

DAFS
CENTRAL WAREHOUSE

Cash Receipts Cycle

- **NOTE: This Cash Receipt Cycle risk assessment includes procedures for receiving, recording and depositing cash receipts at the Division of Financial Personnel Services {DFPS}. Included are Central Warehouse operations of selling office, computer and other supplies to State agencies, and State/Federal Surplus Property sales that are made at the Central Warehouse. A separate Cash Receipts Cycle risk assessment is being written for cash received at State Surplus public sales and auctions.**
- **Because Central Warehouse sells products almost exclusively to other State agencies, there are relatively few cash receipts for Warehouse supplies. Agencies pay the amount owed to Central Warehouse through MFASIS PV9 transactions rather than through cash receipts. Sales of Surplus Property at the Warehouse are also of low volume and dollar value.**
- **Thus the overall risk for Central Warehouse's cash receipts should be viewed as low.**

Risk: Cash receipts lost or stolen

Key Controls:

1. Mail cash log kept by non-accounting personnel
 - Central Warehouse checks sent by customers via U.S. Mail are received at DFPS. DFPS mail is received twice a day and may be sorted by one of several people. The sorter does not open mail unless the envelope does not indicate which employee should receive the mail. The Account Clerk who processes Central Warehouse cash receipts rarely receives a check in an opened envelope. We have judged the level of risk involved in the receipt of checks for Warehouse sales to be too low to justify a central mail handling function with a cash log.
2. If cash registers are used, a person independent of the cashiers reviews register tapes daily for red flag items such as voids, refunds, no sales and discounts.
 - Not applicable
3. Cash log/register totals/manual receipts reconciled to deposits
 - Sequentially numbered receipt tickets sent with cash receipts by Warehouse staff to DFPS are compared with checks received and the checks are reconciled with the deposit. This is performed by the Account Clerk and reviewed by the Managing Staff Accountant.
4. Controllable licensing/authorizing documents (not pre-numbered receipts) accounted for and reconciled with cash receipts (Examples: hunting licenses, permits, vehicle registration numbers.)
 - Not applicable

5. Communication with customers/taxpayers regarding payment and balances
 - DFPS has written collection procedures for Central Warehouse receivables, including sending monthly statements to customers for both current and past due amounts. Collection procedures will result in DFPS contacting agencies or outside customers about unpaid REs which should reveal any lost or stolen checks from customers.
6. Timely Deposits with supervisory review
 - Deposits are made at least weekly, but are made daily if the amount accumulated is in excess of \$5,000.
 - TAMI requires supervisory approval of cash receipts. DFPS supervisors receive a print-out from TAMI which lists the checks included in the deposit, a calculator tape with total, and the checks along with any documents submitted by the payee. Supervisors check the MFASIS coding, whether a vendor number has been entered, whether the correct bank account number has been entered, and that the manual checks and TAMI total agree. A deposit ticket cannot not be printed until the supervisory approval is applied in TAMI.
7. Physical security of receipts at all stages of handling and processing
 - Account Clerk at DFPS keeps checks in a locked bank bag in a locked drawer of her desk. They are kept locked at all times except as processing requires them to be out.
8. Restrictive endorsement applied to checks immediately upon receipt
 - Checks are stamped with restrictive endorsement upon receipt by the Account Clerk.
9. Manual receipts sequentially numbered, tracked and periodically accounted for
 - This applies exclusively to very infrequent cash sales at the Warehouse itself aside from public sales and auctions.
 - A Managing Staff Accountant distributes books of sequentially numbered manual receipts to three staff members at the Warehouse. She records the sequence of numbers for all distributed books and who received the books in an Excel spreadsheet.
 - Original copies of all used receipts are sent to DFPS with each cash receipt. The receipt number is recorded with other cash receipt information by the Account Clerk.
 - At least every two months, the Managing Staff Accountant visits the Warehouse and accounts for all receipts: those used for cash receipts are checked for agreement with the original sent to DFPS; those unused are checked for existence in the book of receipts; those voided are checked to ensure that all copies are retained in the book.
 - Any missing receipts or variances in amounts recorded on the receipts are investigated.
10. Manual receipts physically secure at all times
 - The Managing Staff Accountant keeps undistributed books of receipts locked in her desk.

