

Ferris State University

BUSINESS POLICY

TO: All Members of the University Community 2010:12

DATE: March 2010

BILLING, RECEIPT HANDLING AND DEPOSITS POLICY

(Supersedes 2008:12)

I. POLICY

Students and other customers of Ferris State University (“University”) will be billed on time and in accordance with published schedules and contractual agreements. Effective internal controls are to be in place to assure that payments received are deposited in the University’s bank account and are accurately recorded in the accounts of the University’s financial reporting system.

II. SCOPE

Funds received by the University include State appropriations, tuition, room, board, other receipts resulting from billable charges, sales of goods and services, and gifts. These funds may be in the form of cash, paper check, cashier check, money order, account receivable check (ARC), point of purchase (POP) check, credit cards, financial aid, and electronic funds transfers received by University locations.

III. RESPONSIBILITIES

Employees in the departments authorized and responsible for receipt of such funds should, 1) adhere to this policy and its accompanying procedures, and 2) safeguard and accurately account for these assets while in their possession. All departments receiving funds will ensure operating procedures are written, outlining internal controls and safeguards over funds to include, but not limited to, the process used to track funds from initial receipt to final disposition. Refer to **Attachment A** for information on key internal controls.

The University Finance Office and the Business Office are responsible for 1) providing authorization to departments and employees for the handling of cash funds and related assets, 2) evaluating and approving all billing procedures, and 3) control of the funds and bank deposits.

All areas that accept credit/debit card payments such as Visa, MasterCard and Discover must comply with the Credit Card Processing and Security Business Policy Letter. This policy outlines requirements of the Payment Card Industry Security Standards.

IV. DEPARTMENTS – Controls and Procedures for Receipt Handling

A. Physical Control of Receipts

1. Checks must be made payable to Ferris State University but may also include the name of the University program or organizational unit if the check is mailed directly to the Business Office. If checks are to be received by mail, the senders should be notified in advance to make their checks payable as indicated above and to mail them to the attention of the department involved.
2. Upon receipt, all checks must immediately be restrictively endorsed by the department in ink (stamp or pen) with the words, “For Deposit Only – Ferris State University” and include the depositing department’s name and FSU account number (FOAP) on the back.
3. Checks inadvertently made payable to persons or departments must be immediately endorsed by the payee or department head, and then further restrictively endorsed (refer to Section IV. A.2) above and included in the deposit. If necessary, the payer should be contacted and advised that the payee name is incorrect and should request corrective action.
4. Check cashing privileges are available to students, faculty, and staff at the Timme Center for Student Services. Since this service is provided by the CSS, the following actions are prohibited in the departments.
 - a. Cashing personal checks out of the department’s cash receipts for any reason:
 - b. Use of department cash receipts or change funds for expenditures where a Purchase Order or Purchasing Card should be used.
 - c. Cash refunds may be made from the cash receipts drawer if the purchase was originally receipted for in cash and that the customer provides a receipt as proof of a cash purchase.
 - d. Refer to this policy, Section IV.A.12 for acceptance of a check where the amount is greater than the purchase amount.

5. Receipts must be safeguarded during operating hours and secured in a safe or locked file drawer or cabinet safe overnight.
6. Receipts must not be left unattended and should be concealed from the general public or any University employees that are not directly responsible for receipt handling activities.
7. Locked bags are to be used by the Department to secure cash, checks, and credit card receipts while they are being transported to the Business Office or bank for deposit. Locked bags may be obtained from the Business Office.
8. Departments must ensure that cash and checks are transported to the Business Office or the bank in accordance with the Depositing Frequency Schedule found in **Attachment B**. All funds received must be accumulated in a secure place and access restricted until deposited.
9. Credit card terminals must be closed out, and balanced daily and corresponding revenue totals recorded in their designated University accounts. A Departmental/Miscellaneous Form must be prepared (to include other receipts – cash and checks) and sent to the Business Office daily for each day's (terminal close-out) total credit card receipts in accordance with the Depositing Frequency Schedule.
10. Checks drawn on banks outside the continental United States should be made payable to Ferris State University in U.S. funds and payable through a U.S. Bank. (Note: Some foreign checks are accepted by the bank subject to collection. For example: a check drawn on a Nigerian bank is currently handled as a collection item.)
11. Any fees or exchange rate associated with a check drawn on a foreign bank will be charged back to the respective customer and/or department account.

