

CASH AND RECEIVABLES

Objective:

To determine if the department/unit ensures that all receivables are properly recorded, tracked and collected, and that institutional assets are deposited in a timely manner, and accurately recorded on institutional records.

Potential Impact:

Results in monetary loss if not closely controlled, improper or unauthorized invoicing, and inaccurate financial statements.

Helpful Tools:

- UH System Administrative Memorandum:
[03.F.04 – Cash Handling](#)
- UH – Downtown Policy Statement:
[Financial Affairs - 05.A.18 – Cash Handling Policy](#)

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Frequently Observed Weaknesses/Deficiencies:

- Inadequate segregation of duties in cash handling/receipting/recording processes
- Failure to reconcile revenues collected
- Inadequate safeguarding of monies to include location and access
- Untimely deposit of funds
- Lack of controls and processes for handling and receiving rebates and refunds
- Failure to ensure payments and/or deposits are directed to be made at the Cashier's Office
- Inadequate collection attempts and/or coordination with the Cashier's Office regarding aged receivables
- Failure to change safe combinations when turnover of personnel
- Failure to utilize receipt books issued by the Cashier's Office
- Improper voiding of receipts
- Insufficient controls over registers and/or cash drawers

Best Business Practices:

1. Designate an individual with the responsibility and authority to administer the unit's invoicing and collection activities. This individual should know how monies are coming into the unit and why.
2. Develop internal policies and procedures for handling monies.

3. Ensure employees are familiar with institutional and unit specific policies and procedures and have completed the required annual training.
4. Ensure an adequate segregation of duties or compensating controls exist in cash handling processes.
 - Functions are divided so that one individual does not have control over all aspects of processing and handling monies to include: invoicing, retrieving and opening mail, custody of funds, posting to accounts and/or deposit of funds, record keeping, and reconciliation of receivable activity
 - Individuals, who handle monies or issue invoices, should not have the ability to enter data into institute accounts or perform departmental reconciliations. If those functions are performed by the same individual (generally due to a small number of employees), then strong compensating controls should exist, i.e. approval (sign-off) by the department chair or appropriate level of management
5. Instruct customers/payers to remit funds to the Cashier's Office. If the unit does receive monies, then ensure appropriate receipting using pre-numbered receipt books.
6. Restrictively endorse checks immediately upon receipt.
7. Ensure adequate safeguarding of monies until deposited.
8. Monies should be deposited within 24 hours of receipt.
9. When a department performs services or supplies products to an external entity and bills them for payment, departmental procedures for creating and managing receivables should be developed and approved by Business Affairs. Assist the Cashier's Office as necessary with collection of receivables.
10. Ensure write-offs of uncollectible accounts are properly approved.
11. Reconcile revenue accounts at least monthly to ensure that deposited amounts were correctly posted.
12. Maintain proof of reconciliation for identified retention period.

Case Scenario: The department manager, Mr. Jones, is responsible for: reconciling and preparing the daily deposit; collecting patient payments from the mail; distributing patient payments to the cashiers for posting; and writing off patient accounts. Additionally, the cashiers are not required to count their cash before giving it to Mr. Jones. Ms. Smith, the business manager, is responsible for verifying the deposit but does not verify that the amount of cash on the deposit sheet matches the activity report. What are the internal controls for detecting wrong doing? How is the department ensuring cash deposited is correct?

Case Scenario Answer: An inadequate segregation of duties exists by allowing Mr. Jones to have complete control over collection, distribution, reconciliation of deposits, and account write-offs. This inadequate segregation of duties would allow Mr. Jones to manipulate deposits as well as patient accounts. Additionally, the absence of compensating control (Ms. Smith's failure to verify cash receipted in the system against deposit sheets) further facilitates the opportunity for fraud/theft.

AREA

This questionnaire is designed so that “no” answers indicate that an internal control weakness may exist and the procedure/process may need to be examined in greater detail. **Comments should be provided for “No” answers.** When such weaknesses are identified, a change in the process may be necessary OR a control may need to be put into place to address the weakness. The appropriate UHD contact office (as outlined in the self-assessment text) may be contacted for assistance with identified weaknesses.

Self-Assessment of Internal Controls for Contracts	Yes	No	N/A	Comments
Does the unit have an individual(s) responsible for administering the unit’s invoicing and collection activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Has the unit developed unit specific policies and procedures for handling monies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are employees familiar with institutional and unit specific cash and receivables policies and procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Have the employees, designated as cash handlers and/or fund custodians, completed the annual training?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does the department provide receipts for funds received and maintain a log that includes the date of receipt of the funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are checks restrictively endorsed immediately upon receipt?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are funds deposited in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are funds properly secured until deposit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are keys to cash boxes and/or safe combinations restricted to a minimal number of employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all revenue accounts reconciled to PeopleSoft at least monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does an appropriate level of management approve (sign-off on) the reconciliation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Do the responsibilities of picking up and/or opening mail (in which monies are received) and posting to the revenue account reside with different individuals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This is a living document and will be updated as revisions are necessary. Periodically, you may want to check for updates and revisions. We welcome any questions and feedback regarding the information contained in this tool including any comments regarding how this may be more useful and effective.