

## Internal Controls for Cash Receipts

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**Internal controls for cash receipts** are essential for ensuring that all cash collected (whether from student fees, fundraising, donations, or other sources) is properly handled, recorded, and deposited in a timely and secure manner. Effective internal controls help prevent fraud, theft, and mismanagement of funds. Below are key internal controls specific to **cash receipts** that school districts should implement:

### Segregation of Duties

- **Objective:** To ensure that no one person has control over all aspects of cash receipt transactions.
- **Implementation:**
  - **Receipt Issuance:** One individual (e.g., cashier or staff member) should be responsible for issuing receipts for all cash transactions.
  - **Depositing Cash:** A different individual (e.g., another staff member or the business office) should be responsible for making the deposits into the bank account.
  - **Recording Receipts:** A separate person should be responsible for recording cash receipts in the district's accounting system to prevent any one individual from manipulating both the receipt and the recording process.

**Example:** A student pays a fee at the front desk, and the front desk staff issue a receipt. Later, a different individual from the business office records the payment in the accounting system and prepares the deposit.

### Pre-numbered Receipts

- **Objective:** To ensure that all cash receipts are accounted for and that no receipts are lost or stolen.
- **Implementation:**
  - Use **pre-numbered receipts** (whether manual or electronic) to track each transaction.
  - Receipts should be issued in numerical order, and any missing receipts should be investigated and documented.

**Example:** A district may use a computerized cash receipt system that automatically generates pre-numbered receipts to ensure each payment is accounted for.

### Daily Deposits

- **Objective:** To ensure that all cash received is deposited promptly, reducing the risk of theft or misplacement.
- **Implementation:**
  - All cash receipts should be deposited into the bank daily (or at least on the same business day they are received).
  - **Reconciliation:** The amount of cash received should be reconciled with the number of receipts issued, and any discrepancies should be investigated immediately.

**Example:** After receiving cash payments for lunch fees, the cashier prepares the deposit and ensures that it is made to the bank by the end of the day. A separate individual verifies that the deposit matches the receipts issued.

## Cash Receipt Logs

- **Objective:** To maintain a record of all cash transactions and facilitate reconciliation.
- **Implementation:**
  - **Cash receipt logs** should be maintained for all money collected, detailing the date, amount, source of funds (e.g., student fees, donations), and the person receiving the funds.
  - Logs should be reviewed by a supervisor or manager regularly for accuracy.

**Example:** A log is kept for each day's payments, including who made the payment, the amount, and the reason for the payment (e.g., field trip fee). The log is then reviewed and reconciled with the bank deposit.

## Independent Reconciliation

- **Objective:** To ensure that cash receipts are properly recorded and that the district's financial records match the actual deposits.
- **Implementation:**
  - An independent person (someone not involved in cash receipt or deposit functions) should **reconcile cash receipts** with the bank deposit and the accounting system on a regular basis (daily, weekly, or monthly).
  - Any discrepancies should be investigated promptly.

**Example:** At the end of the week, the business office manager reconciles the daily cash receipt logs with the bank deposit slips and accounting system records to ensure the amounts match. Any differences are promptly addressed.

## Secure Handling of Cash

- **Objective:** To minimize the risk of theft or loss of cash before it is deposited.
- **Implementation:**
  - Cash should be stored in a **secure location**, such as a locked drawer or safe, until it is deposited.
  - Limit the number of people who have access to cash or checks, and always ensure that cash is accounted for by issuing receipts.

**Example:** If a school collects cash for an event, the money should be stored in a safe until a deposit is made. Only authorized personnel have keys to the safe.

## Documentation and Supporting Records

- **Objective:** To ensure transparency and support for each cash transaction.
- **Implementation:**
  - Every cash receipt should be documented with supporting records (such as invoices, payment forms, or donation slips) that explain the source of the funds.
  - These records should be kept for auditing purposes.

**Example:** A student fee payment should have a copy of the payment form, a receipt showing the fee paid, and any related documents, which should be stored for future audits.

## Regular Audits and Reviews

- **Objective:** To ensure that cash receipts are being handled properly and in compliance with internal controls.
- **Implementation:**
  - Periodic **audits** or reviews of the cash receipt processes should be conducted to identify potential weaknesses or areas for improvement.
  - Audits can be performed internally or by external auditors to ensure compliance with policies.

**Example:** The district's internal auditor might review the cash receipt logs and the daily deposits for the previous quarter to ensure that all cash receipts have been properly handled and deposited.

## Approval of Refunds or Voided Receipts

- **Objective:** To prevent unauthorized adjustments to cash receipts.
- **Implementation:**
  - **Refunds or voided receipts** should be authorized by a supervisor or administrator before any money is returned or corrected.
  - Documentation explaining the reason for the refund or voided receipt should be maintained.

**Example:** If a student is refunded a fee, a supervisor must approve the refund and ensure it is documented and recorded correctly in the financial system.

## Example Scenario of Cash Receipt Internal Controls:

- **Scenario:** A district collects student fees for a field trip. The school secretary receives \$100 in cash for five students. The secretary issues pre-numbered receipts for each payment and logs the amounts in the cash receipt log.
- **Control Steps:**
  - The secretary deposits the money into the district's account at the end of the day.
  - A second staff member (e.g., a bookkeeper) reconciles the receipt log with the deposit slip.
  - A supervisor conducts a monthly review of all cash receipts to ensure compliance and proper documentation.