

OHIO AUDITOR OF STATE KEITH FABER



Auditor of State Bulletin 2020-006

DATE ISSUED: October 15, 2020

TO: School Districts (Athletic Department)
Agricultural Societies (Ohio Fair Board Managers)

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Cash Collections – Best Practices

Bulletin Purpose

This bulletin will provide general background related to the importance of good internal controls, policies, and procedures related to cash collections and deposit requirements, as well as specific guidance related to implementing and managing these controls for school district athletic events and agricultural society events.

Implementation Date

Upon Issuance

General Information

Internal controls, policies, and procedures related to cash collections and deposits are of utmost importance to maintaining the integrity of the public trust and providing the best stewardship of public dollars that are entrusted to local governments/entities. Specifically, local governments/entities are subject to audit requirements set forth by legislation, and conducted/contracted by the Auditor of State of Ohio. As such, these internal controls, policies, and procedures are subject to financial reporting and audit procedures.

In addition to audit implications, internal controls and procedures over cash collections impact all aspects of financial management. The Government Finance Officers Association's (GFOA) Best Practice – Revenue Control Policy recommends governments establish a revenue control and management policy that is annually reviewed and customized for the public office. In developing the policy, the GFOA recommends considering internal controls over cash receipting

such as: segregation of duties, daily processing and timely deposit of receipts (ideally within 24 hours of receipt), and physical security procedures. Accordingly, local governments/entities have a responsibility to establish and implement policies that incorporate control procedures for over-the-counter cash collections.

Best Practices – Cash Collections and Deposits

Policies/Procedures – All local governments/entities should establish policies related to cash collections and deposits, shall follow guidance from [Ohio Revised Code Section 9.38](#) and may seek guidance from a financial institution in establishing such policies. Policies for depositing cash must be approved by the governing board, and most importantly, should include provisions for safeguarding of the cash until it can be deposited with the fiscal officer and/or financial institution or bank. In addition, the fiscal officer should maintain specific procedures governing those processes, and the policies and procedures should be observed by all those collecting and depositing cash on behalf of the local government/entity. Refer to Appendix A and Appendix B for sample policies.

Training and Bonding Considerations – It is highly recommended that all individuals tasked with cash collections and deposits be provided training, specific to the policies and procedures of the local government/entity, in advance of performing the duties. All individuals handling cash, including volunteers, athletic directors and secretaries, should be appropriately bonded and/or insured as provided by the policies of the local government/entity. Fiscal officers may obtain the appropriate bond/insurance from their insurance carrier.

Segregation of Duties – There should be a strong emphasis on segregation of duties, as it is vital to the control process. Segregation of duties is the process in which management divides or segregates key duties and responsibilities among different employees to reduce the risk of error, misuse, or fraud. To put it simply, no one employee should handle every aspect of a transaction. Assigning different people to count cash receipts and reconcile the counts prior to deposit is an example of segregation of duties over cash collections.

Point-of-Sale Cash Collection – Cash Drawer – Over-the-counter receipts typically involve the use of a cash drawer, which may have an allotted amount of “start-up” cash for employees to manually make change for customers. This process is at risk of human error; therefore, overages and shortages in the cash drawer may occur.

“Start-up” cash generally requires withdrawing cash from the bank. The policies and procedures should address who is responsible for cash bank withdrawals and documentation to be maintained, as well as the process to deposit cash at the end of the event. In the case of events requiring large amounts of “start-up” cash, it is recommended, at the conclusion of the event, a separate deposit be made for re-deposit of the “start-up” cash.

There should be a reconciliation procedure for the cash drawer that, at a minimum, provides the totals of the “start-up” cash and collections from sales (refer to the “Ticket Sales Cash

Collections” section below), should balance to the amount in the drawer, and should provide documentation of shortages or overages (refer to the “Cash Collections – Reconciliation” section below).

Expenses/Denomination Exchanges – Employees should not utilize the cash drawer for any reason other than collecting sales receipts. Examples of inappropriate uses are paying expenses, such as paying officials, paying premiums to exhibitors, or purchasing supplies. Policies should include procedures for paying expenses with a pre-authorized amount set aside, which may be in the form of a check or from a petty cash account.

