

## **Policy 3.0101 Cash Accountability**

### 1. POLICY

Cash by its nature is susceptible to misappropriation, and therefore it is of critical importance that internal controls over cash are strong, and the chain of custody for cash receipts and disbursements is secure and well documented.

This Policy articulates the requirements and guidelines related to cash control and chain of custody for cash. This Policy is tightly linked with the execution of highly controlled processes designed to maintain the financial integrity of the University and to limit the risk of misappropriation of cash and other monetary instruments. This Policy supersedes all other policies previously issued by the University on cash management and cash control.

### 2. SCOPE

Unless otherwise specified, this Policy applies to all colleges, as that term is defined below. This Policy does not apply to college foundations or separately incorporated alumni associations; however, those entities are strongly encouraged to establish cash accountability policies of similar scope to protect their financial integrity.

### 3. DEFINITIONS

As used in this Policy:

“Bank account” means any and all bank and investment accounts with financial institutions including but not limited to checking, savings, money market, certificates of deposits (CDs), mutual funds, and investment accounts.

“Business Manager” means the senior finance person at a college who reports to the Vice President of Finance and Administration. Although not always called a Business Manager, this person is typically responsible for the Budget, Bursar, Accounts Payable, Purchasing, and Accounting areas of the campuses. For Related Entities, the Business Manager shall mean the corporation’s chief financial officer.

“Business Office” means the office responsible for handling the business and finance operations of a college. For a Related Entity, “business office” shall mean those individuals responsible for the day-to-day business and finance operations of the corporation, and may include individuals in the business office of the Related Entity’s supported college, as permitted by the Memorandum of Understanding (MOU) between the corporation and the college.

“Cash” means coins and currency and all negotiable instruments with monetary value including but not limited to checks, money orders, and Electronic Funds Transfer (e.g., Automated Clearing House (ACH) transactions, wire transfers, etc.).

“College” means a constituent unit of the University, including without limitation senior and community colleges, graduate and professional schools, Macaulay Honors college and the central office (including the University Treasury’s Office and other offices and departments), as well as fund groups and organizations that are not legally separate from the University (e.g., the Queens College Athletic and Recreational Fund, the college associations of Hunter College, the School of Professional Studies and the Graduate School of Public Health and Health Policy). For purposes of this Policy, “college” also includes the Related Entities, unless otherwise indicate.

“CUNY” and “University” mean The City University of New York.

“Related Entities” means the following types of entities and their subsidiaries, if legally separate from the University and unless otherwise indicated: auxiliary enterprise corporations, college associations, student services corporations, childcare centers, performing arts centers, and art galleries.

#### 4. CASH RECEIPTS

There are many controls required for the cash receipts process, beginning with the point of collection and ending with the bank deposit and recognition of the deposit by a banking institution. The designated depository for all cash receipts is the Bursar<sup>1</sup> at the colleges and the University Treasurer at the central office. **All cash receipts must be deposited directly with the Bursar’s Office or the University Treasurer’s Office.** Any exceptions to this centralized-collection rule must follow the “Exceptions and Alternative Procedures” described in Section 14 below.

Colleges shall perform background checks on staff who are handing cash on the campus. Campus are also strongly encouraged to obtain a fidelity bond to protect against any potential losses.

##### 4.1 Management of Cash Drawers

The cashier at the college Bursar’s Office must enter each receipt into the CUNYfirst Student Financial Cashiering System immediately upon receiving funds. A numbered system-generated receipt (paper or electronic) must be provided to the customer when payment is received in person.

Cashiers at the Bursar’s Office are responsible for their own cash drawer for the entirety of their shift. Cash drawers shall not be exchanged or shared for any reason. If a change of drawer needs to be made, a supervisor must be present to make the change. At the beginning and at the end of the shift, the cash drawer must be closed out and counted by cashier and supervisor from the Bursar’s Office. A log shall be kept of the cash count that must be signed by the

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<sup>1</sup> The college Bursar should be the recipient of all cash collected by the college and its Related Entities, unless an Alternative Procedure is approved as outlined in the Section 14.

cashier and the supervisor. The college shall reconcile the cash to cash register totals at the end of each drawer close out and any differences shall be immediately resolved, or if further investigation is warranted, by the close of the next business day. If the cash discrepancy is not resolved within a timely manner than the procedures outline in Section 6.2 shall be followed.

Staff shall not make change from the cash collected by the college.