12. At the discretion of the department, a payer's check may be accepted for an amount greater than the amount of the purchase, provided that the department applies a consistent written policy and procedure with appropriate limits over the amount of purchase in this regard and it has been provided to all affected employees.

B. Accounting for Billing and Receipts

1. Each department is responsible for accurately accounting for safeguarding and recording all funds received by them. The following internal controls must be in place.
 - a. Mail must be opened at least once each business day to account for all receipts. A check register or log of all cash, checks or credit card receipts must be prepared or recorded by an employee who does not have updated access to the accounting records. Upon receipt of any payment, immediate action should be taken to verify whether or not the payment relates to the department's operations. If the payment cannot be identified as belonging to the department, the unidentified payment and any related correspondence should be sent to the Finance Office for handling and disposition within 5 business days of receipt.
 - b. Accounts receivable credits must be recorded by entry: 1) to an account in the University's Billing / Receivable system or; 2) into the operation's subsidiary detail account. In both cases, the recording of the transaction should be completed by an employee who does not open the mail.
 - c. All receipts must be recorded in the University's financial system accounts, 1) by electronic transfer from the Billing / Receivable system, or 2) by direct entry in the Accounting Office through "uploads", or 3) by manual entry using a departmental /Miscellaneous Receipt/receipt memo form.
 - d. Sales invoices, cash register receipts or other supporting documents must be used to account for and record retail sales transactions in the University's Financial Accounting System. Retail sales must be controlled with a cash register or other point of sale terminal. Also, retail sales may be subject to State of Michigan Sales or Use taxes. Questions regarding Sales or Use taxes should be directed to the Finance Office.
 - e. Cash registers are to be located so that the customer can observe amounts being recorded for their

respective transaction. Areas without cash registers must supply a hand written receipt.

- f. Control totals from cash registers (e.g., machine tapes and printout) must be verified at least daily, to receipt totals by an employee that does not have access to receipts.
- g. Receipts must be delivered, in accordance to the Deposit Frequency Schedule (Attachment B), to the University's Business Office or designated bank (authority to make deposits directly at the bank must be granted by the Finance Office) by an employee who cannot update the detail accounting records.
- h. Deposit tickets should be reconciled and compared to supporting records, (e.g., cash and checks) and initialed by an employee who does not handle receipts or have updated access to accounts receivable records. A copy of register control tape will be added to the deposit slip and verified to daily totals.
- i. The departments must maintain all detailed documentation supporting all deposits, receipts and billings in accordance with the University's Records Management Policy and Retention Schedule. For accounting and reconciliation purposes, such records should be filed by date of deposit and maintained in an orderly manner. Departments may request that the Finance Office review their specific documentation requirements.

2. When the University's Billing / Receivable system is used:
 - a. For third party billing and accounting, receipt handling by departments will be eliminated since customer payments must be tendered at the Business Office.
 - b. Student or other billable activity payments must be directed to the Business Office (e.g., in person, mail or via the Web using electronic payment options such as e-check or valid credit card).
3. When receipts are made electronically into a University bank account, the billing department must notify Treasury Management (located in the Investment and Grants Office) of the amount and account number to receive credit and the name of the payer. The Treasury Management area will complete the receipting functions for any funds electronically deposited to University bank accounts with the exception of credit card activity.

V. DEPARTMENTS – Reconciliation and Accounting for Receipts.

- A. Department/Miscellaneous Receipt Form – A Departmental/Miscellaneous Receipt Form is to be prepared for cash, checks, and credit card receipts and transported to the Business Office.

For those departments with minimal receipt activity, contact the Business Office to obtain a supply of the Departmental/Miscellaneous Receipt forms. Departments with high receipt volume should contact the University Printing or Copy Center to request a supply of pre-printed Departmental/Miscellaneous Receipt forms. *For ease of processing, the pre-printed Departmental/Miscellaneous Receipt forms should include the department's account number.*

The Departmental/Miscellaneous Receipt form - must include the following information.

