

## **Cash Receipts, Cash Disbursements, Petty Cash, Tailings and Reconciliation of Cash Policies and Procedures**

**Approved by:  
Select Board and  
Treasurer  
Effective:  
4/22/2020,  
Amended  
2/9/2022**

### **PURPOSE:**

To establish sound financial controls and practices to assure all cash receipts are deposited on a timely basis, are recorded on a timely basis, that disbursements are made only after proper authorizations and safeguards; and to assure that cash is reconciled on a timely basis.

### **AUTHORITY:**

MGL Chapter 41 §§35, 41 and 57

### **CASH RECEIPTS**

#### **POLICY:**

It is the town's policy that the treasurer office is solely responsible for the entry of cash receipts to the VADAR system. The treasurer office is responsible for all bank deposits with the exception of monies received by the Tax Collector. In all other instances the town departments must turn over receipts to the treasurer's office not less than once a week. At a minimum, revenue shall be turned over immediately to the treasurer's office when the department has collected \$250 in cash or \$500 in checks.

It is each department's responsibility to establish procedures to safeguard the collection and remittance of receipts until turned over to the treasurer.

The treasurer must give bond annually consistent with the provisions of MGL Ch. 41 §35. The administrative assistant shall verify that the treasurer has given bond as required.

All cash management is subject to review by the Town Accountant and the Town's independent auditor.

#### **PROCEDURES:**

- Departments that collect receipts will complete a form entitled *Schedule of Departmental Payments to the Treasurer* to report respective receipts by appropriate General Ledger revenue account.
- Departmental staff shall deliver the form with the cash and checks to the treasurer office.
- The treasurer signs the form as a verification that the total amount indicated on the form reconciles with the total cash and checks presented.

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- One copy of the form is forwarded directly by the department to the accountant via upload to the shared folder as an independent source document for the accountant to verify that the receipts have been entered to VADAR by the treasurer office. This copy is sent to the accountant at the same time the original receipts are submitted to the treasurer in the lockbox located in the common office at town hall.
- The department retains one copy of the form as signed by the treasurer.
- The treasurer enters all receipts reported on the schedule of miscellaneous receipts in the Accounts Receivable module of VADAR by the respective code.
- Departmental cash receipts (as well as all committed receipts) are reported on a *Cash Sheet* and tape that balances to all “departmental turnovers” and other committed receipts for the day. When all cash, checks and the tape reconcile, the deposit slip is then prepared and all documentation is recorded in the *Cashbook* and deposit at the bank.
- All cash receipts activity for a specific date will be entered to a VADAR batch the day after receipt. The VADAR *Payments Proof* must reconcile to the Cash Sheet and tape submitted on the prior day.
- Each town department that receives cash receipts should review the VADAR *Revenue Year to Date Report* for their department each month to verify that all cash receipts that were turned over the treasurer/collector are recorded accurately to the respective General Ledger account. Any discrepancies shall be reported to the accountant.

## **CASH DISBURSEMENTS**

### **POLICY:**

The town policy is that accounts payable and payroll payments shall be made bi-weekly and only from warrants duly signed and approved by the town Selectboard and by the accountant. The treasurer or the treasurer’s designee shall be responsible for the disbursement and mailing of all accounts payable checks and to assure that all town checks are delivered only to the designated vendor.

### **PROCEDURES:**

- After the accountant and the town Selectboard have signed the warrant(s), the signed warrant will be delivered to the treasurer (or designee).
- The treasurer shall verify consistent with MGL Chapter 41 §41 that all payroll disbursements have been sworn (signed) by the head of department or lawful designee.
- The treasurer (or designee) runs the checks in the VADAR and prints them.
- The accountant’s office provides all of the invoices that are included on the warrant to the treasurer. The treasurer’s office then matches each invoice with the respective check and verifies the vendor, address, vendor number and the amount paid.
- When the treasurer’s staff has printed the checks, two copies of the VADAR *Cash Disbursements (Check Register)* are produced. The treasurer/collector retains one copy and delivers one copy to the accountant.

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- At the point the treasurer's designee has audited all invoices and checks, the checks can then be mailed to the vendors at the invoice addresses to assure sound control of disbursements.
- Release of checks (other than via mail) will be done only in extenuating circumstances. The treasurer will hold the check for pickup by the vendor. Only the treasurer can approve the release of a check to an individual instead of mailing the check to the authorized address of the vendor.

## **PETTY CASH ADMINISTRATION**

### **POLICY:**

The policy of the Town is that *Petty Cash* accounts may be established for departments that need a small amount of cash to meet payments required at the time of service. Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review of the accountant. Petty cash transactions will never be used to finance payroll.

