

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

CHAPTER 8. INTERNAL CONTROLS FOR CASH MANAGEMENTSection 1.0 General

This chapter examines the requirements, responsibilities, standards, and objectives for internal control. Implementing internal controls is important in the area of cash management because of the diverse nature of the processes involved, i.e., billings, collections, deposits, and disbursement processes, as well as the fragmented oversight responsibilities generally associated with these processes. Some of the other major factors which impose a need for a consistent application of sound internal controls are:

- a. The prevalence of a high turnover rate of operating personnel and supervisors in cash management functions;
- b. The assignment of cash handling responsibilities to personnel with limited fiscal experience or understanding;
- c. The fragmentation of billing and cash handling functions which makes monitoring the whole process difficult; and
- d. The inherent risk of loss, or opportunity for personal gain, created by the nature of cash transactions.

Section 2.0 Policy

It is the policy of the Department of Commerce to implement internal control in the area of cash management to minimize the cost of the use of money to the U.S. Government. Organization unit's accounting and administrative controls must also provide reasonable assurance that all Federal assets, including funds, are safeguarded against waste, loss, unauthorized use, or missappropriation. While the need for internal controls may seem burdensome or restrictive, their value should be obvious. It is

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the responsibility of financial managers to interpret the value of internal controls for other managers and employees. They should also assist in establishing internal controls that may need to be tailored to specific situations.

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However, the costs and benefits of proposed controls for unusual situations should be carefully evaluated and the costs should not normally exceed the benefits likely to be derived. On the other hand, such evaluations should not be mistakenly used as a justification for relaxing controls, or accepting an increased risk of loss to the Federal Government, based strictly on cost.

Section 3.0 Authority

In addition to this chapter the following laws, regulations, and guidelines are relevant to the organization unit's system of internal control.

- a. [The Federal Managers' Financial Integrity Act of 1982 \(P.L. 97-255\)](#) addresses cash management controls in the Federal Government and amends Section 113 of the Accounting and Auditing Act of 1950 ([31 U.S.C. Sec. 3512](#));
- b. [General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies](#), Title 2, Accounting;
- c. [OMB Circular A-123, "Internal Control Systems;"](#) and
- d. [DAO 216-15, "Internal Management Control Systems."](#)

Further guidance is also provided in the Department's [Accounting Principles and Standards Handbook, Chapter 6, Internal Controls](#).

Section 4.0 Responsibilities

Internal controls over cash management are needed at all levels of the organization that handle cash and/or cash equivalents, i.e., coupons, credit card slips, etc. Both program managers and financial managers are accountable for cash under their control.

However, the organization unit finance officers must provide guidance to all employees who have cash management responsibilities; he/she also bears ultimate responsibility for internal controls over cash collections, disbursements, and holdings which are accounted for by his/her operations.

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Therefore, responsibilities of cash management officers, cashiers, certifying officers, and other accountable officers to establish and maintain controls should be formally delegated by organization unit finance officers.

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Section 5.0 Internal Control Standards

Cash management internal controls represent an application of common sense and prudent conduct to the use and proper safeguarding of Government assets. Proper internal control mechanisms provide management with a reasonable assurance that intended safeguards are being practiced consistently. Therefore, the integrity of any cash management activity depends on the application of internal control principles and standards. The attainment of these principles and standards in the cash management area can be achieved by pursuing the following guidelines:

- a. The time-value-of-money shall be recognized as a part of each cash management decision.
- b. Cash related transactions shall occur only after the approval of an individual with delegated authority to make approvals.
- c. Cash related transactions shall be fully documented so that an undisputable audit trail exists.
- d. Cash related transactions shall be recorded promptly during each step of the cash handling function.
- e. Serially numbered forms shall be used to document cash related transactions to enhance reconciliation and accountability.
- f. Documents used in cash related transactions shall be safeguarded against re-use, tampering, or unauthorized disposal.
- g. Provisions shall be made for the the regular review and comparison of transaction documentation to detect errors and duplicate payments.
- h. The approval of adjustments to cash related transactions shall be administratively controlled.

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- i. Supervision of cash management activities shall be strictly and continually administered.
- j. Cash related duties, such as maintenance of accounts receivable, cashiering, accounting, disbursing, and collecting funds shall be segregated.
- k. Cash related accounts shall be frequently reviewed and reconciled with subsidiary records.

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- l. The accessibility to funds and fund records shall be restricted and administratively controlled.
- m. Only properly designated employees shall handle imprest funds, disbursement certifications, and collection duties.
- n. Employees assigned cash related duties shall be trained and must accept their responsibilities.
- o. Unnecessary clerical routines and handling of cash or cash related documentation shall be eliminated to lessen the risk of loss and exposure to errors.
- p. Electronic funds transfer and direct deposit shall be used where feasible and advantageous.
- q. Computer edit programs shall be used to the maximum extent possible to disclose or reduce the incidence of error in cash related transactions.
- r. Cash derived from collections and cash used for disbursements shall not be commingled.
- s. Cash transactions shall not be used to substitute, or circumvent, prescribed procurement approvals and procedures.
- t. Checks received in collections shall be endorsed upon receipt and collections shall be safeguarded until deposit is accomplished.
- u. Deposits shall be processed within prescribed intervals and reconciled against records of funds received.
- v. Prompt responses shall be made to reviews performed by the Office of Inspector General and the General Accounting Office on cash management activities to correct cited deficiencies.
- w. Cash disbursement transactions shall be processed

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promptly, and cash shall be reconciled daily.

- x. Cash held outside the Treasury shall be maintained at the minimum amount needed to cover current transactions.

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- y. Credit shall be extended only when authorized by a designated official who is aware of the Department's debt management policies.
- z. Approved price lists shall be published to ensure a control over income for goods and services.

This list of guidelines is by no means all-inclusive. Cash handling techniques and methods change as programs change and as new collection and disbursement technologies evolve over time. However, similar economically feasible standards should be established to fit these new collection and payment processes (see Section 6.0 of this Chapter).

Questions on applying internal controls in cash management should be submitted to the Director for Financial Management. For additional guidance on internal controls used in handling cash, refer to the table of contents to this Handbook.

Section 6.0 Substitutions of Credit Cards for Cash Transactions

Organization units shall use the BankCard for small purchases when economically feasible and will accept personal credit cards for collections--in lieu of cash or check--whenever possible. The use of the BankCard for small purchases not only reduces the administrative cost of the procurement transaction, but results in better cash management with resultant interest savings. Acceptance of personal credit cards reduces the cost of collection activity, lessens the loss or possible theft of cash collected, and generally results in faster deposits to the U.S. Treasury. (See [Appendix A](#) for details on the BankCard.)