



Board of Supervisors Policies and Procedures Manual

Section Seven – Financial

Subsection 11 – Cash Handling Policy

Office of the Auditor-Controller

Department Policies and Procedures

Chapter 16 – Financial Policies, Cash Handling

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Auditor-Controller Policies & Procedures Chapter 16: Financial Policies Section 1: Cash Handling	Established: 2002 (in policy) Revised: 2011, 2018
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I. PURPOSE

This Cash Handling Manual has been developed to provide basic guidance and to standardize operating procedures for all phases of handling cash. The policies and procedures contained in the Manual are applicable to all County Departments, Special Districts, and all other offices (herein-after referred to as “departments”) under the jurisdiction of the Board of Supervisors.

This Procedural Manual is for use as a ready reference by operating personnel in the performance of their day-to-day duties and responsibilities to prescribe uniform accounting procedures for County departments pertaining to all cash collections and funds in accordance with generally accepted accounting principles, laws and regulations.

This Procedural Manual 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 policy.

Previous versions of cash handling policies and procedures have been in various forms of documentation and this document is now official guidance as approved by the County Board of Supervisors. Suggestions for improvement are always welcome, as only with the assistance and cooperation of its users will we be able to keep the Manual up-to-date and keep abreast with the changing needs of the County. Suggestions for revisions should be submitted to the Auditor-Controller’s Office for evaluation and future revisions to the Board of Supervisors Policies and Procedures Manual and the Auditor-Controller Department Policies and Procedures.

This Manual was prepared by the Auditor-Controller’s Office in an effort to provide assistance to County Employees in the performance of their cash handling duties. The Auditor-Controller’s Office will be the interpreter of the policies and procedures contained in the Board of Supervisors Policies and Procedures Manual, Financial Section.

II. POLICY

The use of the term “Cash” or “Funds” shall include currency, coins, checks, money orders, travelers’ checks, and debit and credit card receipts.

It is the responsibility of County departments, agencies and districts to have effective internal controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County’s Financial System. Written procedures must be developed to guide staff on proper cash handling. This documentation must include all cash related transactions and document the internal controls in place that mitigate the risk of error and safeguard cash.

All cash collected or received by County departments, agencies, or districts, shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, except for Trust Fund monies, which according to law, should be deposited

on the date received. If it is not practical to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 in currency or coin is accumulated, whichever comes first. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit currency or coin within the one day time frame required, a policy exception should be requested and approved by the Auditor-Controller.

Reconciliations of cash transactions in authorized outside bank accounts must be performed at least monthly.

All individuals involved in cash handling are required to be adequately trained.

III. INTERNAL CONTROLS

A. General Principles

1. Employee personal funds shall not be commingled with County Funds.
2. Endorsement of checks
All negotiable instruments, such as checks, warrants and money orders should be endorsed with a restrictive endorsement stamp immediately upon receipt.
3. Segregation of Duties
Responsibility for a divisible transaction or a series of related transaction should be divided between individuals so that the work of one acts as a check on that of another. Deposits shall be made by an employee other than the cashier or the person issuing receipts.
4. Bank accounts shall be reconciled at least monthly by someone other than the cashier or the person who makes the deposits. Copies of the completed reconciliation must be submitted to the Auditor-Controller's office monthly.
5. Personnel should be rotated.
Whenever possible, employees should be rotated in their job assignments. This has a number of advantages as an employee is less apt to be careless or to intentionally commit a wrong when he knows his/her action will likely be brought to light when job assignments are changed.
6. Employees
An internal control system will not function properly unless the employees cooperate and perform their task competently and in the prescribed manner. When employees do not understand the need for certain procedures or feel the procedures cause them unnecessary work, they will often avoid the procedure. This will destroy the effectiveness of the entire system. Employees must be given a full explanation as to why they are doing certain procedures.
7. Management should consequently review the control system.
No matter how well an internal control system functions, it **cannot function properly without periodic review**. An audit may disclose that set procedures are not being followed or if change is needed in the procedures.

