

Tennessee Tech University Student Organizations

Internal Control Practices and Recommended Cash Management Procedures

Due to the number of risks that can lead to financial losses within student organizations, the Office of Internal Audit has compiled this guideline to assist your organization with the collection of cash and checks, and the disbursement of funds.

General Money Management:

Each organization should delegate an officer of the organization who is responsible for the collection and disbursement of funds and the maintenance of books and records. No funds should be distributed to the officers or members of an organization for personal profit or gain.

Student organizations should consider requiring two signatures on any check written from organizational accounts. Checks should never be pre-signed. An invoice or other appropriate documentation should always accompany a check request or cash disbursement.

In order to prevent embezzlement or theft, it is recommended that different officers or organizational leaders be responsible for receiving, depositing, recording, and reconciling the receipt of funds. The person taking the cash should not be the same person making and reconciling the deposit. This is known as Segregation or Separation of Duties. Be sure to record all transactions in an official check register or spreadsheet as they happen. Transactions include all deposits and all withdrawals from the account. More information will be discussed in the bank reconciliation section.

Always make sure that when officers and or signatory's change that the information at the bank is also changed.

Each time an organization has a fundraiser, ticket sales, charity events, dues collection or any activity for which money is taken, that organization must complete the Student Activities and Campus Life Request for Student Organization Fundraising Project form.

Cash Handling and Receipting:

Student Organizations intending to collect money should obtain the following:

- At least one locking cash deposit box
- Deposit bags for large types of money
- A change fund
- A receipt book
- A counterfeit marking pen
- A check endorsement stamp if needed.

Prior to the event, a plan for transportation of money to/from the location of the event should be developed, and anyone designated to handle the collection of funds (cash custodian) for the event should be approved by the officers. A collection process should be developed. These items should be considered in the process:

- Only one person per cash box

- Log every transaction in a receipt book
- Keep cash on hand at a minimum

If collecting checks:

- Be sure the name on the check matches the ID of the person writing the check. Please note that it is always good to check the identification of the person writing the check.
- Endorse the back of the check immediately with the check endorsement stamp or with “For Deposit Only”
- Keep a separate log or photocopy all checks collected
- Be sure the written amount on the check matches the number amount on the check
- Checks should not be cashed from the change fund

Reconciling and Transporting Deposits:

Student organizations should ensure that the amount of money being deposited is equal to the total of the items collected. The reconciliation process should include:

- Cash and checks in the cash box should equal to the amounts in the receipt book. Checks should also equal the amounts recorded on the check log
- At least one independent person not involved in the cash collection process should count the total cash collected prior to making any deposits
- Cash should be counted and reconciled in a secure location in front of the cash custodian
- The deposit slip should be prepared by the independent money counter
- Both individuals should initial the deposit slip
- Make your deposits as quickly as possible. Deposits should be made the day of the event if possible or the very next operational business day at the latest. If the deposit needs to be made the next business day, then the items should be secured in a locked drawer or safe in a locked room with limited access
- The deposit should be transported in a discrete manner. Do not use a non-see through bag unless contained within another non-see through bag
- Two or more individuals should travel in a group when making the deposit

Reconciling Bank Statements:

It is important to reconcile your bank account statements monthly to ensure that account balances are correct and to ensure you are aware of all expenditures and revenues. A monthly reconciliation also helps you identify any unusual transactions that might be caused by fraud or accounting errors.

At the end of the month your bank will either send a bank statement to the organization via mail or inform the designated organizational representative that the bank statement is available online. The bank statement itemizes all deposits made into the account as well as all the checks that have cleared. Other account activity might also be reflected such as servicing fees or fees for printing checks.

Usually a reconciliation form can be found on the back of the bank statement. This form is a simple tool you can use to complete the reconciliation and should be used to complete the reconciliation. This should be done for every account and every statement period.

Here are the basic three steps involved to balance your checkbook:

Step 1 – As mentioned earlier make sure that all deposits and withdrawals are recorded in the check register or spreadsheet as they happen. This will help make balancing and reconciling your checkbook easier. Review the bank statement and update the check register or spreadsheet as necessary for items that appear on the bank statement, but have not yet have been recorded in the check register or spreadsheet. Be sure to record any interest earned and check the bank statement for any fees such as service charges, finance charges or other fees that need to be recorded as well.

Step 2 – Check off items in your check register that appear on your statement.

- A Make note of any checks and withdrawals that are recorded in the check register or spreadsheet but do not appear on the bank statement (referred to as outstanding checks), and record these individually by check number and amount on your reconciliation
- B Make note of any deposits that are recorded in the check register or spreadsheet but do not appear on the bank statement (referred to as outstanding deposits), and record these individually by amount on your reconciliation

Step 3 – Reconciling the bank statement o the check register or spreadsheet.

- Using a calculator enter the bank statement balance
- Subtract the total of outstanding checks or withdrawals (from step 2.A above)
- Add the total of any outstanding deposits (from step 2.B above)
- The result is your current balance and should equal the amount in the check register or spreadsheet

The Office of Internal Audit is available to assist any student organization with any of these procedures. We are located in Foundation Hall RM 315. Please contact us at 931-372-3045 to set up an appointment or ask any questions.