

COUNTY OF TRINITY CASH HANDLING PROCEDURES



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Revised October 1, 2009

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COUNTY OF TRINITY CASH HANDLING PROCEDURES

I. Introduction

This document is provided to establish a better understanding of internal controls and present a set of policies, procedures and preferred practices designed to safeguard the receipt and disbursement of cash. It is the responsibility of each County Officer and Department Head to provide for the proper control of cash within the guidelines set forth in this manual.

Cash is defined as coin, paper currency and all forms of negotiable instruments. Examples include personal checks, cashier's checks, bank drafts, traveler's checks, money orders and all other instruments that may be transferred by endorsement and delivery within the ordinary course of business activity.

Some broad principles of internal control are as follows:

1. Responsibilities should be clearly established in a given situation or for a given task.

One person should be made responsible. When the responsibility is shared and something goes wrong; it can be difficult to determine the exact cause.

2. Responsibility for **related** transactions should be divided.

Responsibility for a divisible transaction or a series of related transactions should be divided between individuals in such a manner that the work of one acts as a check on that of another.

3. Adequate records should be maintained.

Good records provide a means of control by placing responsibility for the care and protection of assets.

4. Record keeping and custody should be separated.

The Person who has access to or is responsible for an asset should not maintain the accounting record for that asset.

5. Personnel should be rotated.

Whenever possible, employees should be rotated in their job assignments.

An employee is less apt to be careless or to intentionally commit a wrong when he knows his action will likely be brought to light when job assignments are changed.

6. The system should be under constant review.

A good system of internal control for cash should provide adequate procedures for protecting both cash receipts and cash disbursements.

II. Cash Receipts

A. Receipt Systems

An Official County receipt MUST be issued for each transaction. The county employee writing the receipt must sign the receipt. One exception to this requirement is related to the collection of small fees or fines under \$1.00. If you collect small sums of money for photocopies or other services, a daily receipt can be written to encompass all transactions for that day.

Only pre-numbered official County receipts may be used. Receipts must be used in sequential order. The department must account for all numbers in a series including numbers of voided receipts. All non-standard County receipts must have prior approval of the County Auditor. Numeric control of all receipts will be maintained in the County Auditor's office.

Computer generated receipts must be numbered by the computer and generated in numeric sequence.

B. Receipt Control

The Auditor-Controller will purchase all Official County receipt books and will maintain a supply of these for distribution to departments.

It is prohibited to obtain and use "Rediform" receipts. If you find any in your office, please destroy them. All County receipts are to be obtained through or approved by **the Auditor's office**.

Make sure that all receipt books, both used and unused, are kept in a safe and secure location.

Cash receipts shall be deposited daily unless the Auditor authorizes an exception in writing.

When possible, deposits to the Treasury or to a bank should not be prepared by the same person/persons who wrote the receipts. The total of the deposits must agree to the total dollar amount of the receipts issued.

At no time shall purchases or expenditures of any kind be made from cash receipts.

Indicate on the receipts the composition of the collection, i.e., the amount of the collection that was cash and the amount in checks or some other negotiable instrument. The composition and the total on the receipt must match the deposit. When payment is received in more than one form (check, money order, and currency), only one receipt should be issued for the total amount of the payment. A notation should be made on the receipt indicating the different forms of payment and the corresponding amount of each.

When a check or other instrument is received which covers payment for the accounts of more than one person or entity, a separate receipt should be issued for each person or entity.

C. Voided Receipts

When a receipt is to be voided, you should first obtain the department heads approval to do so. Both the department head and the person voiding the receipt must initial the void. The blue copy of the voided receipt remains in the receipt book, and the white and yellow copies should be attached to the next deposit.

III. Cash Received Through The Mail

A. General

When, a department receives coin or paper currency through the mail, a receipt should be prepared. Mail the original to the payee.