#### 4.2 Foreign Funds

Foreign funds are not generally accepted for in-person payments. They are, however, accepted as payment on a student's account via a bank transfer, provided the foreign denominated payment (after conversion and transaction costs) is equal to or less than the total charges on the student's account. All foreign denominated payments or U.S. dollars payments drawn on a foreign bank must be submitted for conversion on collection. Adjustments will be made by the bank for conversion fees; all fees and conversion charges are the responsibility of the payer.

Tuition and fee payments from foreign funds are generally NON-REFUNDABLE. Any excess after conversion will not be refunded to the payer but instead will become an advance for future semesters. In cases such as student drops out during the refund period and with approval from the college business manager, if payments need to be refunded, the return will be applied back to the original foreign bank account from where the funds were initially transferred.

#### 4.3 Remote Check Deposit (RCD)

When collecting payments by check, the cashier must verify that the check is filled out completely and accurately before applying the payment. Checks shall be restrictively endorsed (marked "for deposit only") immediately upon receipt. Post-dated checks are not permitted.

RCD technology allows the college to avoid the physical movement of received checks to its bank. Instead, the college can use a special scanner and scanning software to create an electronic image of each check which is then transmitted to the bank. RCD cannot be used for checks drawn on foreign banks. Each college is strongly recommended to use RCD for domestic check deposits when feasible.

#### 4.4 Frequency of Deposits

The amount of cash on hand at the Bursar's Office shall be minimized to the amount that is needed by the college for routine bursar's office activities (e.g. cash on hand needed for the change fund for each cashier). Funds on hand in excess of the minimum amount needed must be deposited in the bank by the next business day using the University's designated armored car service. Logs signed by college personnel and armored car personnel for armored car pickup must be completed for each run. Daily deposits (daily) must be made in situations where funds accumulate rapidly, such as during registration.

All funds must be properly secured at the college until picked up by the armored car services. Cash receipts must be reconciled on a daily basis to ensure that all deposits reached the bank and any discrepancies must be immediately investigated.

#### 4.5 Bursar Office Procedures

Each college Bursar office must develop their own documents that detail their standard operating procedures. These procedures shall be in compliance with this policy, and signed by each employee of the Bursar office indicating they have read and understood the college's operating procedures.

Prior to finalizing the college's new or revised operating procedures, the draft procedures document should be submitted to the University Bursar and the Office of Internal Audit for review.

The final version shall also be submitted to the University Bursar.

### 5. PHYSICAL CONTROLS

#### 5.1 Safeguarding of Cash and Chain of Custody

Upon receipt, all cash shall be secured in a locked cash drawer, drop safe or traditional safe. These secured storage areas shall be locked at all times and only opened in the presence of a second authorized person.

Cash will often move from one of the above-mentioned secured containers to another; during this transfer, cash is especially susceptible to misappropriation. It is therefore imperative that the chain of custody of the cash remains intact; this process should be outlined clearly in the college Bursar's Office operating procedures document as described above.

The cashier's drawer and the contents of the drop safe, if applicable, shall be opened and counted in the presence of the cashier and supervisor at the end of a shift, preferably in a designated counting room. Once the cash is counted and prepared for deposit, these individuals shall secure the funds in locked pouches and sealed tamper-evident bank bags, and place the sealed funds in a safe. The sealed funds shall only be removed immediately prior to transport to the bank for deposit, in the presence of at least two authorized employees.

Safes, which must be "fire rated," shall be locked at all times between uses for withdrawing or depositing funds. The college Business Manager or University Treasurer must designate and limit the individuals who have access to the safe; no other individuals may have access. Safe combinations must be changed upon the termination of any individual with authorized access or upon an individual's change to an inconsistent job role.

It is preferable that the college's safe is secured in a separate room that is locked at all times and can only be accessed via an individually assigned card key. If that is not possible due to

the physical layout of the office, then an ‘access log’ that includes the names and signatures of individuals who entered the room, the purpose, time in and out, shall be maintained.

**At no time shall one individual be allowed to place or remove funds from a safe; each such action must include at least two authorized employees.**

## 5.2 Security Cameras

Colleges shall have surveillance cameras in areas where there is a high volume of cash collected, sorted, or stored, such as in the PHiL<sup>2</sup> (Payment Headquarters in Location) Stations, Bursar’s Office, including the cashier’s areas, counting rooms, and the areas where safes are located. These cameras shall cover the entirety of the areas or rooms where cash is collected, counted, disbursed or stored in order to minimize the risk of misappropriation of cash outside of the camera’s range.