If the cash drawer needs smaller denominations of cash to make change, policies should address the procedures to conduct a denomination exchange, which should involve more than one person counting and witnessing the exchange.

Example: When a cashier’s number of five dollar bills is low:

- A request should be made to the office/secure cash location personnel for a denomination exchange;
- The office/secure cash location personnel should send an employee to the cash collection point with two hundred dollars in five dollar bills;
- The office/secure cash location personnel should maintain a log of the date, time, denomination, and amount taken to the gate with the signature of the employee transporting the money;
- The employee should return to the office/secure cash location in a timely manner with two hundred dollars in large bills; and
- A separate office/secure cash location employee should count the cash, and both employees should sign the log, verifying the two hundred dollars has been returned (refer to the “Segregation of Duties” section above).

Ticket Sales Cash Collections – Distinctly colored and pre-numbered tickets are recommended for each type of admission sold as ticket prices are often based on classification of the entrant (i.e., adults, students, senior citizens, etc.). If only one pre-numbered ticket roll is used for multiple ticket rates, ticket takers should track each ticket sale to support the cash reconciliation at the end of the event. At the end of the event, a reconciliation of tickets sold to cash should be performed and the reconciliation, cash to be deposited, and unsold tickets should be returned to the fiscal officer or designee to be safeguarded. Unsold tickets should be inventoried periodically. The following two scenarios are examples to support appropriate documentation of ticket sales:

Scenario 1 – The reconciliation form (described below) includes the first ticket (not sold) and the last ticket (not sold). For example, there are pre-numbered tickets 1–500, and 125 tickets are sold. Ticket #1 and ticket #127 should be attached to the reconciliation to confirm that tickets 2–126 were sold, for a total of 125 tickets.

Scenario 2 – The reconciliation form (described below) should have the first and last ticket numbers sold documented. For example, there are pre-numbered tickets 1–500, and 125 tickets are sold. The reconciliation form should reflect the beginning ticket number (1) through ending ticket number (125) to reflect that 125 tickets were sold, and upon submission of the reconciliation, the fiscal officer or designee should confirm that ticket number 126 remains on the ticket roll of unsold tickets.

Entrants that are not required to purchase a ticket at the gate should also be documented on the reconciliation form. Examples include: season ticket holders, complimentary ticket holders and children under an age requiring a ticket. These type of entrants should be documented on a separate form, such as a pass-holder list and/or sign-in form, and documented on the reconciliation, in order to track total entrants.

Cash Collections – Reconciliation – A reconciliation form is used to document the information that supports the amount of cash collected and the cash deposited into the bank account. The information each local government/entity requires on the reconciliation form will vary; however, the reconciliation form should record enough information to support the total of each type of ticket sold, total cash collected, and total cash to be deposited. The reconciliation form should be signed by all parties counting/receiving the cash to be submitted to the fiscal officer (refer to the “Segregation of Duties” section above).

At a minimum, reconciliation procedures and deposits must be performed at the conclusion of the event for each point of collection. For larger and/or multi-day events, reconciliation procedures may be performed multiple times during the day in order to safeguard cash and to prevent large amounts of cash held at each location. These “cash out” reconciliations may occur with a new cash drawer provided for the location and a reconciliation of the current drawer collected. The board policy may include additional details related to requirements of the frequency of the “cash out” reconciliations and deposits. Once the reconciliations are completed, deposits should be prepared (refer to the “Cash Collections – Deposits” section below). Refer to Appendix C for a sample reconciliation form.

Cash Collections – Deposits – The deposit of all cash collections should be in accordance with the board policies and procedures. In the absence of a policy, deposits must be made in accordance with ORC section 9.38 (refer to the “Policies and Procedures” section above). There are various options for safeguarding and depositing of cash. Some options are:

Scenario 1 – The cash, completed deposit slip, and completed reconciliation form should be maintained in a safe or other secure location until the items can be turned over to the fiscal officer for deposit into the local government/entity’s bank account. The cash submitted for deposit should include the “start-up” cash (refer to the “Cash Drawer” section above) as well as cash receipts collected, as reflected on the reconciliation.