B. Responsibilities

It is the responsibility of the County department, agency and district management to:

1. Implement effective procedures and internal controls to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Financial System
2. Maintain written documentation of cash handling procedures
3. Submit documentation of cash handling procedures to the Auditor-Controller on an annual basis

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5. Ensure all outside bank accounts are reconciled at least monthly
6. Submit June 30 bank reconciliations and supporting bank statements to the Auditor-Controller by August 1
7. Ensure all individuals involved in cash handling are adequately trained

It is the responsibility of the Auditor-Controller's office to:

1. Review written cash handling procedures submitted by County departments, agencies and districts for compliance with the County's cash handling policy
2. Maintain a record of all outside bank accounts along with the justification for each outside account
3. Review June 30 bank reconciliations for all outside bank accounts and prepare any necessary year end journal entries.
4. Review and approve requests for exceptions from the one-day deposit policy and maintain a log of approved requests

IV. GUIDELINES FOR COUNTY DEPARTMENTS, AGENCIES AND DISTRICTS

It is the responsibility of County departments, agencies and districts to have effective controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Financial System. These guidelines provide a framework for cash handling, including suggested procedures and major control points, and may not apply to all County departments, agencies and districts. County departments, agencies and districts must implement appropriate cash handling procedures based on their individual operations and requirements to ensure that proper internal controls are established to safeguard cash.

A. Documentation of cash handling procedures should include the following, as applicable:

1. Description of the sources of cash received
2. Description of all outside bank accounts
3. Cash receipts processes describing the methods of receiving customer payments and how customer deposits are processed:
4. Cash, checks, debit and credit card payments (when applicable), wire transfers, Payments by mail, online and ACH payments through third party electronic billing system, or Automatic Bill Pay, etc.,
5. Reconciliation of deposits
6. Reconciliation of outside bank accounts
7. Procedures for researching unidentified payments received and checks returned from bank
8. Accounting procedures for recording collections and deposits
9. Analytical review – completed by staff not handling cash to monitor daily cash balances and trends or variances
10. Segregation of duties
11. Security and fraud controls
12. Emergency preparedness
13. Inventory control over receipt books
14. List of names and titles of all individuals involved in the cash handling process

B. Staff training should be provided to all individuals involved in the cash handling process for the following:

1. Recording cash receipts

- 2.
3. Depositing cash
4. Reconciling cash
5. Access to safes, vaults, etc.
6. Preparing accounting entries for financial system
7. Managing any revolving funds

C. Safeguarding Cash

The department head or official in charge shall ensure that all cash received is adequately safeguarded until deposited with the County Treasurer or authorized external bank.

1. Employees with cash handling responsibilities must be adequately trained
2. Ensure employees understand segregation of duties
3. Implement a detailed annual training program of cash handling procedures
4. Ensure back-up staff has the ability to perform cash-handling responsibilities
5. Keep a record of all training provided
6. Train staff involved in collections to increase awareness and proper handling of contaminated, destroyed, and counterfeit money
7. Consider the purchase of a money counter with counterfeit bill detection if large volume or sums of currency are collected
8. Large amounts of currency shall not be allowed to accumulate prior to depositing to the County Treasury. Maximum limit set by this policy is \$500. It shall be determined by the Auditor-Controller and the Department Head what amount of cash may deviate from this policy limit.
9. All cash held overnight shall be secured in a safe or securely locked location not accessible to unauthorized staff.
10. Safe combinations shall be restricted to as few employees as possible, preferably memorized. Where a written safe combination has to be maintained, it must be kept in a secure place.
11. The department head shall ensure that combinations to safes are changed when an employee who has knowledge of the combination terminates County employment or is transferred.
12. During business hours, cash must be kept in a cash drawer or cash box not accessible to unauthorized persons. Cash drawers or cash boxes must be closed when not in use. Individual employees shall be responsible for cash drawers assigned to them.
13. It is mandatory that any office where cash is stored be locked during nonworking hours and office door keys be restricted to as few responsible employees as possible.
14. It is recommended that departments handling large daily volumes of cash transactions establish internal guidelines for making periodic audits throughout the day.
15. It is recommended that a record of office keys issued be maintained and the department head should ensure that office keys are returned by terminated or transferred employees.

Employees shall exercise extreme care when handling cash. The following precautions shall be observed to guard against cash losses:

1. Keep the cash drawer neat and orderly and in balance at all times.
2. Arrange currency according to denominations in separate compartments.
3. Do not keep excess cash in the cash drawer.
4. When making change, first count out the coins to the nearest dollar, then count the bills.
5. Count the cash twice before paying out; once when removing it from the cash drawer, and again as it is given to the customer.
6. Never count currency directly into the cash drawer. Always place it on the counter, away from the customer's reach and count. Do not put their money away until the exact change is verified.