### **PROCEDURES:**

- Requests for petty cash accounts or changes to the limit authorization should be submitted in writing to the accountant.
- All requests for establishment of petty cash accounts or changes to limits should be subject to approval of the accountant.
- If approved by the accountant, the specific petty cash account should be under the custody of one authorized official in the respective department.
- The accountant will create the petty cash account by reducing unrestricted cash and increasing petty cash. The accountant will reclassify fund balance simultaneously by reducing *Undesignated Fund Balance* and increasing *Fund Balance Reserved for Petty Cash*.
- All petty cash transactions shall be documented with a receipt from the vendor/service provider to the authorized departmental petty cash cashier.
- Periodically the petty cash custodian in the department should submit all documentation and receipts on a *Bill Schedule* to the accountant as part of the accounts payable warrant process in order to replenish the petty cash account.
- The petty cash account will only be replenished by the accountant based on review of the documentation submitted through the warrant process. If there have been any inappropriate uses the petty cash account will be terminated.

## **TAILINGS (Uncashed Checks)**

### **POLICY:**

The town's policy is to identify and research all *Uncashed Checks (Tailings)* as a part of the timely reconciliation of all bank accounts. All checks that are not cashed within 60 days of the date of issuance will be investigated. Checks that are not cashed after 120 days will be reported to the accountant as uncashed so the General Ledger can be adjusted to increase cash and to record a corresponding liability.

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A listing of all uncashed checks shall be published in the newspaper once a year consistent with Massachusetts General Law. Checks not claimed must be reported by the treasurer to the accountant so that revenue can be increased and the liability can be eliminated.

#### **PROCEDURES:**

- All town bank accounts shall be reconciled each month; uncashed checks (tailings) will be identified and investigated as part of this process.
- The treasurer shall identify all checks that have not cleared the bank account. If the check has not cleared for more than two months, the treasurer (or designee) shall prepare a list of all uncashed checks.
- The treasurer shall investigate the uncashed check by reviewing the check register run at the time of disbursement of checks on the weekly accounts payable warrant. The uncashed payroll checks shall be checked by reviewing the payroll vendor's check disbursement report.
- The treasurer shall identify and record on a spreadsheet a listing of uncashed checks, the date of issuance, and amount of check, name and address of check recipient.
- The treasurer shall send a notice of the uncashed check and the amount to the recipient at their last known address and retain evidence of this mailing.
- If the check has not been cashed 120 days after the date of issuance, the treasurer, consistent with Massachusetts General Law, shall submit a *List of Uncashed Checks* to the accountant so that cash can be adjusted and the liability of the tailings/abandoned property can be recorded on the General Ledger.
- The treasurer shall publish the *List of Uncashed Checks* in a newspaper of general circulation consistent with state law.
- The treasurer shall prepare a *List of Abandoned Property/Uncashed Checks* for all checks that are not claimed after the public advertisement and submit it to the treasurer for approval.
- After signing the document the treasurer shall submit the *List of Abandoned Property/Uncashed Checks* to the accountant. The accountant will increase the revenue of the Town on the General Ledger and eliminate the liability.

#### **RECONCILIATION OF CASH**

##### **POLICY:**

It is the policy of the Town that the treasurer and the accountant shall reconcile cash as recorded in the *Treasurer's Cashbook* and as recorded on the General Ledger within 15 days of the close of the prior month. The treasurer and collector maintain a *Reconciliation of Cash Notebook* documenting the reconciliation for each period. Each official is responsible to sign the *Summary Cash Reconciliation* spreadsheet and to then submit a letter and the *Summary Cash Reconciliation* spreadsheet to the finance committee as evidence that cash is reconciled.

## PROCEDURES:

- The treasurer or designee reconciles the Treasurer's Cashbook to the bank statements. This is completed within seven days of receipt of the bank statements.
- The treasurer identifies all reconciling items between the cashbook and the bank statements. These items will include: deposits in transits, outstanding checks and other items that represent timing differences between the bank and the cashbook
- The treasurer will correct the cashbook for the reconciling items that are not the result of timing differences (that would clear the next month).
- The treasurer will forward to the accountant all the adjustments made to cashbook based on the reconciliation to the bank statements.
- The accountant will record an adjusting entry to cash on the General Ledger if appropriate and based on supporting documentation.
- The treasurer will follow up on any check that remains outstanding for sixty days as described above under the *Tailings Policy and Procedures*.
- The treasurer will maintain the cashbook on a daily basis for warrants issued, deposits, transfers between accounts and investment income.
- After the month's activity in the cashbook is reconciled to the bank statements, the treasurer/collector or designee produces the month-end VADAR *Account Trial Balance for Treasurer's Cash* and the VADAR *Account Detail History for Treasurer's Cash*.
- The treasurer produces a spreadsheet based on:
  1. Receipts reconciliation documenting:
    - o The receipts per the cashbook and
    - o Receipts per VADAR General Ledger
  2. Disbursements Reconciliation documenting:
    - o The disbursements per the cashbook and
    - o The disbursements per VADAR General Ledger.

These reconciliations are evidence that the cashbook ending balance agrees to the cash on the General Ledger. If there are variances the treasurer and accountant research and document any adjustments.

- A final *Cash Reconciliation Summary Statement* is produced and signed by both the treasurer and by the accountant that states the cash balances per the General Ledger and per the cashbook, and documents any adjustments to either the cashbook or to the General Ledger.
- The *Cash Reconciliation Statement* and cover letter is submitted to the finance committee by the 15<sup>th</sup> of every month as documentation that cash is reconciled.