

SECTION 825: CASH OVER AND SHORT

1. General Description. This section describes the standard, guidelines, responsibilities, and procedures for cash overages and shortages occurring as a result of State of Hawaii operations involving the handling of cash for receipts and expenditures of the State.
2. Standard. Cash overages and shortages occurring as a result of State of Hawaii operations involving the handling of cash are receipts and expenditures, respectively, of the State; accordingly:
  - (a) Cash overages are the property of the State and not of the individuals through whom the overages occur.
  - (b) Cash shortages are not chargeable to the individual through whom the shortages occur, unless they are due to his unlawful, negligent, or improper conduct.
  - (c) Departments and agencies are responsible for maintenance of internal control procedures adequate to minimize discrepancies in the handling of cash.
3. Guidelines for Applying the Standard. The following guidelines are designed to:
  - (a) Assist departments and agencies in applying the above standard.
  - (b) Insure adequate protection of the State's interest in handling cash collections or in cashiering operations.
  - (c) Assure fairness to all State employees involved in handling cash collections or in cashiering operations.
  - (d) Provide uniformity in accounting for cash overages and shortages.
4. General Department Responsibility.
  - (a) Although every effort should be made to trace the cause of a discrepancy in cash, it is recognized that there may be situations where the cause is not determinable.
  - (b) Each department is responsible for maintaining a record of its cash variations. This record must show the date of the overage or shortage, the name of the employee involved, the cash register number, if any, and the amount of the cash overage or shortage. This variation record should be used as one factor in determining an employee's aptitude for collection or cashiering.

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- (c) Excessive shortages or overages should be treated as special administrative problems by a department.
5. Internal Control. Each department and agency should have written procedures for safeguarding and handling cash, along with the following requirements:
- (a) The procedures may include independent cash register readings, routine independent cash counts, unannounced cash counts, cashier assignment rotation, and other arrangements that strengthen internal control over cashing and similar activities.
  - (b) Departmental internal control should prescribe the review and approvals required for cashier's reports.
  - (c) Documentation of prescribed internal control should be available to auditors, both internal and external, and to any others with a responsible interest in the matter.
6. Cash Overages. Cash overages must be deposited in the State Treasury.
- (a) Cash overages are classified by source of receipt code 0712 as "Unclaimed Moneys and Cash Overages"; they should never be included with another source of receipt.
  - (b) Cash overages should be deposited daily if practicable.
  - (c) If it is not practicable to deposit cash overages daily, the overages should be deposited as frequently as possible, but not less frequently than at the end of each quarter.
  - (d) Cash overages may be netted against cash shortages in those cases where overages are not deposited daily.
7. Cash Shortages. Although cash shortages may temporarily be covered by personal funds of the individual through whom the shortage occurs, the individual is not ultimately chargeable with such shortage, unless it is due to his unlawful, negligent, or improper conduct.
- (a) When a cash shortage occurs, written evidence of the shortage must be maintained on file in reconciliation of the total cash from which the shortage occurred.
  - (b) Cash shortages are replaced, after receiving written approval from the department head, by a voucher charging departmental operating appropriations.

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- (c) Cash shortages are classified by object of expenditure code 72XX as "Other Current Expenditures"; they should never be included with another object of expenditure.
  - (d) Cash shortages may be replaced as often as practicable, but not less frequently than at the end of each quarter.
  - (e) Cash shortages may be netted against cash overages in those cases where overages are not deposited daily.
8. Suggested Form for Cash Overages and Shortages. The sample form, STATEMENT OF ACCOUNTABILITY FOR CASH OVERAGES AND SHORTAGES, as shown on the last page of this section is recommended for use by departments that do not have a form with similar content for the purpose of accounting for cash overages and shortages. The form is designed for preparation by each custodian of a petty cash or imprest fund. Copies of the form may be prepared for:
- (a) Attachment to the TREASURY DEPOSIT RECEIPT, SAFORM B-13, in the case of an overage.
  - (b) Attachment to the SUMMARY WARRANT VOUCHER, SAFORM C-08 (or other authorized SWV form), in the case of a shortage.
  - (c) Supervisory control records.
  - (d) Other uses that may be appropriate in a department or agency.

