



BANKING/TREASURY MANAGEMENT

The tracking and management of cash is important in any business but is especially so in the cannabis industry. First and foremost, it is recommended that all licensees have a bank account with a financial institution. There are many financial institutions in Michigan who offer checking and savings accounts and even debit cards and loans to some extent. Fees are high compared to other industries, but this is due to increased regulatory compliance that the financial institutions must undergo to operate in the cannabis industry.

Even with banking becoming increasingly available to the cannabis industry, the exchange of cash in transactions is still very common. Due to this, cannabis licensees need to be aware that Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, needs to be filed once a business receives more than \$10,000 in cash within 15 days. It should be noted that virtual currency will be considered cash beginning in 2024.

Another consideration for cannabis licensees should be tracking sales and subsequent cash received. This is especially critical in a retail setting. All retailers should keep a sales and cash log and have the use of it be part of their standard operating procedures. This log should track sales and the subsequent receipt of cash and deposit of cash into their bank account. The use of debit cards and such should also be tracked, as well as receipt of these funds. An Excel spreadsheet that is completed daily can be a good tool for these reconciliations. Licensees need to be able to make sure that payment has been received for all sales and that all payments have been deposited in the appropriate bank account or safe.

As part of completion of the daily sales and cash log, employees in a retail setting should be required to perform a blind drawer reconciliation when they close out their drawer for the day. Blind reconciliation means that when an employee closes their drawer for the day, they are required to count all cash and debit receipts, without first knowing how much should be there. Once they enter their count of cash and debit receipts into the point-of-sale system, the system lets the employee know if the totals they entered are correct or not based on sales data for the day. This process makes it easier for managers to spot discrepancies and discourages employee theft.

Holding cash on hand requires additional security and internal control considerations. Four internal control measures for cash to focus on are employee background checks, use of written protocols, separation of duties, and securing assets and cash in safe locations. Additionally, use of a separate cash log for cash in the safe provides a level of security.

In addition to being a theft and fraud prevention tool, these reconciliations help your accountant in accurately reporting sales and cash on your financial statements. They will also be critical when it comes time to prepare your Annual Financial Statement (AFS) required for your license renewal with the State of Michigan.