1. A description of the nature of the deposit, and/or the name of the payee or department, and the date of deposit (prescribed date format: (dd-mm-yy) for accounting, reconciliation and audit trial purposes. This description is for the department's use and reference, which will appear in the Financial Accounting System on-line transaction detail record. The current Financial Accounting System limits the description to 20 characters including spaces. Abbreviations for the description field of this form may be used.
2. A FOAP (account number) including fund, organization, account and program and the dollar amount to be recorded. If there is more than one FOAP, a total of the two or more amounts are required on the form.
3. A total of all receipts (listed separately as cash, check and credit cards). This accounting total should be reconciled to the information taken from the bank deposit amount (e.g., cash and checks) and credit cards sales total (e.g., print-outs or tapes).
4. The preparer's signature and date showing when the Departmental/Miscellaneous Receipt form was prepared.
5. The approver's signature and date approved to confirm and verify Department/Miscellaneous receipt form, supporting documents and total receipt/deposit amount.

6. Upon receipt of the validated Departmental/Miscellaneous receipts from the Business Office, all departments are to ensure that the amount is properly recorded in the designated account. The validated Departmental/Miscellaneous receipt is to be attached to the daily deposit and receipt activity for audit purposes.
- B. Deposit Slip – If daily receipt volume is high, the Business Office personnel may ask some departments to complete a bank deposit slip. The bank deposit slip form must have following information.
1. For each check, the payer's name and amount. If the department's daily deposit include 10 or more checks, then an adding machine tape with each check amount listed is acceptable. Then the grand total of checks is listed on the deposit slip.
 2. The amount of currency and coin.
 3. The credit card batch summary. The credit card activity will not be included in the deposit, but will be used to prepare the daily Departmental/Miscellaneous Receipt form as indicated above.
 4. The department name, the date, and the total of the deposit (includes cash and checks only).
 5. All University departments should prepare three (3) separate adding machine tapes showing a total for each payment type (e.g., check, currency/coin and credit card slips). All adding machine tapes are to be included as support for the deposit, daily receipts and maintained for audit purposes.
 6. Bank deposit tickets are supplied to departments by the Business Office.

VI. BUSINESS OFFICE – Controls and Procedures

- A. Physical Control of Receipts – Deposits with a properly prepared Departmental/Miscellaneous Receipt form may be:
1. Transported in locked bag to the Business Office located in the Timme Center for Student Services in accordance with scheduled office hours.
 2. Presented to a Public Safety Officer for transporting and deposit directly at a University depository bank.

3. Left with a Student Service Representative to be processed. A validated copy(s) of the Departmental/Miscellaneous Receipt form and bag will be ready for pick up as time permits, when the department representative cannot wait for processing. The key for the miscellaneous machine should be kept in a different secure location than in the machine.

B. Physical Control of Accounts Receivable Checks (ARC)

1. ARC checks processed must be stamped as such and locked in a secure area in the Business Office for a maximum of 14 days.
2. In accordance with NACHA regulations, after 14 days, ARC checks must be shredded by Business Office personnel.

C. Reconciliation and Accounting for Receipts

1. All University departments will retain a copy of the bank deposit slip with supporting documents for each deposit that is transported directly to the University depository bank.
2. On a daily basis, the Business Office and/or other designated departments will forward the original Departmental/Miscellaneous Receipt forms to the Accounting Office for recording in the designated University account.
3. All receipts with overages or shortages of \$50.00 or representing an unusual or reconciling problem must be investigated immediately by the Business Office and reported to the Accounting office.
4. All corrections to amounts (increase or decrease) made by the Business Office on a Departmental/Miscellaneous Receipt form should be lined through (a single line) and the correct amount recorded next to the incorrect amount. The date and initials of the employee making the change should be included on the Departmental/Miscellaneous Receipt form.

VII. ACCOUNTING OFFICE – Controls and Procedures for Receipt Handling

- A. All deposits in the University's Accounting System accounts use the Departmental/Miscellaneous Receipt Form/receipt memo as the source document. The original copy of all Departmental Receipt forms is maintained by the Accounting office.
- B. Other receipts are recorded in University's Accounting System through a feed from the Billing / Receivables detailed accounting system, automated upload and other departmental controlled subsidiary systems.

VIII. ADVANCEMENT OFFICE – Cash and In-Kinds Gifts

- A. Funds and in-kind gifts are solicited and received by authorized University officers, faculty, staff and employees. All funds and in-kind gifts received by authorized representatives of the University are to be forwarded to the University Advancement Office for processing, recording and acknowledgement as prescribed in the Advancement Office Policy and Procedures.
- B. The University Advancement Office is responsible for maintaining detailed records of funds and in-kind gifts donated to the University. These records must be reconciled monthly to the University's Accounting System accounts.
- C. The Advancement Office after recording, all receipts (e.g., cash, checks, credit cards, ect.) received through this process, must be-forwarded to the Business Office using the Departmental/Miscellaneous Receipt form and prescribed procedures (refer to Section V.A.1 6 above.)
- D. For gifts of securities (stocks, bonds, ect.), refer to the University Stock and Gift procedure.