B. Procedures

1. Receiving, opening and distributing incoming mail are functions that should be handled by or be under the supervision of a responsible employee other than the employee performing the functions of cashier or bookkeeper. If possible, mail should be opened in the presence of another person. The person in charge should make a list of cash received, indicating the name of the remitter, the amount received and other pertinent data.
2. The person opening the mail should total the currency, checks and money orders received by using an adding machine. Inserting such information as the payers' initials and other identification data next to each dollar amount should further identify the amount on the tape. The amounts can subsequently be reconciled after the employees performing the functions of cashier or bookkeeper write all receipts.
3. The collections should be turned over to the employee performing the functions of cashier or bookkeeper or other people responsible for preparing a deposit (OR). The collection tape should be compared to the

total shown on the deposit to insure that all funds have been accounted for.

4. The original copy of the receipt should be retained in the receipt book, unless a receipt is requested.

IV. Checks

No employee is permitted to commingle his own or any other persons private monies with County funds. Checks payable to the County shall be for the exact amount due, with no cash change given to the payer. At no time shall cash receipts or change funds be used to cash county employees or other checks. Therefore, County funds shall not be used to cash payroll checks or other personal checks.

The acceptance of personal checks for payments is discretionary with each department head. Departments may accept payments for County services in the form of personal checks, bank checks and drafts, express and post office money orders, and cashier checks for the exact amount of purchase. In some cases the County may be subject to financial loss if a bank refuses to honor payment of a customers check. Usually, this only occurs where the customer receives full benefit of the County service at the time the check is delivered to the County. It is the responsibility of the department head to be aware of services his department is providing where this type of loss can result.

It is recommended that when accepting checks, the following safeguards be followed:

- a. Accept checks only for the exact amount of the payment
- b. Ask for a driver's license or other form of identification.
- c. Compare the person with the description on the identification as to age, height, etc., and take notice of a photograph, if one is provided.
- d. Have personal checks made out in your presence and made payable to the County department, which is to receive the money.
- e. Note the address, phone number, and other pertinent data about the maker on the back of the check, as well as the serial number and expiration date of the identification. Also, note the receipt number on the face of the check for later reference.
- f. Do not honor a check that is stale-dated or post-dated.
- g. Do not accept third party checks.
- h. For control purpose, only one endorsement stamp should be available in each department.

All checks and money orders received must be endorsed with a restrictive endorsement stamp (i.e.; "Department Name; For Deposit to Trinity County Treasurer Only; account number_____") **as soon as received.**

V. Returned Checks

A. General

1. There are a number of reasons a check may be returned unpaid from the bank. The most common of these is due to insufficient funds (NSF, non-sufficient funds) on deposit by the maker of the check. For purposes of this section, all unpaid checks shall be referred to as NSF items.
2. When a NSF item is received from the bank, the customer may have already received the benefit of the services or goods purchased from the County.
3. The County Treasurer in receipt of a NSF item shall make a determination whether or not the maker of the check has received the benefit of the services/goods provided and shall follow the procedures set forth below. The County Treasurer will handle all NSF's. The Auditor/Controller should be consulted in all cases where this determination is not clear.

B. Processing of NSF Checks

The processing of NSF items will vary depending on whether:

- A customer or a Department with a depository account wrote the check.
- The NSF item affects a deposit (OR).
- The NSF item is returned to the Treasurer or a bank account custodian.

Importantly, every NSF item should be promptly and aggressively resolved.

1. The handling of NSF items is largely a matter of judgment. Departments should consult with the Treasurer for assistance in collecting NSF items. As authorized by County Code Section 2.64.045, a processing fee should be collected.
2. If collection does not appear possible within 10 days and the maker has received a benefit, the account should be transferred to collections for further collection effort.

VI. Bank Accounts

A. General

In certain circumstances, County departments may be authorized to use commercial bank accounts for their activities. Typically, such accounts are "transfer accounts" used by outlying departments to facilitate the depositing of funds into the County Treasury. Bank accounts shall be used only if permitted by law and **authorized by the Board of Supervisors**. Preferably all money will be deposited directly in the County Treasury.