Scenario 2 – The local government/entity may have a drop box location where individuals charged with the responsibility of safeguarding the cash may deposit a secured, locked bag at the conclusion of the event. A fiscal office employee should retrieve the locked bag from the lock box on the business day following the event. The employee should take the locked bag to the bank and open the bag in the presence of a bank teller. The employee and teller should count the cash and verify the amount agrees to the deposit slip. The employee should retain the reconciliation form and a copy of the deposit slip.

Scenario 3 – The local government/entity may use high security deposit bags that are sealed with tamper evident closures once the cash, reconciliation form, deposit slips, and any other documentation are placed inside the bag. The bag seal should not be broken until the deposit is made with the bank. Entities that choose to use high security bags may have policies in place that would permit an employee to make the deposit directly with the bank rather than having the employee deposit the bag with the treasurer's office first.

At the conclusion of the event, a deposit slip should be prepared that balances with the signed reconciliation forms addressed above. All cash should be deposited in accordance with the policy, and the documentation related to shortages or overages should be reviewed and maintained for audit purposes. All documentation related to the deposit and reconciliations should be submitted to the fiscal officer to be reviewed and maintained for audit. The fiscal officer should then post the receipt to the accounting system. The deposit documentation should be traced by the fiscal officer to the bank statement when performing the monthly bank reconciliation. Specific guidance for school districts and agricultural society accounting are as follows:

For school districts, the posting should be in accordance with the [Uniform School Accounting System \(USAS\)](#), with athletic receipts either posted to fund 300 for regular season activities or fund 022 for OHSAA Tournament Activities. OHSAA Tournament activity is also addressed in [Auditor of State Bulletin 2013-005](#).

For agricultural societies, the posting should be in accordance with the [Uniform Agricultural Societies Accounting System](#), using the chart of accounts provided for the specific receipt type.

Additional Fiscal Office Procedures/Considerations

Event Schedules – The fiscal office should maintain a listing of all events, including canceled or rescheduled events, and the number of gates/cash collection points for each event. The fiscal office should ensure a deposit is received for each event and/or individual gate in order to account for all collection points.

Fee Schedule – The fiscal office should ensure the governing board adopts fee schedules for all events since fees may vary by ticket type or event type. Board approved ticket prices should be clearly documented or attached to the reconciliation form prior to the start of the event and provided to the individuals working at the point of collection.

Season Passes – Season passes should be pre-numbered, and records should be maintained regarding sold passes. Unsold passes should be safeguarded and inventoried periodically. The fiscal office should perform a reconciliation of sold passes to deposits to ensure completeness.

Outside Organizations – If outside organizations or groups perform duties involving cash collections on behalf of the local government/entity, the procedures and controls outlined in the established policies must be provided and agreed upon by these organizations/groups. All non-employees must be appropriately bonded or insured by the local government/entity's insurance provider.

Specific to athletic ticket sales, additional considerations for district managed student activity programs are further addressed in the [Auditor of State's Guidelines for Student Activity Programs](#)

Specific to agricultural societies, additional considerations related to gambling, wagering, horse-racing, and junior fair board activities are further addressed in the [Fair "Redbook"](#) published by the Ohio Department of Agriculture.

Questions

If you have any questions regarding the information presented in the Bulletin, please contact the Center for Audit Excellence at the Auditor of State's Office at (800) 282-0370.



Keith Faber
Ohio Auditor of State

Appendix A – SAMPLE AGRICULTURAL SOCIETY POLICY

DEPOSIT OF PUBLIC FUNDS: CASH COLLECTION POINTS

Monies received at cash collection points must be deposited with the Fiscal Officer in accordance with this policy. Cash collection points are any areas where money flows into the Society. Agricultural societies shall deposit all cash receipts into a society-owned bank account.

A multi-part pre-numbered receipt should be completed for each cash receipt, except for ticket sales. A copy of the receipt shall be given to the person or organization making the payment. The society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt (e.g., camping contract).

At the end of Fair week, any start-up cash withdrawals shall be deposited in the bank separately from other receipts. The Fiscal Officer shall verify all start-up cash is redeposited with the bank at completion of the event.

All receipts, including ticket sales, shall be deposited in the bank no later than the day following the date of receipt, unless both of the following conditions apply:

- a. Total amount of un-deposited cash receipts is less than \$1,000, and
- b. As permitted by the society's board of directors' policy, the receipts may be held for up to three days following the date of receipt if established safeguard procedures are in place prior to deposit.

