

## SYSTEM REGULATION

### **21.01.02 Receipt, Custody, and Deposit of Revenues**

*February 5, 1997*

*Revised April 7, 2005*

***Supplements System Policy 21.01***

#### 1. REQUIREMENT

Each System component must maintain a full and true accounting of all funds collected, including identification of the sources of such funds. Accountability for such collections must be maintained from the origin of collection until final deposit in an approved depository bank or with the State Treasury.

#### 2. RECEIPTS

- 2.1 As a general rule, an official receipt must be written or entry made in the cash register for each remittance received by a department or unit in payment of invoices issued by a System component. For some operations, the component Chief Financial Officer (CFO) may implement alternative procedures for the purpose of reducing the volume of receipts issued or cash register entries made. Such an alternative record system must account for all invoices issued, collections, deposits, and unpaid balances.
- 2.2 Each receipt form must be prenumbered with sufficient copies to provide a copy to the payer, a copy to accompany funds remitted to the fiscal department cashier, and a copy to be filed in numerical sequence by the issuing department or unit. The component fiscal departments that perform cashiering functions must assign all receipt numbers, maintain a record of the receipts assigned to each department or unit and monitor the receipts used, including those voided.
- 2.3 Cash registers must be equipped to issue receipts, unless the CFO authorizes the department or unit, in writing, to follow alternative procedures. Each department or unit using cash registers must prepare a daily report, which compares collections with register readings, identifies overages and shortages and documents remittance of funds.
- 2.4 Admission tickets must be prenumbered and must be accounted for by a report to the fiscal department accompanying the remittance of collections. Each unissued admission ticket must be transferred to the fiscal department for disposal, except in those cases where the unissued ticket may be scheduled for use in a future performance. An inventory of the admission tickets on hand must be submitted to the fiscal department on August 31 of each year.
- 2.5 Each receipt for cash sales must be itemized to show the name of the purchaser, product or service, quantity, unit price (if applicable) and sales tax (if applicable),

total, and signature of person receiving payment. A student fee receipt, rental receipt or other specialized receipt form must also be fully itemized. Cash sales entered in cash registers and admission tickets sales are exempt from this requirement.

### 3. CUSTODY

- 3.1 For the purpose of defining cash control procedures, working funds must be classified as: (1) large funds requiring the use of a vault; (2) departmental working funds, usually reasonable or nominal amounts used in making change or refunds for cash sales; and (3) petty cash funds, generally small amounts used to pay for items or incidental expenditures that cannot be handled expeditiously through regular disbursement procedures.
- 3.2 Each department or unit must provide an adequate and proper facility for securing funds. The component fiscal department must advise the departments on appropriate facilities for such protection.
- 3.3 A designated individual must be responsible for cash funds held within a department. This individual must retain custody and control over the cash funds for which he or she is responsible at all times. The department or unit must assign secondary responsibility to another designated individual in the department or unit when the regular custodian is absent. In the case of departmental funds, the department head should be assigned the secondary responsibility.
- 3.4 In the case of large funds handled out of a vault, the primary designee should normally be the only person to enter the vault. In the absence of the primary designee, the employee with the secondary responsibility must perform that function. Should it become necessary for a third person to do so, that person should always be accompanied by a person authorized by the component CFO.
- 3.5 Lock combinations and custody of keys must be maintained by one person. Combinations and keys must always be kept "on the person," and never stored in a desk drawer or other such place, except that for funds less than \$100, keys may be stored in a desk drawer or other such place as long as access to the keys is limited to the people having primary and secondary responsibility for the fund.
- 3.6 For use in emergencies or absence of the custodian, copies of the combinations and keys must be put in a sealed envelope and stored by the department head, or designee, until needed. In no case should more than two persons have access to combinations or keys. Lock combinations and keys must be changed periodically and always when custody changes hands.
- 3.7 When one individual transfers custody of cash funds to another, the person receiving funds must execute an official receipt or document acknowledging the transfer. The most usual occurrence of this transfer is when department or unit personnel remits cash collections to fiscal department cashiers; however, intermediate steps in the

collection and deposit process would also be subject to this documentation requirement. The transfer of funds from the regular custodian to the secondary custodian must also be documented in this manner, including temporary transfer of custody of working funds, which may also be documented upon return of funds to the primary custodian.

- 3.8 If the funds are part of a cashiering function, the primary custodian may issue smaller amounts as needed and obtain a signature upon issuance and again when the funds are returned. In such cases, the component CFO may approve a slightly larger fund than is actually required for unit operations.
- 3.9 The procedures outlined provide the elements necessary for a workable, yet controlled, cash-handling environment. Exceptions to the procedures should be considered only for unique situations such as operations open on weekends or activities that are held away from headquarters, or where alternative security controls exist.
- 3.10 In order to be granted such an exception, the affected unit must present a written proposal outlining the desired procedures to the component CFO for approval. Such procedures must require written cash access authorization, and documented witnessing of cash counts and cash security by a second person. A copy of any approved alternative procedures should be on hand in the department at all times for verification and review by System or component auditors.

#### 4. TRANSMITTAL OF COLLECTIONS TO FISCAL DEPARTMENT

- 4.1 All fees and other charges collected, proceeds of cash sales, and proceeds from all other sources must normally be deposited daily to the applicable fiscal department. Each department or unit, which collects nominal amounts of local income, is exempt from this daily deposit requirement, but must make deposits whenever the amount on hand reaches \$200 and at least once every three business days regardless of the amount, so that the fiscal office may make deposits in the depository bank within seven (7) days of the original date of collection as required by Section 51.003, Texas Education Code. Each person transporting cash funds and negotiable securities (excluding restrictively endorsed checks and payroll checks) in excess of \$2,500 between offices or between an office and a depository bank must be accompanied by a security guard. The CFO may, at his or her discretion, provide a security guard to accompany a person transporting funds in lesser amounts.
- 4.2 The component CFO may authorize, in writing, other exceptions to the daily deposit requirement for local income upon presentation by a department or unit of sufficient justification for unusual circumstances preventing compliance.
- 4.3 Immediately upon receipt, checks must be endorsed "For Deposit." There is no authorization for any department or similar administrative unit to use the fees or other charges collected or the proceeds of cash sales for any purpose whatsoever other than for deposit in the fiscal department. This prohibition includes the cashing of personal

checks. Purchases shall not be offset against amounts due, except where commissions and similar fees are charged and deducted by the agent handling the sale of the product. In such cases supporting documentation showing the gross sales amount and all deductions must be submitted to the fiscal department with the remittance.

## 5. DEPOSITS WITH THE STATE TREASURY

- 5.1 Each System component must deposit in the State Treasury all cash receipts from all sources as required under state law. Funds not required to be deposited include those from auxiliary enterprises and noninstructional services, agency funds, restricted funds, endowment funds, student loan funds and proceeds of bond issues.
- 5.2 For the purpose of facilitating the transfer of receipts to the State Treasury, each fiscal department will establish bank accounts using the methods prescribed or authorized by Texas Education Code, Section 51.008 and the General Appropriations Act.
- 5.3 If a System component determines that for seasonal or other extraordinary reasons a deposit cannot be made by the seventh business day after the date of receipt, the component must provide written notice of the determination to the state auditor and treasurer with an explanation of the circumstances that require the delay.

## 6. DEPOSITS OF INSTITUTIONAL FUNDS

All System component cash receipts not required to be deposited in the State Treasury must be deposited in depository banks within seven days from date of collection.

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