7. Then, place the customer's payment in the proper compartments of the cash drawer. Keeping the money in sight until the transaction is completed will avoid controversies that might arise as to the amount given by the customer. Always incorporate counterfeit currency verification.
8. Always close the cash drawer after the completion of each transaction.
9. Concentrate on each transaction. Do not permit any distraction while handling money. If the transaction is interrupted for any reason, it should be started over.
10. Always keep the cash drawer locked when left unattended.
11. There should never be any cash or checks awaiting a written receipt. All county funds should be completely reconcilable at any time.
12. Undeposited cash on hand should always balance with the receipts issued.
13. No employee is permitted to commingle his or her own or any other person's private monies with County funds. There should never be any borrowing or trading of any cash on hand except for the purpose of making currency or coin change. It is forbidden to allow any employee to replace cash on hand with a personal check, even for short periods of time.
14. County funds shall not be used to cash payroll checks or other personal checks.
15. Employees are prohibited from borrowing money or issue personal IOU's in exchange for County funds of any kind. Employee personal funds shall not be used to reimburse shortages in cash funds.

D. Safeguarding Check Acceptance

Checks payable to the County shall be for the exact amount due, with no cash change given to the payer. County funds shall not be used to cash payroll or other employee personal checks.

Accepting personal checks for payments is discretionary with each department head. Departments may accept payments for County services in the form of personal checks, cashier checks and money orders for the exact amount. In some cases the County may be subject to financial loss if a bank refuses to honor payment of a customer's check. This will usually only occur when the customer has already received the full benefit of the County service. It is the responsibility of the department head to be aware of services his/her department is providing where this type of loss may occur.

Incorporate the following safeguards when accepting checks:

1. Accept checks only for the exact amount of the payment.
2. The check should be made payable to the County department receiving the revenue or to the County of Lake.
3. Verify that the legal line of the check is written for the proper amount.
4. Require sufficient, current identification. Compare both photo and signature.
5. Do not accept non pre-printed checks or third party checks.
6. Do not accept a check dated more than six months prior to the current date or checks dated later than the current date.
7. Have personal checks made out in your presence
8. Do not accept a check if the bank routing numbers are not MICR printed at the bottom of the check.
9. Immediately endorse all checks with the department restrictive endorsement stamp.

E. Receipting

The receipting system which will be most effective and economical for the needs of the department should be selected, but may not be implemented, nor subsequently revised or changed, without prior approval of the Auditor-Controller.

When it is more efficient for a department to implement an alternative receipting system, they shall

present the Auditor-Controller with complete documentation of the suggested system, including examples of the receipts or "Special Report" that will be presented in place of the Official County Receipt. The alternative receipting system shall be approved by the Auditor-Controller prior to implementation, since the Auditor must determine that the receipt form is adequate for the support of deposits, audit purposes, and receipt control.

Receipting systems approved to date are as follows:

Official County Receipt Books

The Official County Receipt Book is the most commonly used system. The receipts are pre-numbered in sets of four, and in pads of 50 sets. All receipts must be issued in sequential order and be used by departments to deposit into the County Treasury in the same manner. The exceptions to this policy would be departments that entrust individual receipt books to divisions of their department, in which case receipts from those divisions must also be issued in sequential order within that book and deposited in the same manner. Official County Receipts are to be used for the collection of funds to be deposited into County Treasury. No Official County Receipt Book shall be used for the transacting of business by a Department for any Special Fund transactions. Special Fund transactions should be receipted with department purchased receipts that have been previously approved by the Auditor-Controller. The Special Fund money can then be receipted on an Official County Receipt at the time they are prepared for deposit into County Treasury as a lump sum, with a report or list of the internal receipts that were written at the time the money was received.

All receipts are to be filled in completely. They must be dated and signed, and must have the cash composition area completed (i.e., cash, check, money order, etc.). If payment is made by check, the check number should be entered in the "check" field. Numerical amounts should carry the complete extension including cents even if zero.

The Auditor-Controller's Office shall maintain a record of all pre-numbered receipts issued to each department. Each department must establish an internal policy of reconciling, locking, and assuring the safekeeping of County receipt books in the department's possession and until such time as the receipts are presented and deposited with the County Treasurer.