College Business Offices shall coordinate the quantity and location of the cameras with their respective campus Public Safety Office and in conjunction with the University Department of Public Safety. All security cameras shall be live and have recording capability.

## 6. REPORTING REQUIREMENTS

### 6.1 Counterfeit Currency

Cashiers are responsible for exercising reasonable care in screening cash transactions. For example, the cashier should use a counterfeit detector pen for \$50 dollar bills and above.

### 6.2 Reporting Instances of Fraud or Theft

Any college that suspects check or ACH fraud has occurred shall immediately report its concern to the University Director of Public Safety, University Director of Internal Audit, the Office of the General Counsel, and the University Treasurer. University Public Safety shall coordinate with the campus Director of Public Safety and the Office of the General Counsel shall communicate with and serve as liaison with the New York State Inspector General’s office and other appropriate law enforcement agencies.

Any college who suspects that cash may be missing due to theft or have unidentified discrepancies between the cash register totals compared to cash on hand (refer to Section 4.1) shall immediately report its concerns to the campus Public Safety Office, University Director of Public Safety, University Director of Internal Audit, the Office of the General Counsel, and the University Treasurer

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<sup>2</sup> A PHiL station is an electronic device that is physically located on a college campus. Students and others may use a PHiL station to load money onto their ID cards in order to make campus purchases such as printing and photocopying.

## 7. CASH DISBURSEMENT CONTROLS

### 7.1 Blank Check Management

#### Requisition of Checks

The University Treasurer (for central office bank accounts) and the Business Managers (for college bank accounts) are responsible for designating the personnel who are authorized to prepare check orders and approve check orders. These personnel shall not be engaged in the storage and management of the check stock.

The individual requesting a check shall submit to the University Controller or college Business Manager, as applicable, a written check-order report, specifying the order, the requestor, and the approver at the time of requisition of the checks.

#### Without Recourse

Checks shall have the words “Without Recourse” printed on the face of the check. Under NYS UCC, Section 3-413 (2), this minimizes exposure of a college or the university to liability to banks, vendors, or individuals that receive or cash fraudulent checks purported to have been drawn against a college or university bank account.

#### Storage

The University Controller (for central office bank accounts) and the college Business Manager (for college bank accounts) is responsible for ensuring that proper procedures are followed in regards to the receipt, documentation, storage and management of check inventory and that there are adequate segregation of duties over the various roles. At a minimum, blank check stock must be stored in sealed and numbered tamper-evident boxes.

#### Blank Check Control Record

The University Controller (for central office bank accounts) or the college Business Manager (for college bank accounts) is responsible for ensuring proper controls over the blank checks, which includes, at a minimum:

1. A control record of check requisitions, shipment verification, and stock drawdown/issuance by check type (e.g., payroll, vendor payment);
2. Check sequence number control and accountability for quantities, sequence numbers, dates of checks written and signed, and the sequence numbers of checks canceled, voided, or for any other reason not issued;
3. Procedures for managing unexplained variations in check controls and an inquiry process for resolving such discrepancies; and
4. Policy for safekeeping of blank checks.

## 7.2 Check Processing

### Transmittal of Checks

When checks are transmitted from one processing point to another, they must be accompanied by a transmittal sheet. An explanation must be provided for each missing check number (e.g., a check not received from the printer, canceled, or voided). The original of the document shall be forwarded to the business office.

If any discrepancies are noted, the responsible person must make an immediate investigation and inform the Business Manager at the college or University Treasurer at the central office.

### Check Signing Controls

Checks must be signed manually by an authorized signatory or by an authorized representative of the signatory using the appropriate mechanism (e.g., magnetic ink, printers, check signatory plates). Such mechanisms must be secured at all times.

Checks equal to or exceeding \$5,000 require dual signatures by approved signatories unless, in the case of a Related Entity, the corporation's board of directors has approved a lower threshold.

## 7.3 Management of Outstanding Checks

The colleges shall contact the vendor or payee for all checks that have been outstanding for six months. At that point, checks shall either be canceled or canceled and reissued.

### Stop Payments

A staff member of the business office shall be delegated responsibility for approval of all orders to stop a check after it has been issued. Colleges with the positive pay on the bank accounts do not have to issue stop payments since college can remove the check in question from the positive pay record.

### Voided Check

A voided check is a check written or partially written but then canceled or deleted by the college. The notation of "void" is used because checks are pre-numbered for control purposes and every check needs to be accounted for. Void check may require some adjustments when reconciling the bank statement.