B. Authorization Procedures

Departments may be authorized to use commercial bank accounts, rather than the County Treasury if circumstances warrant. The following procedures shall be followed to establish a bank account:

1. The requesting department shall submit a letter to the Auditor-Controller stating the reason for such an account.
2. The Auditor-Controller shall review the request and determine if a commercial bank account is justified. If the request is not justified, the Auditor-Controller shall return the letter to the requesting officer with an explanation of the reason(s) for disapproval. If justified, the Auditor/Controller shall draft an implementing resolution and submit it to the Clerk of the Board for consideration by the Board of Supervisors.
3. The resolution authorizing such an account shall include:
 - a. The specific purpose and justification.
 - b. The identification of the responsible County officer as custodian of the account.
 - c. The department location where depository records will be maintained.
 - d. The name and location of the bank depository.
 - e. The period of time the account is authorized.

C. Control Policies and Procedures

1. All depository accounts shall be established to conform with the following policies and to such other policies as may from time to time be directed by the Auditor/Controller.
 - a. All depository accounts shall be maintained in the name of the County Treasurer with the responsible Department Head as Trustee. The account should require two signatures on all checks. Under no circumstances shall accounts be maintained in an individual's name or a departmental name.

- b. Depository accounts shall be used only for Official County business.
- c. If you deposit funds into a checking account, you must reconcile the bank account as soon as the monthly bank statement is received. Any errors or discrepancies should be resolved as soon as possible. The person who maintains the checking account should not also be the person who reconciles the bank statements.
- d. Copies of the bank statements & reconciliation must be submitted to the Auditor/Controllers office monthly. The Auditor-Controller shall maintain a list of all current depository accounts and a list of all accounts that were open at any time during the proceeding two fiscal years.

VII. Change and Imprest Cash Funds

A. General

1. The Board of Supervisors is authorized to establish a cash fund for use by any County Officer for the following purposes.
 - a. A change fund for use in making change in carrying out his Official County duties. (Government Code Section 29325)
 - b. An imprest cash fund for the purpose of purchasing services or materials in which are legal charge against the County. (Government Code Section 29326)
2. Such funds may be established by a Board adopted resolution (Government Code Section 29321), which sets forth:
 - a. The necessity or justification for the fund.
 - b. Identification of the County Officer for which the fund is available.
 - c. The fund amount.
3. An imprest cash fund may, at the direction of the Board of Supervisors, be used for the purpose of making change when necessary in carrying out Official County duties. (Government Code Section 29325)
4. The County officer for whom the fund was established is personally liable for any losses, which may occur unless relieved from accountability by the Board of Supervisors.

B. Authorization Procedures

Requesting the County Officer and the Auditor/Controller in establishing cash funds shall follow the following procedures:

1. The requesting County Officer shall furnish a letter to the Auditor/Controller Which sets forth:
 - a. The propose for which the cash fund is to be used.
 - b. The fund amount to be established
 - c. The justification for the establishment of the fund.
2. The Auditor/Controller shall review the request and any supporting documentation and determine if establishment of such a fund is justified.
3. If not justified, the Auditor/Controller shall return the letter to the requesting officer with an explanation of the reason(s) for disapproval.
4. If justified, the Auditor/Controller shall draft an implementing resolution and submit it to the Clerk of the Board for inclusion in the next available agenda of the Board of Supervisors.
5. Upon adoption of the implementing resolution, the Auditor/Controller shall issue a County warrant in the approved amount to the County Officer named in the resolution.

C. Administration of Cash funds

1. All cash funds shall be subject to the requirements set forth in this document.
2. The responsible County Officer may request a replenishment of expended imprest cash funds by submitting an Official County claim to the office of the Auditor/Controller. This claim shall be accompanied by:
 - a. An expenditure distribution listing.
 - b. Copies of all vendor invoices and vouchers that have been signed by the vendor or cash recipient. In the case of expenditures from confidential funds, the department head may substitute a signed statement indicating that the expenditures were appropriate for the claim; the Auditor/Controller shall issue a warrant to the responsible County Officer.

