prohibited from cashing personal checks at cashiering areas?
- ___ ___ ___ 16. Is cash receiving centralized to the maximum extent possible?
- ___ ___ ___ 17. Are all employees handling cash receipts adequately bonded?
- ___ ___ ___ 18. **Are responsibilities for preparing and approving bank account reconciliations and investigation of unusual reconciling items segregated from those for other cash receipts or disbursement functions?**

- ___ ___ ___ 19. Are “not sufficient funds” checks delivered to someone independent of those processing and recording cash receipts?
- ___ ___ ___ 20. For cash disbursements, are there controls over warrant, sight draft, or check-signing machines, as to signature plates and usage?
- ___ ___ ___ 21. Are there controls to ensure each cash disbursement is properly vouchered and approved by the proper authorities before the disbursement occurs?
- ___ ___ ___ 22. Are there controls over the supply of unused and voided warrants, sight drafts, or checks?
- ___ ___ ___ 23. Is the responsibility for processing a credit card payment segregated from the processing of a void?
- ___ ___ ___ 24. **Are total cash receipts (cash, checks, credit cards, wires) reconciled on a daily basis to the total dollar value sold? (For example, total dollar amount reconciled to number of licenses issued.)**
- ___ ___ ___ 25. Are funds that are not deposited by the end of the day secured (safe) overnight until the next business day?

B. Monitoring:

- ___ ___ ___ 26. Do you have an OSC approved Cash Management Plan on file?
- ___ ___ ___ 27. Do you have an OSC approved Delegation of Disbursing Authority on file?
- ___ ___ ___ 28. Is effective control maintained over receipts of gifts, grants, donations, etc. and is follow-up performed by a responsible official to see that they have been classified and recorded properly?
- ___ ___ ___ 29. Are funds periodically counted by a person other than the custodian at unannounced times?
- ___ ___ ___ 30. **Does management review and approve bank reconciliations on a monthly basis?**
- ___ ___ ___ 31. Are policies documented for changes in a new system or method for accounting for cash?
- ___ ___ ___ 32. **Are timely corrective actions taken in cash discrepancies?**
- ___ ___ ___ 33. If you accept credit cards for payment, do you have documentation to reflect that your agency is PCI (Payment Card Industry) compliant?