The department concerned shall maintain a receipt control record indicating the receipt number received, date issued or used and to whom issued. Only one person shall be assigned the responsibility of issuance and control of blank receipt forms. Unused receipts on hand shall be stored in a secure place. These policies will be reviewed by the cash auditor at the time of our audits.

Computer Generated Receipting Systems

Computer generated receipts must be numbered by the computer and generated in numeric sequence. All numbers in the sequence must be accounted for and strict internal control systems must be in place to prevent alteration of a receipt after issuance.

Voiding a Receipt

If it becomes necessary to void a receipt being written in an Official County Receipt Book, it shall be done by printing the word "VOID" in large letters on the receipt, signed by the person voiding the receipt and countersigned by another employee. If another employee is not available, the voided receipt should be countersigned by the individual to whom the receipt was issued. If a voided receipt does not have the proper signatures, it will be questioned by the Auditor's Office at the time it is presented for deposit or during receipt audits, whichever comes first. The immediate supervisor should also review all voided receipts.

The Auditor's copy (yellow) of a voided receipt, with the original (white) attached, is to be turned in with all other receipts for deposit. The department copy (pink) is to remain with the department's copy of the deposit. If the original (white) receipt is not available to be included with the voided receipt, the department must prepare a memo addressed to the Auditor-Controller explaining the circumstances in which the receipt is unavailable. This memo should be signed by the person voiding the receipt, and countersigned by the department head. This procedure is likewise applicable to Special Receipts used by departments.

If it becomes necessary to void a receipt when a non-County issued receipt is used, the audit tape should be annotated with the word "VOID" next to the corresponding entry and the copy of the receipt attached to the cashier's reconciliation of the day's business and countersigned by another employee.

The amount on a written receipt should never be changed after it is completed. Other changes, such as account string are acceptable. If the amount on the originally written receipt needs to be changed, the original receipt must be voided following the requirements for a voided receipt, with two signatures, and a new receipt written noting that it is a replacement and referencing the voided receipt number.

F. Mail Collections

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 any other pertinent information. When a department receives cash in the mail, a receipt should immediately be prepared. The original copy of the receipt should be retained in the receipt book unless a receipt is requested or the Auditor-Controller directs that a receipt should be mailed.

General criteria

1. The person who opens the mail should not also prepare the deposit.
2. The employee who receipts payment by mail should not reconcile the cash receipts.
3. On high volume remittance days, the person opening the mail should prepare an adding machine tape listing the amount paid and other identifying information such as file or check number. It should also be signed by the preparer.
4. The adding machine tape and remittances are to be passed on to another employee for reconciliation and preparation of the individual receipts.
5. The original white copy of the receipt shall be retained in the receipt book unless the payer requests a receipt, for example a payer requests a receipt for a check that was delivered by mail.
6. If a department receives a check for another department, the receiving department shall make an attempt to contact the proper department and deliver the check to them in an appropriate manner. In the event that the correct department cannot be contacted or is unknown, the check should be forwarded to the Auditor-Controller's office for research and processing.

V. DEPOSITING TO THE COUNTY TREASURY

All funds must be deposited in the County finance system using the *County Authorization for Deposit* form found on the County intranet. Any deviations to this form must be approved by the Auditor-Controller. All cash must be deposited on a regular weekly or monthly basis; however if the revenue volume is in excess of \$500 and there has been no allowance exception granted by the Auditor-Controller, daily depositing is required. In no instance should any checks remain undeposited longer than a month from the date of receipt.

All monies received must be deposited intact into the County. Depositing intact means that the deposit must consist of the same checks and/or money orders and the same currency and coins as indicated on the receipts for the deposit.

Deposits to the County Treasurer shall be transmitted either by mail (only if deposit does not include currency) or delivered by a responsible employee.

Departments that maintain bank accounts shall make periodic transfer of deposits by drawing a check against the bank account, payable to the County Treasurer for the amount of collections for the period covered by the deposit. Departments that write a check at the end of the month to deposit with the Treasurer must reconcile that account on a monthly basis and submit a copy of that reconciliation to the Auditor-Controller monthly.

For those departments in which receipts are transported from alternative locations (satellite offices) to headquarters for deposit, accountability over collections must be maintained through the use of a transmittal log or slip. The courier should sign the log at the time receipts are picked up and signed by the employee to whom they are delivered. Headquarters should forward a copy of the log or slip to the branch to verify that the receipts were properly received. Satellite offices should follow up if a copy of the transmittal log or slip is not returned to them in a timely manner acknowledging that collections were received.

