



Liability & Property Pool Workers' Compensation Fund

RISK CONTROL SOLUTIONS

A Service of the Michigan Municipal League Liability and Property Pool and
the Michigan Municipal League Workers' Compensation Fund

HANDLING REVENUE

Every municipality handles some type of revenue. Whether the transaction is cash, check, or credit, the need to properly control and account for each transaction is essential. Appropriate policies and procedures are especially important to municipalities because the revenue municipalities generate belongs to the public they serve. Any policies and procedures a municipality adopts should serve to protect its capital, the safety of its employees, and the confidence of its constituents. To assure success, the municipality should implement revenue-handling policies and procedures based on established business practices. These practices, over time, have proven to minimize the risk of losses and establish accountability for transactions from inception through reclamation.

Developing a sound revenue handling policy and procedure requires that the municipality evaluate each component of its operations to determine needs. Some organizations may require sophisticated systems that are networked to capture transactions at remote sites. Others may use a simple electronic cash register to track and record transactions.

Regardless of the size of the operation, municipalities should consider the following as they develop their policies and procedures:

- **Form a management group to assess revenue handling and assign the following tasks:**
- **Identify all locations where the municipality collects revenue, including temporary and seasonal locations.**
- **Review the reason monetary transactions occur at each location.**
 - What exact service does the municipality provide at each location?
 - Do transactions need to occur at each location?
 - Does the law require the transaction to occur at the site of service?
 - Is it a legitimate business practice to have transactions at each location?
 - Has the municipality "always done business that way"?
- **Identify the risk exposures at each location.**
 - **Lighting:** Does the location have proper lighting around the point of transaction during business hours?

- **Design:** Does the location where transactions take place limit access to funds and reduce the threat of theft or robbery?
 - **Location:** Does the location of the cash drawer allow employees to observe it and prevent unauthorized access?
 - **Revenue handling and storage procedures:** Does the municipality have an established procedure that requires employees to balance transactions at the end of their shift? Do employees establish the amount of start-up money at the beginning of each shift? Does management make sure that all funds are locked in a secure area with limited, authorized access?
 - **Cash on hand:** Are procedures in place that limit the amount of cash employees may keep in the cash drawer? Does the organization have procedures for timely cash pick up procedures when reducing the amount of on hand cash is necessary?
 - **External exposures:** Has the organization established procedures for conducting audits and making bank deposits that minimize the risk of loss? For example, do employees make deposits at various times of the day so that they do not establish a recognizable pattern that can lead to a robbery? Has the organization reviewed the building to eliminate possible security breaches in the protection of employees and assets? Can the police observe points of transactions from outside the building? Does the area require videotape monitoring?
 - **Internal exposures:** Are cash handling employees bonded? Does the organization conduct a thorough background investigation as part of the employee selection process? Are doors locked that should be? Does the organization limit cash drawer access to authorized employees? Do employees count cash away from public view? Does the organization store funds in a proper vault after business hours?
 - **Staffing issues and employee turnover:** Does the organization change locks, combinations, passwords and electronic access codes when employees terminate or the organization discharges them? Has management reviewed the number of employees needed at the point of transaction so that appropriate levels are available to maintain security? Has the organization determined acceptable risks?
 - **Environmental issues:** If handling of funds takes place out-of-doors, has management addressed appropriate safety to prevent employees from receiving shocks from electronic machinery? Has management put appropriate supervision and security measures in place to monitor and audit transactions at remote sites (landfills, boat ramps, ball fields, parks)?
 - **Communication:** Has the organization provided a telephone, radio or alarm system for employees to call for assistance should an emergency arise?
- **Emergency Response:**
- Has management developed an emergency response plan that outlines duties and responsibilities during an emergency? Has management consulted with the police and fire departments responsible for responding to emergencies? (The consultation should include planning and a walk-through.) Do employees have training in first aid and are kits available on site? If management provides kits, do employees receive proper training in infectious disease exposure? Do employees have access to fire extinguishers and has management arranged for them to have training in their use? Have employees received training on what actions to take during a robbery or after the discovery of a theft?