### Canceled Check

A canceled check is a check that has cleared the depositor's bank account and has been marked as "canceled" by the bank. Both voided and canceled checks must be retained in accordance with the University Record Retention and Disposition Schedule.

#### 7.4 Storage of Paid Check Files, Voided, and Canceled Checks

Paid checks files and canceled check images received monthly with the bank statements must be kept, along with any voided and canceled checks, in locked storage until completion of the external audit for the year in which they were written. These checks shall be accessible only to designated staff.

The colleges are encouraged to utilize on-line data storage systems to electronically store checks and bank statements.

#### 8. ELECTRONIC FUND TRANSFERS (EFT)

To achieve faster processing, cost savings and more secure transactions than paper transfers including checks, colleges are strongly encouraged to receive and send funds electronically via ACH (Automated Clearing House) whenever possible. Because ACH transfers are conducted by the bank using batch processing, ACH transfers are far less expensive than wire transfers.

##### Segregation of Duties

Duties for vendor setup, initiating, reviewing, and approving EFT shall be segregated between two or more individuals. No single individual shall have the authority or opportunity to set up, initiate and approve payment into the accounting software or financial system. Colleges shall require a signed approval document for manually initiated electronic payments and shall apply dollar limits or additional approval for large payments.

For those electronic payments being made automatically by the accounting software, the access to create and edit a vendor must be segregated from the access to make a payment. Furthermore, the access to the vendor master file must be strictly restricted.

##### Office of Foreign Asset Control (OFAC)

EFT (ACH and wire instructions) will not be provided to countries on the Office of Foreign Asset Control (OFAC) sanctions list.

#### 9. UNCLAIMED AND UNCASHED CHECKS

##### 9.1 Unclaimed/Uncashed Student Tuition Refunds and Credit Balances

Unclaimed/uncashed student tuition refunds and credit balances shall be held in a college bank account for a period of five (5) years, at which time the outstanding liability balance can be written off and be counted towards the college's revenue target. During the five-year period, annual attempts must be made to contact and return the funds to their rightful owner.

##### 9.2 Unclaimed Payroll and Vendor Checks

Colleges are required to return unclaimed payroll and vendor checks to the issuing agency (i.e. City or State of New York) after 90 days.

### 9.3 Other Unclaimed/Uncashed Checks

Colleges are required to follow the State of New York's Abandoned Property Law for proper handling of unclaimed/uncashed checks related to non-student liabilities, which is summarized below.

- The period for negotiating checks drawn from bank accounts for any funds is six months. Unpaid checks that remain dormant for three years from the date of issuance period are considered abandoned property by the State.
- After the three years period has elapsed, unclaimed check amounts shall be paid to the Office of the State Comptroller (OSC) for deposit in the abandoned property fund, except for a check for federal funds, in which case the check shall be returned to the federal agency that provided the funds.
- Notification must be given to the payee of such funds no less than ninety (90) days before reporting such amounts as abandoned property to OSC. In addition, a second notice, by certified mail, is required sixty (60) days prior to the transfer if the amount exceeds \$1,000.
- Notification is not required for checks less than \$20.
- Once these funds are transferred to OSC, the University or Related Entity is no longer liable for payment and subsequent claims of unpaid funds must be directed to OSC.

### 9.4 Re-Issuance of Checks

Colleges are required to place a written stop payment on un-cashed checks after six months, and to re-issue those checks in accordance with applicable federal, New York State, and New York City law and CUNY and Related Entity policies, including those relating to Accounts Payable, Payroll, or Student Financial Aid, or return the funds back to the appropriate program(s).

## 10. BANK ACCOUNT RECONCILIATION

### 10.1 Purpose of a Bank Reconciliation

Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud and accounting errors. The bank reconciliation ensures that all transactions that have been processed by a bank have been reviewed and checked, thus reducing the probability of errors in the data used to record book balances. Bank reconciliations also assist in ensuring that all payments and receipts have been applied to a bank account and have also been recorded in the accounting records. Any differences shall be identified, explained, and rectified.

### 10.2 Segregation of Duties over Bank Reconciliations

The reconciliation function requires segregation of duties. In that regard, the person who performs the bank reconciliations shall not also have access to the recording of transactions in the accounting system or the processing of cash disbursements or receipts. Any differences

identified between the accounting records and the bank statements shall be adjusted by a person other than the one performing the reconciliation.