A. Returned Checks

There are a number of reasons a check may be returned unpaid from a bank. The most common of these is due to insufficient funds on deposit by the maker of the check. Unnegotiable checks shall be referred to as NSF's.

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.

B. Processing of NSF Check

When a NSF check is received by the County Treasury, they will notify the department that deposited the check. They will give the department two options, (1) the Treasurer can redeposit the check if it has come back once as a NSF (2) the department can "buy back" the check by doing a negative deposit reflecting the account the check was originally deposited to.

If the department buys back the check, the Treasury will return the check and the department is responsible to see that the returned item is "made good" by the payer. The department will need to contact the customer notifying them of the NSF. A thirty dollar (\$30.00) processing fee shall be collected when appropriate.

If it is probable that the NSF item is not collectible, the department head should clearly annotate all records.

Importantly, every NSF item should be promptly and aggressively resolved. This may include forwarding to the District Attorney's Office for further action.

VI. SEGREGATION, SECURITY CONTROLS. AND FRAUD

Enforce dual custody and segregation of duties for handling and managing cash by implementing the following procedures:

1. Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination)
2. Whenever possible, at least two staff should be present to open a safe
3. Supervisors should observe and verify each cashier's cash count for end-of-day balancing
4. Deposits prepared for armored courier pickup must have cash counts verified by two employees
5. Armored courier shipments must be verified by two employees
6. Cash counts and acceptances must be signed for by the individuals present to verify cash balances are accurate
7. Independent review of deposit reconciliations.
8. Prohibit employees responsible for collecting cash from also preparing bank deposits
9. Establish policies to cover the absence of key employees
10. Rotation of duties
11. Analyze the security requirements for each cash collection point and implement security controls as appropriate:
 - a. Install security cameras to monitor areas where cash is collected and handled, provide security guards, and secure the safe, cash registers, and drawers
 - b. Restrict Cashier areas to Cashier personnel and authorized persons
 - c. Lock Cashier access doors at all times
 - d. Active cash drawers should be secured in a locked drawer at the cashier's window during business hours including lunches and breaks
 - e. Cash drawer keys should remain in the sole custody of the cashier, and never be given to anyone or left in the drawer when the cashier is away from the window
 - f. Cashier and safe keys are kept in a secure location during non-business hours
 - g. Unused cash drawers must remain in the vault/secure storage during the day
12. When performing cash counts and reconciling of cash draws, avoid counting cash in public view, cover windows or move to a non-public location
13. When practical require cashiers to close stations and take excess cash to a more secure location whenever cash accumulates above a specified threshold
14. Establish procedures for safely transporting cash around the County.
 - a. Ensure that another employee or security officer accompanies an employee transporting large amounts of cash
15. Implement controls needed to minimize risk to staff's safety and protect cash
 - a. Cash should be transported in concealed bags or locked containers
 - b. Emergency plan and procedures should be in place
16. Implement procedures to report and investigate suspected fraud or misappropriations
 - a. Contact the County Auditor-Controller at auditor@lakecountyca.gov or (707) 263-2311 for assistance whenever fraud is suspected.

VII. OUTSIDE BANK ACCOUNTS

Where departments are not conveniently located to make frequent deposits of cash collections with the County Treasurer and as authorized by the County Auditor-Controller, cash collections may be deposited in a commercial bank, as provided for in the California Government Code Section 27080.1. This requires dual approval of the Auditor-Controller and the Treasurer.

A. Establishment of a Bank Account

Department heads may request assistance from the Auditor-Controller to open a bank account when necessary to establish an effective control over cash and promote efficient operation of the Department. The department head must, however, request authorization from the Board of Supervisors to establish the bank account.

The request must specify the reason for opening a bank account, the custodian of the fund, the name and location of the bank depository and the period of time the account is authorized.

Where authorization has been granted, assistance must be secured from the County Treasurer to ensure that all requirements are complied with and that all bank services available are taken advantage of. For control purposes, the Auditor-Controller and the County Treasurer shall be advised of bank accounts that may be legally opened.

B. Account Titles

Bank accounts shall be opened in the name of the County department or office. Under no circumstance shall a bank account be opened in the name of an individual.