3. It shall be the responsibility of the officer having custody of the cash fund to:
 - a. Assure that all vendor invoices, vouchers or other evidence of a transaction are signed by the vendor or other person receiving payment acknowledging the receipt of funds
 - b. Furnish an accounting of the fund upon demand to the Auditor/Controller. The accounting shall be of a form and content as designated from time to time by the Auditor/Controller.
 - c. Assure that the total cash and vendor receipts at all times are equal to the approved amount of the fund.
4. The Auditor/Controller shall maintain a list of all active cash change and imprest funds.

VIII. Petty Cash

Cash and checks on hand shall be kept in a cash register, locked drawer, locked file cabinet, locked safe or other secure place at all times except when access is required for the conducting of county business. The amount of cash on hand should be kept to a minimum.

If you have a petty cash fund, only approved departmental expenditures for which a receipt is received should be made from petty cash funds. Original receipts or invoices **MUST** accompany any request for petty cash reimbursement.

Vendors providing a service i.e., lawn care, umpires, childcare, etc. cannot be paid from petty cash account, because their services are subject to 1099 wages.

At no time may cash receipts be commingled with petty cash.

You should reconcile your petty cash fund as often as needed to make sure that the amounts of cash on hand and petty cash vouchers agree to the established petty cash fund. Upon finding that your petty cash fund is over or short, immediately contact the Auditor's office for review and correction.

IX. Cash Overages

A. General

Any employee(s) performing the function of cashier experiencing cash overage must submit a written report to his/her department head "at the close of each

business day, setting forth the exact sum of any cash overage in his/her account for that day." (California GC 29373)

B. Procedures

1. All cash overages, regardless of amount, should be separately deposited with the County Treasury daily and intact, at the same time as all other cash receipts collected by the responsible department or activity. This deposit shall be identified as being a cash overage and recorded to Miscellaneous Other Revenue.
2. When the fund custodian knows the source of cash overage and the amount of the overage is \$1 or more, the fund custodian shall initiate a refund. Such refunds are payable by County warrant, which must be supported by a properly completed claim form. This claim shall, along with other information, make reference to the deposit permit covering the overage.
3. A cash overage of \$25 or more should be reported to the Auditor/Controller. The report should set forth the facts and circumstances and be forwarded not later than the close of the following business day on which the overage is discovered.

X. Cash Shortages

A. General

In regard to the cash shortages, Government Code Section 29390 of the State of California states:

"The Board of Supervisors may, by resolution incorporating such limitations and safeguards as may be deemed in the best interests of the County, provide that County Officers and employees who are responsible for receiving and paying out money may be relieved of shortages in their account, where there is no proof of fraud or gross negligence in connection with the shortage and where the loss is not covered by insurance. If the Board of Supervisors, after an investigation and report concurred in by the District Attorney and the County Auditor, approves the coverage of such shortage, it shall be entered in its minutes and shall be a charge against the general fund of the County."

The procedures to be followed in the case of shortages will be based on the nature of the shortage as outlined below.

B. Routine Errors in Cash Handling

1. Errors may occur in making change and other cash transactions that result in cash shortages. Any employee experiencing an unresolved cash shortage must report the exact sum of any cash deficit to his/her department head or supervisor at the close of each business day.
2. Whenever warranted by the size of the shortage, the department head or supervisor should make a thorough attempt to determine the reason for this shortage. The review might include recounting the cash, reviewing all transactions for the period, and checking the amounts of all checks and money orders to ensure that the receipts were written for the correct amounts.
3. The shortage should be reimbursed by using the change fund so that the total receipts for the day will be deposited intact. However, if the change fund is not sufficient to cover the shortage, the affected fund will have to remain short until relief from accountability is either granted or denied.
4. At the time reimbursement of the change fund is requested by the department, the Auditor-Controller shall review the details supporting the cash shortage position of the change fund.
 - a. The change fund custodian shall maintain adequate records and notations to describe the source and nature of all shortages.
 - b. The change fund custodian upon recommendation of the Auditor/Controller may seek relief from accountability pursuant to GG Sec. 29390.
 - c. The Auditor/Controller and the District Attorney prior to Board consideration must approve the request for relief, complete with details of the occurrence and an explanation of corrective measures.
5. If the request is granted, a copy of the Board minutes approving relief from accountability must be submitted to the Auditor/Controller, with a claim charging the department for the amount of the cash shortage. Upon receipt of the Board minutes and claim, the Auditor/Controller will issue a warrant to replenish the fund having the shortage.