The bank reconciliation must be reviewed, signed and dated by both the preparer and the reviewer/approver. The preparer and reviewer shall not be the same individual. The College must maintain supporting documentation with all reconciliations in accordance with the University's record retention policy.

#### 10.3 Bank Reconciliation Requirement

A comprehensive reconciliation of all bank accounts must be performed, at a minimum, on a monthly basis. New York State designated bank accounts such as the Imprest accounts must be reconciled within 5 business days of the month end, while all other college accounts must be reconciled within 15 business days of the month end. Colleges are encouraged to obtain bank statements electronically.

#### 10.4 Central Office Review

All college bank reconciliations must be sent to the Office of the University Controller (OUC) for review in the frequency and timeframe communicated by OUC directly to each college.

### 11. INTERNAL CONTROLS

Internal controls such as supervisory oversight and review, transaction monitoring, systems-access control, reconciliations, and employee training must be maintained at all times and adjusted as conditions change. Duties for receiving, recording, depositing, disbursing, and reconciling monies must be segregated between two or more individuals. No single individual shall be in a position that allows the individual to both receive money and record the payment into the financial system, and no single individual shall be responsible for initiating a payment transaction and serving as the sole signatory for the disbursement of monies. When the size of a department or a Related Entity's Business Office does not allow for proper segregation of duties between two or more individuals, then the University's Office of Internal Audit will provide assistance in the establishment of compensating internal controls such as increased monitoring. These compensating controls shall be documented in writing and approved by the college's Vice President of Finance, University's Deputy Chief Financial Officer and Director of Internal Audit.

The Vice President for Finance and Administration, as well as the Business Manager (at each college) and the Deputy Chief Financial Officer (at the Central Office) are responsible for ensuring that different individuals perform the following responsibilities:

- Check preparation, check signing, payables ledger reconciliation, check distribution, and bank statement reconciliation;

- Check endorsement, receivables ledger reconciliation, deposit slip preparation, and bank statement reconciliation;
- Establishment and oversight of physical controls over cash and other monetary instruments; and
- Access to physical cash/check storage and control over access-prevention security mechanisms; and
- Accounting software vendor setup, EFT setup, EFT review, and EFT approval.

12. RECORDS RETENTION

Colleges shall follow the University's Records Retention and Disposition Schedule with respect to the maintenance of cash and banking records.

13. CASH CERTIFICATION/ACKNOWLEDGEMENT

Each individual employed at the college or central office who is in any way involved in the chain of custody of cash (e.g. collection, safeguarding, deposit, accounting or disbursement) shall be accountable and acknowledge their understanding by signing the following documents:

1. CUNY Cash Accountability Policy Attestation (see Appendix A).
2. College Bursar/Cashiering Procedure Attestation (applicable to Bursar Staff)
3. Individual Staff Roles and Responsibilities Attestation (certification of job description)

Upon the effective date of this policy, the college Business Manager or the University Treasurer is responsible for ensuring that all relevant staff and any new staff sign the forms and maintain a record of the attestation.

14. EXCEPTIONS AND ALTERNATIVE PROCEDURES

Any deviation or alternative procedures to this policy shall be documented in a writing that is approved by both the Vice President of Finance/Administration at the college and the University's Deputy Chief Financial Officer, and maintained in the files. Such deviation or alternative procedures shall be revisited and reconsidered on an annual basis.

15. EFFECTIVE DATE AND TRANSITION

This policy is effective beginning on January 1, 2018 and supersedes all earlier policies related to cash accountability issued by the University Office of Budget and Finance or its departments. Due to the comprehensiveness of this policy, colleges will have until June 30, 2018 to fully adopt all the provisions in the policy and/or apply for any exception or alternative procedures, as described above. Changes adopted to conform to this policy should be applied as of that date.

16. UPDATE AND PERIODIC REVIEW

The University Office of Budget and Finance is responsible for the periodic review and recommendation of changes to this Policy, as well as for ensuring that all appropriate parties are informed of it.

17. RELATED INFORMATION

CUNY Banking Policy: <http://www.cuny.edu/bankingpolicy>

CUNY Petty Cash Policy: <http://www.cuny.edu/pettycashpolicy>

NYS Unclaimed Property: <http://www.osc.state.ny.us/ouf/index.htm>

OFAC Sanction List: <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

18. Appendix A - Cash Accountability Certification Form.

(BTM, 2017,12-04,3,C)