C. Checks

Prenumbered checks for all bank accounts must be printed, bearing the official bank account title and the words "Void six months from date of issue".

D. Bank Deposits

When bank accounts are used, all monies collected shall be deposited with the bank not later than the next business day. Preferably, deposits should be made during regular banking hours. Large sums of money shall not be held overnight in the office, especially over weekends. Where possible, arrangements should be made with the bank to have deposits picked up by the bank messenger service. When large sums of money are collected during a particular business day and bank service is not available, night facilities should be used. In this event, the teller-stamped copy of the bank deposit slip should be obtained from the bank on the next business day. In the interim, an extra copy of the deposit slip should be prepared and held pending receipt of the validated teller-stamped deposit slip.

It is essential that deposits to the bank accounts be made intact. Depositing intact means that the deposits to the bank account must consist of the same checks and/or money orders and the same amount of currency as indicated in the receipts which the deposits cover.

This is an integral feature in the internal cash control system. The amount of each deposit shall be the same as the total amount of the receipts issued during the period covered by the deposit.

Bank deposit slips must show the amount of paper currency, coins, and list each check and money order in the space provided. In some cases, microfilm copies of checks and money orders have been approved. Prepare deposit slips in triplicate and distribute the copies as follows:

1. Original – Bank copy.
2. Duplicate – Validated by the bank to serve as the official record of the deposit to be kept by employee in charge of bank account records.
3. Triplicate – Retained in the office until the validated duplicate copy has been returned by the person making the deposit. This copy will assist in establishing accountability in the event a deposit is lost or stolen in route to the bank.

E. Endorsement Stamps

Restricted endorsement stamps must be used on all checks and money orders deposited with the bank. The endorsement stamp shall read as follows:

Pay To The Order Of (Name of Bank)
For Deposit Only (Title of Account)
(Number of Account)

F. Check Record

A record shall be maintained on the checkbook stub of all checks drawn against the bank accounts indicating the following:

Check Number	Receipt Number and/or Case Number
Date Issued	Amount
Payee	Deposits
Purpose	Balance
For Bail Account or	
Trust Account: Show Original	

G. Commercial Bank Account Use

1. Bank accounts shall be used only for official County business.
2. For proper separation of duties, the person having physical custody and control of the fund should not also be authorized to sign checks.
3. Checking accounts that transfer money from the department into the County Treasury (ZBA's – Zero Balance Accounts), should have checks preprinted with the "Lake County Treasurer" as payee. These checks should be ordered and stored by the department. However, the check stock must be logged in and verified at the Auditor- Controller's Office before being used.
4. For checking accounts that are NOT transfer accounts, the department shall monitor and order checks when appropriate. An adequate supply shall be determined and held by the department in a secure location.
5. The depository account custodian shall maintain a record of all deposits and disbursements so as to provide the following information:
 - i. Date of deposit or disbursement
 - ii. Amount of deposit or disbursement
 - iii. Payee and purpose of each disbursement
 - iv. Source of each deposit amount
 - v. Account balances
6. Bank Accounts shall be reconciled monthly or quarterly, depending on the frequency of the bank statements, to the department's book balance and to the general ledger. The reconciliation should be reviewed and initialed by an employee who is not involved in the cash receipting cycle and shall be furnished to the Auditor-Controller no later than 30 days after the bank statement date. The Auditor-Controller may designate the form and content of the reconciliation. The bank statements, deposit slips and cancelled checks shall be maintained per applicable statutes.
7. It shall be the responsibility of the department to ensure that bank signature cards are kept current with the Auditor-Controller and Treasurer.
8. All cash, checks and negotiable instruments should be stored in a locked or secured depository with access restricted to authorized personnel only.
9. All monies received shall be deposited into the bank account at least weekly and preferably daily, if the revenue volume warrants. Large amounts of cash shall NOT be allowed to

accumulate over weekends.

10. All bank charges should be charged as an expenditure to the department's operating budget. Bank charges should only be for checks. Pursuant to GC 53640, banks are not allowed to charge local agencies for checking account services.

H. Bank Reconciliation

The Auditor-Controller's office recommends that departments keep track of bank account disbursement and receipt activity and reconciliations by using Quicken, Excel or other acceptable software. The bank accounts must be reconciled to the monthly bank statement. A copy of each month's bank reconciliation should be sent to the Auditor-Controller for audit purposes.