IX. RELATED POLICIES, PROCEDURES and RELEVANT LINKS

- Cash Management Policy
- University Development Policies
- Attachment A — Key Internal Controls
- Attachment B — Depositing Frequency Schedule

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Attachment A

INTERNAL CONTROLS – Cash, Receipt Handling and Deposit Processing

I. **DEFINITION** - Internal controls are processes that help safeguard University assets and provide reasonable assurance regarding the achievement of objectives such as:

- A. Reliability of financial recording and reporting;
- B. Compliance with applicable laws and regulations.

II. KEY INTERNAL CONTROL ACTIVITIES INCLUDE:

A. **Segregation of Duties** - Duties are divided or segregated, among different people to reduce the risk of error or inappropriate actions. For example, the duties listed below should be separated:

- 1. Receiving cash, checks, credit card payments, electronic transfers and other similar assets;
- 2. Recording of transactions in designated accounting system;
- 3. Preparing and review of the bank deposits;
- 4. Reconciling the bank deposits to the cash register totals, daily receipts, supporting documents and accounting systems.

It is important to implement restrictions to ensure that employees who physically control receipts do not have the capabilities for approve or updating the designated accounting and reporting system (e.g., financial, student or other University sub-systems).

B. **Authorization and Approval** - Transactions should be authorized and approved to help ensure the activity is consistent with the University or departmental goals and objectives. Individuals approving transactions should have the authority to do so (e.g., a responsible person listed on the account) and the sufficient knowledge to make informed decisions.

C. **Reconciliation and Review** - Reconciliation involves comparing transactions or activity to recorded data and to other sources to help ensure that the information accuracy and completeness of revenue and expense activity throughout the cash, receipt handling and depositing process. Required signatures and date should be included on supporting documents to confirm verification and reconciliation.

D. **Physical Security and Safeguarding of Funds** - Equipment, inventories, cash, checks and other assets should be secured physically and periodically counted and compared with amounts shown on control records. Examples of security measures that should be implemented include:

- Providing a safe or secure storage for cash and similar assets such as fireproof safes, locked drawers, bags or file cabinets;
 - o Restricting unauthorized employees from access to cash and similar assets;
 - o Locating cash registers so that the customer can observe amounts being recorded for their respective transactions. Area without cash registers must supply a handwritten receipt.
 - o The college and department should employ appropriate hiring

procedures for employees whose job responsibilities include the key internal controls described above.

Attachment B Frequency of Deposits Schedule and Guidelines

Frequency of Deposits will be based on cumulative daily receipts (includes all cash, checks and credit card activity) on hand throughout the day. The following guidelines provide minimum standards, allowing the departments discretion to increase depositing frequency as needed:

Cumulative Daily Receipts	Minimum Frequency of Deposit
More than \$1,000	Next business day
\$500 to \$1,000	Within 3 business days
Less than \$500	Within 5 business days

OTHER REQUIREMENTS - Minimum Frequency of Deposits Timeframes:

- a. If a large portion of cumulative receipts on hand is comprised of cash (more than 10% of total cumulative receipts), deposits should be made more frequently than outlined above.
- b. If a single receipt for \$5,000 or more is received, every effort should be made to deposit this on the same business day.
- c. Public Safety provides a scheduled pickup for deposits which are transported to the designated University bank by Public Safety immediately after pickup. The Business Office schedules pickup dates and times as necessary through coordination with Public Safety. The scheduled pickup dates will occasionally conflict with the above guidelines.
- d. All departments with receipt handling responsibilities should develop a deposit schedule, based on the above guidelines to ensure cumulative daily receipts on hand are timely deposited and before the Accounting Office month ending closing schedule. For a copy of the Accounting office End of Month Closing Schedule, [CLICK HERE](#).

Checks which are held from deposit for more than two weeks and which are subsequently returned unpaid, WILL RESULT in the department being charged for the University's returned check service charge. *Any other exceptions to above depositing guidelines must be requested in writing, approved respective department or division head and must be endorsed by the Associate VP of Finance. Also, if departments are granted exceptions to the above depositing schedule, they will be subject to more frequent cash handling audit.*