- Warehouse staff keep receipt books secure at all times and are aware that they are responsible to account for all pre-numbered receipts given to them.
11. Receivables system adequately designed and operated to offer detection and prevention of lost or stolen cash receipts.
- MFASIS generates a weekly AR92 accounts receivable listing that is used by Senior and Managing Staff accountants and the Central Services Director for collection efforts. The collection procedures include past due notices sent monthly for any outstanding receivables, phone calls to collect amounts 60+ days past due, and revoking privileges to buy items at Surplus when amounts are 90+ past due.
 - The only way to remove a customer's accounts receivable balance is by applying a cash receipt or by entering an RM {receivable memo}. CRs and RM are monitored and reviewed by the Managing Staff Accountant daily.
12. Payee on all checks received is "Treasurer, State of Maine".
- DFPS communicates this requirement to all customers and enforces it rigorously.

Risk: Cash receipts recorded incorrectly in the accounting system

Key Controls:

1. Detailed records kept on individual receipts/cash log
 - Checks are entered individually in TAMI, referencing the payer and the RE number.
2. Period ending cutoff procedures ensure recognition in correct period
 - Efforts are made to ensure that checks received in the mail or at the Warehouse/Surplus are deposited by the last working day of any month. Cutoff procedures for billed revenues are covered in the Revenues/Accounts Receivable Cycle documents.
3. Procedures exist to ensure that all deposited receipts are recognized in the accounting system
 - Central Warehouse checks are all deposited by DFPS through the TAMI system, which generates a credit posting while debiting cash.
 - Treasury performs monthly bank statement reconciliations that would reveal a deposit made that was not entered in MFASIS.
4. Reconciliation between federal cash draw system information and State accounting system information
 - Not applicable {no federal cash draw downs}
5. Management compares budgeted receipts to actual receipts periodically
 - DFPS Staff or Senior Staff accountants prepare monthly GAAP financial statements for the Central Warehouse and Surplus Property divisions. The financial statements are reviewed and approved by the Managing Staff accountants and also by the Director. Electronic files of the financial statements are maintained on DFPS' common drive and copies are emailed monthly to the Central Services Director.

- While Central Warehouse’s monthly financial statements do not present a budget-actual comparison, the monthly statements do present “this month-last month” and “this year to date – last year to date” comparisons. Significant variances between expected results and actual results are investigated.

Risk: Reconciliation insufficient to detect and deter lost or stolen receipts and to ensure receipts are properly recorded

Key Controls:

1. Reconciliation performed and reviewed in a timely manner
 - Centralized cash receipts in TAMI only- there are no subsidiary cash receipts records for Central Warehouse. This section is not applicable.
2. Standardized procedures exist and are communicated for reconciliation
3. Reconciliation documentation is reviewed by supervisor or other staff
4. Reconciliation documentation is retained for appropriate time period
5. Variances are pursued and results acted upon in a rigorous and timely manner
6. Reconciliation performed by non-custodial staff

Risk: Segregation of duties insufficient to prevent and detect lost or stolen receipts and to ensure receipts are properly recorded

Key Controls:

1. In relation to cash receipts, the following functions are performed by separate individuals and, ideally, under separate supervision:
(Note: The following functions are segregated but not under separate management. Separate management would not be cost effective and would not be justified by the risk.)
 - a. Physical custody of cash
 - Account Clerk at DFPS holds checks until deposit is prepared
 - Office of State Treasurer takes deposits to the bank, via courier
 - b. Accounting/recording of cash receipts
 - Account Clerk at DFPS
 - Approval by Senior or Managing Staff Accountant. This serves as a compensating control for the lack of separation between custody and recording.
 - c. Reconciliation of accounting records to bank information and cash log (and subsidiary system if applicable)
 - Not applicable; a cash log is not used; there is no subsidiary system; Treasury performs bank reconciliation.