I. Bank Charges

Arrangements may be made with the depositing bank to ensure that charges for check supplies are not charged directly to the bank account. The charges can be billed by the bank and paid by a "Claim" with the bank invoice attached, submitted to the Auditor-Controller for payment. The bank may charge the account directly for returned checks.

J. Bank Account Records

A separate file folder must be maintained for all records pertaining to each bank account. Departments maintaining bank accounts for special purposes shall keep and maintain a complete record of disbursements from the accounts.

VIII. MONTHLY CASH STATEMENT WITH AFFIDAVIT

All department heads are required by Government Code Section 24353 to submit a "Statement of Cash Collections and Deposits" on a monthly basis (See Chapter 13 for form). This report must be forwarded to the Auditor-controller by the 10th day of the following month. The report may either be produced via the County Financial System or manually. The report must include an accounting of activity for the preceding calendar month and all monies collected by them or under their control. Departments with Petty Cash and/or Change Fund money must also provide a report including the following items as applicable:

1. Cash on hand at the beginning of the month
2. Receipts for the month with receipt numbers noted.
3. Subtotal of Cash Accountable by the department for the month.
4. Deposits to the County Treasury including Treasurer Receipt Numbers.
5. Balance representing cash on hand at the end of the month

IX. DONATIONS

Departments have the authority, pursuant to Government Code 25355, to accept on behalf of the Board of Supervisors gifts, bequests and devises of money or property with a value not to exceed ten thousand dollars (\$10,000) per gift.

The Board policy on donations is detailed in Section 10, subsection 40 of the Board of Supervisors Policies and Procedures Manual, as revised by Board action on December 19, 2017

A. Monetary Donations

1. Monetary donations include currency, checks, money orders, etc.
2. A receipt will be written for every donation and the receipt will clearly note that it is a donation. If you collect small sums of money for donations, a daily receipt can be written to include all donations for that day. All donations will be deposited into the appropriate donations revenue account code.
3. Departments shall maintain internal records of all gifts, money and property.
4. Donations over ten thousand dollars (\$10,000) must be submitted to the Board of Supervisors.

5. Property Donations

Please refer to the County Capital Asset Policy

X. CHANGE AND PETTY CASH FUNDS

The Board of Supervisors may authorize the establishment of a Change or Petty Cash fund for use by any County Official as defined:

Change Fund: A cash fund with an imprest balance issued specifically to address the day to day need to provide change while conducting official county business. (Gov. Code §29325).

Petty Cash Fund: A cash fund with an imprest balance issued specifically to address minor day to day operating expenditures deemed necessary to expedite official county business (GC§29326). The County Official for whom the fund was established is the designated custodian of the fund, and is personally liable for any losses that may occur unless a discharge of accountability is requested of and issued by the Auditor-Controller. The responsible County Official shall make a request for discharge of accountability within thirty days of the discovery unless an investigation into the matter by the District Attorney is ongoing.

A. Fund Implementation

The requesting County Official shall furnish a letter to the Auditor-Controller that details the purpose of the fund, the justification of the fund, the location where the fund will be secured, and in cases of consolidation or changes to an existing fund, a reference to any prior Board resolutions.

The Auditor-Controller shall review the request and any supporting documentation and determine if establishment of such a fund is necessary based on business need.

- a) If it is determined to be unnecessary, the Auditor-Controller shall return the letter to the requesting officer with an explanation of the reason(s) for disapproval.
- b) If it is determined to be necessary, the Auditor-Controller shall assist the department with preparing a resolution for submittal to the Clerk of the Board for inclusion in the next available agenda of the Board of Supervisors.

Change Funds and Petty Cash Funds shall be established by a Board adopted resolution which sets forth:

- The necessity of the fund.
- The fund amount.
- The location of the fund.
- Identification of the County Official and department responsible for the fund.
- Any prior Board resolutions superseded by the request.

Upon adoption of the implementing resolution, the Auditor-Controller shall issue a County warrant for the approved amount to the County Official named in the resolution.

B. Fund Responsibility

All cash funds shall be subject to the requirements set forth in the County policies and procedures contained herein. Departmental accounting procedures for cash funds shall be of a form and content established by the responsible County Official unless otherwise designated in writing by the Auditor-Controller.

The County Official responsible for the fund as indicated in the Board Resolution is considered the official custodian of said monies, and is responsible for adherence to these policies and procedures by subordinate staff.