C. Shortages when Negligence or Fraud is Suspected

1. Any person suspecting theft or negligence shall report such irregularities to the department head.
2. The department head shall contact the Auditor/Controller and discuss the circumstances of the suspected theft or negligence. The Auditor/Controller may request assistance from the District Attorney's Office.

3. The Auditor/Controller shall establish the amount of the loss and the circumstances surrounding the shortage. The Auditor/Controller shall issue a report, with recommendations, based on the findings in the case. A copy of the report shall be sent to the Board of Supervisors and the District Attorney.

XI. Deposits (OR's)

A. General

Deposits transmit receipts to the Treasurer's Office and indicate how funds are to be distributed.

B. Procedures

1. Receipts are to be deposited daily, intact. Less than daily deposits (not to exceed one week) may be warranted if receipts are small or special circumstances exist. Department Heads must submit their request in writing to the Auditor's Office. The Auditor's office will review the request and respond in writing if approved or denied. Any department head that is granted less than daily deposits must ensure that funds are properly secured.
2. The deposit must indicate, for audit purposes, receipt numbers of the transactions for which the deposit was prepared.
3. One copy of each receipt must be attached to the deposit, and a copy is retained in the Department for audit purposes.
4. The deposit must include a tape or other listing, showing the breakdown between cash and checks.
5. If you are permitted to prepare the deposit, list the numerical sequence of the receipts that account for the deposit being turned into the Treasury. Also, indicate on the deposit the amount of the deposit that is cash and the amount that is checks or other negotiable instruments.
6. Departments must retain a validated copy of each deposit.

XII. Accounts Receivable

1. If you maintain accounts receivable, make sure that the sum of the ledgers or accounts agree each month to the control over the accounts receivable account. All changes to the accounts receivable for either charges or payments should be done as soon as possible.
2. An aging of accounts receivable should be done each month to determine how long accounts have been outstanding and to determine what approach, if any, is necessary to hasten the collection process.
3. The Board of Supervisors must approve all delinquent accounts receivable before they are written off. A detailed list of all delinquent accounts must be prepared with an explanation of why they are considered non-collectible. The list must then be submitted to the Board of Supervisors for approval.

XIII. Trust Funds

1. All trust funds maintained by the department must be reconciled monthly, with the balance kept in the Auditor's office. **All differences MUST be resolved or reconciled.**
2. For those funds that belong to others, such as funds that are to be sent to the State, make sure that the funds are periodically being cleared out to the proper recipient.

SUMMARY OF CASH RECEIVING AND CASH HANDLING PROCEDURES

- An official receipt shall be issued for all money received. This receipt must be obtained through or approved by the Auditor/Controller. All cash receipts should be deposited intact into the County Treasury or a commercial bank account at least weekly, preferably daily.
- Receipts shall be issued in sequential order.
- County funds are not to be commingled with any person's private funds. Checks payable to the County shall be for the exact amount due.
- Do not honor a stale-dated or post-dated check. Do not accept third party checks. Contact the Treasurer prior to accepting foreign checks, currency, or coin.
- The Board of Supervisors can authorize County departments to use a commercial bank account. For these bank accounts, bank statements must be reconciled monthly.
- Only the Board of Supervisors is authorized to establish a cash fund for any County Officer. The County Officer for whom the fund was established is liable for any losses.
- Cash and checks on hand (petty cash) shall be kept in a cash register, locked drawer, locked file cabinet, locked safe or other secure place at all times except when access is required to conduct County business.
- Deposits (OR's) transmit receipts to the Treasurer's Office and indicate how funds are to be distributed. Departments must retain a validated copy of each deposit.
- Make sure accounts receivables are properly maintained and reconciled monthly.
- Reconcile trust accounts to the Auditor/Controller's balance monthly.