During periods of greater activity, such as the period around fair week, cash should be deposited several times per day, and significant deposits at the end of the day should be deposited in the bank's night depository and not left overnight on the fairgrounds.

Persons who receive money at cash collection points are responsible for its safekeeping until the money is deposited. The money should be secured in a locked desk, file cabinet, safe or other secure room, and it should not be taken home. The Fiscal Officer is directed to develop, distribute, and implement procedures addressing the provision of receipts (where applicable) to the payee(s), and proper segregation of duties for the receipting, depositing, recording, and reporting of cash. These procedures should be particularized to each cash collection point and should include flowcharts as appropriate. The procedures should further address the need for completion of timely bank reconciliations so that "unreconciled differences" can be identified and resolved.

Appendix B - SAMPLE SCHOOL DISTRICT POLICY

DEPOSIT OF PUBLIC FUNDS: CASH COLLECTION POINTS

Monies received at cash collection points must be deposited with the Treasurer in accordance with this policy. Cash collection points are any areas where money flows into the District. Currently identified cash collection points are admission fees to athletic events, lunchroom sales, classroom fees, student activities/fundraisers, and miscellaneous money received by the Treasurer's Office.

Persons who receive monies at cash collection points in the District are required to deposit all monies received on the next business day after the day of receipt, if the total amount of monies exceeds \$1,000. If the monies received do not exceed \$1,000, the person shall deposit such monies not more than three business days following the day of receipt.

Any start-up cash withdrawals for athletic events, student activities/fundraisers, or other similar events shall be deposited in the bank separately from other receipts. The Treasurer is responsible for verifying all start-up cash is redeposited with the bank at completion of the event.

Persons who receive money at cash collection points are responsible for its safekeeping until the money is deposited. The money should be secured in a locked desk, file cabinet, safe or other secure room on school property, and it should not be taken home. The Treasurer is directed to develop, distribute, and implement procedures addressing the provision of receipts (where applicable) to the payee(s), and proper segregation of duties for the receipting, depositing, recording, and reporting of cash. These procedures should be particularized to each cash collection point and should include flowcharts as appropriate. The procedures should further address the need for completion of timely bank reconciliations so that "unreconciled differences" can be identified and resolved.

Legal R.C. 9.38

Appendix C

**ANY LOCAL GOVERNMENT
 TICKET RECONCILIATION FORM**

Name of Event _____

Date of Event _____

Gate Number / _____

Location of Gate _____ Beginning Drawer Balance _____

Adult Ticket: *Price _____ Color _____ ** Beginning Sequence Number _____

Child Ticket: *Price _____ Color _____ ** Beginning Sequence Number _____

Other Ticket: *Price _____ Color _____ ** Beginning Sequence Number _____

*The Fiscal Office or a designated employee (other than the cashier) should document the Governing Board approved ticket prices on the reconciliation form prior to the start of the event or attach a copy of the approved fee schedule.

** The Fiscal office or a designated employee (other than the cashier) should verify the ticket inventory by insuring the beginning ticket sequence number is the ticket number immediately following the ending ticket number from the previous ticket sold from the ticket roll.

	Beginning	Ending	Total	Price	Total
Adult Ticket:	Sequence Number _____	through _____	= _____	@ _____	= \$ _____

Student Ticket:	Sequence Number _____	through _____	= _____	@ _____	= \$ _____
-----------------	-----------------------	---------------	---------	---------	------------

Other Ticket:	Sequence Number _____	through _____	= _____	@ _____	= \$ _____
---------------	-----------------------	---------------	---------	---------	------------

Total Expected Sales \$ _____

Total Cash in Drawer _____

Less: Beginning Drawer Balance \$ _____

Total Cash to be Deposited \$ _____

Total Expected Sales should agree to Total Cash to be Deposited.

List the total of any overages or shortages and describe below \$ _____

Explanation for Overages/Shortages (differences between total expected sales and total cash to be deposited): _____

 Cashier Signature/Date

 Witness Signature/Date

 Manager Signature/Date

 Fiscal Office Signature/Date