- Recently, municipalities and other businesses have received cash payments contaminated with trace amounts of illegal narcotics, such as fentanyl or other potentially harmful substances. In some cases, employees have experienced severe reactions requiring immediate medical treatment and hospitalization. Management should evaluate all locations where cash handling occurs and determine if providing proper personal protection equipment (PPE) to employees, such as latex gloves, is necessary.
- **Identify current practices for documenting, transferring and auditing funds by the proper authority.**
 - Does the organization make certain that the employee counts out the cash drawer at the end of the shift or day?
 - Does a different person audit the receipts and prepare the beginning cash for the next business day?
 - Does management place the daily receipts and cash in a secure location that has limited access?
 - Does a supervisory or management level employee prepare the bank deposit? Do responsible employees place deposits in a locked bank bag for delivery to the bank? Are deposit slips returned inside the locked bank bags? Do only management level employees control the keys to the bank bags?
 - Does management reconcile deposit slips against monthly statements of accounts to ensure the integrity of the system?
 - Does an independent accounting firm perform annual audits? If an audit takes place, does the organization implement the recommendations the accounting firm makes?
- **Electronic payment processing services:** Municipalities may decide to use certain third-party, electronic payment and processing services to receive payment for services. Management should understand how these electronic services and any equipment provided by outside vendors will interface with municipal systems and data provided by municipal customers. Management should also have a good understanding of any contractual risk assumed by the municipality in using these third-party services to receive payment in the event of fraud or a data breach. Management should discuss these issues with their IT managers, legal counsel, and staff to fully understand the possible risks of using these services. Management may also want to discuss certain insurance options available to protect the municipality from cyber risks.
- **List problems that are identified with the current system.**
- **Develop solutions and develop a plan to implement change.** Often a municipality allows tradition or convenience to determine the way it handles its operations. This can make implementing change difficult. However, following safe and secure business practices, particularly when cash transactions are necessary, is essential if a municipality is to provide a safe and secure workplace for its employees. By initiating appropriate revenue handling procedures, the municipality will reduce the risk of losses and limit the apparent opportunity to become a victim of crime.

In order to maintain the integrity of any operation, municipal management must establish a series of checks and balances that will protect the organization's employees and assets. To

meet this responsibility, management should establish proper policies and procedures that will guide employees while engaged in the performance of their duties.

These policies and procedures should clearly state that employees who fail to follow proper cash handling procedures will be subject to discipline, up to and including discharge. In addition, the municipality should train employees on its policy and procedures. Training should include “hands-on” experience in counting out the start-up cash drawer and individual cash transactions, as well as balancing the drawer at the end of the shift. In addition, instruction should cover what employees should do if a robbery occurs, how to recognize and handle an apparent short change artist, and recognizing counterfeit currency. The municipality should document all such training.

The following are important points to remember:

- ✓ Employees should handle cash only in secure locations that are away from public view.
- ✓ Locations where employees handle cash should have limited access.
- ✓ Management should establish the amount of start-up money for each cash drawer.
- ✓ Management should require employees to count cash and sign receipts before going to their workstations.
- ✓ Management should require that employees record all transactions by receipt or preferably by electronic means.
- ✓ Management should establish the maximum amount of cash that employees should keep in the drawer under normal circumstances.
- ✓ Management should require employees to deposit excess cash from drawers in a conveniently located but secure place. Management can achieve this by arranging for management level employees to make cash pick ups or by providing locked and secured cash boxes at each workstation. The key is to establish a one-way system so that once an employee makes a deposit of cash, checks, or charge slips, only authorized individuals can retrieve them.
- ✓ Management should require employees to count all monies in their drawer at the end of the day or shift, seal it in an envelope and sign it. Employees should give their envelopes to the proper authority for audit and to re-establish the start-up cash.
- ✓ Once they receive the money, managers should audit the envelopes against the receipts and/or cash register tapes and re-establish the start-up drawer. Management should then total all the envelopes, make up the bank deposit, and check the contents of the safe.

For more information, contact the MML's Risk Management Services or the League's Loss Control Services. As with all issues that affect employment practices, we encourage you to discuss your employment related concerns with an attorney.



Important Telephone Numbers

MML Risk Management Services	734/662-3246 or 800/653-2483
Loss Control Services	800/482-0626

Note: This document is not intended to be legal advice. It does not identify all the issues surrounding the particular topic. Public agencies are encouraged to review their procedures with an expert or an attorney who is knowledgeable about the topic.

SELF ASSESSMENT

Handling Revenue

Protecting revenue is an important concern for every public agency. This assessment will help you determine how well your organization has trained its employees and established effective revenue handling and audits controls.

Does your organization:

1. Have an established revenue handling policy and procedure?

Yes No →



The policy and procedure should:

- Establish all locations where employees may collect revenue.
- Establish clear lines of authority and responsibility.
- Designate specific locations where employees may count and handle cash.
- Outline the process for establishing a start up drawer.
- Require employees to balance all drawers and receipts at the end of the shift or day.
- Spell out how employees are to handle cash and receipts.
- Outline deposit and account reclamation procedures.

2. Provide training to all employees?

Yes No →



The training program should:

- Stress management's support of the cash handling policy and procedure.
- Be mandatory for all employees who handle cash.
- Specify that all employees who handle cash must adhere to the policy and procedure.
- Make clear employees bear individual responsibility for their transactions, funds collected and cash drawer.
- Provide instruction on opening and closing the transaction site.
- State that violations of the cash handling policy and procedure may result in discipline, up to and including discharge and criminal prosecution.
- Instruct employees on proper procedures in an emergency.
- Instruct employees on how to activate the emergency action plan, including First Aid, CPR and Bloodborne Pathogens training.
- Provide practice in all areas of the policy and procedure.

3. Inspect all sites where cash transactions take place for security considerations?

Yes No →



4. Have an established emergency response plan to handle emergencies?

Yes No →



5. Have a proper audit system in place to assure the integrity of the revenue handling system?

Yes No →



The inspection should confirm that:

- The location of the site is easily observable by other employees.
- Lighting and the design of the area deter crime.
- The location is clearly visible and has adequate accessibility for emergency responders.
- The location has a reliable communication system that all employees can access easily.

The plan should:

- Identify whom employees should contact in case of emergency.
- Define how employees should respond to robbery, theft or other emergencies.
- Establish evacuation procedures, including routes and a means of accounting for all employees.
- Consider any unusual situations that employees might face.
- Establish accountability and responsibility for carrying out the plan, including first aid and CPR.
- Be developed with the assistance of the Fire and Police Departments.

Do you:

- Require employees to count out cash drawers?
- Assign a supervisor or manager to audit receipts and prepare beginning cash?
- Secure cash and receipts in an area with limited access at the end of the shift?
- Assign a supervisor or manager to prepare bank deposits?
- Assign a manager to reconcile deposits and monthly bank statements?
- Contract with independent auditors to perform annual audits?

Conclusions



If you were able to honestly answer “yes” to all five questions and your organization is following most or all of the suggested practices, then your organization has reduced its exposure to future losses, litigation and worker’s compensation claims. You should congratulate yourself.



If you are unable to answer “yes” to one or more of the five questions, your organization may have an exposure to claims from revenue handling activities. Missing components of one or more of the five recommended practices may also indicate a deficiency in your current program. You should take one or more of the following actions:

- **Correct any deficiency that may exist;**
- **Contact your attorney and a specialist in revenue handling and audit activities for advice;**
- **Contact MML Risk Management Services at (800) 653-2483; or**
- **Contact the League’s Loss Control Services at (800) 482-0626.**

NOTE: This document is not intended to be legal advice or implied to identify all exposures related to this issue. Public agencies are encouraged to contact their attorney for assistance in implementing these or other changes.