The County Official shall be responsible for the following:

- Assure that the fund is maintained in a secure location at all times.
- Assure that access to the fund is restricted to authorized personnel.
- Assure proper utilization of the fund is adhered to at all times.
- Assure that duties relating to the fund are adequately segregated.
- Assure that the total of cash and receipts are equal to the fund balance at all times.
- Establish a written procedure for fund transactions and appropriate internal controls to safeguard said funds and provide such procedures to relevant staff.
- Test internal controls developed by County Official on a periodic basis no less than annually.
- Prepare a resolution to establish or modify a Change or Petty Cash fund, and submit it to the Clerk of the Board for inclusion in the next available agenda of the Board of Supervisors.
- Furnish an accounting of the fund balance and procedures upon demand to the Auditor-Controller.

The Auditor-Controller shall be responsible for the following:

- Review official requests and supporting documentation and determine if the establishment or modification of a Change or Petty Cash fund is justified.
- Provide written response to the requesting County Official when recommending or denying the establishment or modification of a Change or Petty Cash fund.
- Upon adoption of the implementing resolution, issue a County warrant for the approved amount to the County Official named in the resolution.
- Maintain a current control log of all active Change or Petty Cash funds.
- Audit all cash funds annually, report their findings and recommendations in writing to the County Official responsible for the cash fund, and prepare any journals to maintain an accurate year-end balance for all imprest cash.
- Make determinations regarding requests for discharge of accountability.
- Review receipts and invoices for all expenditures made from the Petty Cash fund to verify appropriateness at the time a claim is submitted to reimburse said Petty Cash fund.

The Board of Supervisors shall be responsible for the following:

- Review and adopt by Board Resolution the County Change and Petty Cash Fund Policy.
- Authorize by Board Resolution the establishment of Change and Petty Cash funds.

C. Internal Control

The official custodian of the cash fund may delegate the custodial responsibility to a designated employee. The official or designated custodian shall adhere to the following when transacting business through the cash fund:

- a) Only the department or special district to whom the funds have been assigned and their authorized employee(s) may have access to the cash fund.
- b) No other monies shall be co-mingled with the cash fund.
- c) No personal checks shall be cashed or held in lieu from the cash fund.
- d) No loans or advances are to be made from the cash fund for any reason.
- e) Under no circumstances shall petty cash funds be used to circumvent the established claims disbursement process.
- f) The Department Head, Special District Manager or their designee should conduct a periodic and unannounced audit of the change or petty cash fund no less than annually. An audit includes a cash count, a tabulation of checks, vouchers or receipts, and a reconciliation of these items to the fund balance established in the Board Resolution.
- g) Segregation of duties should be established so that no one person controls fund transactions from beginning to end.
- h) Identification should be requested each time an unauthorized person (including audit staff) asks to review the fund, and an authorized person should accompany them during the review.
- i) Should a material discrepancy in the change fund balance occur, written notification should be forwarded to the Auditor-Controller immediately.

Change Fund

- a) Cash should be kept in a secure location at all times.
- b) Only authorized personnel should have access to the change fund.
- c) Cash should be counted and verified against the charge upon collection, and a numerical receipt completed and issued to the payee.
- d) The fund activity should be reconciled to the fund balance in writing prior to submitting deposits for processing.
- e) Should be audited for proper cash handling procedures and internal controls periodically, no less than annually.
- f) Deposit should be made daily or weekly depending on the volume of activity and as directed by the responsible County Official.
- g) A record of deposits should be maintained at all times and should include the deposit amount, date and reference number (if applicable).
- h) Any discrepancies in the fund balance should be receipted and approved by a supervisor.
- i) The Auditor-Controller shall be notified in writing of discrepancies in excess of \$25.00.

Petty Cash Fund

- a) Disburse petty cash only for authorized transactions necessary to conduct official county business.
- b) Prepare a petty cash voucher form for each disbursement of cash.
- c) Attach original supporting documents for purchases to each petty cash voucher form.
- d) Should be audited for proper cash handling procedures and internal controls periodically, no less than annually.
- e) File petty cash voucher forms in numerical sequence pending submission to the Auditor-Controller for reimbursement.

- f) Requests for reimbursement shall be made on a County requisition form with petty cash voucher forms in numerical sequence and all original supporting documents attached.
- g) In the case of expenditures from **confidential funds**, the department head may substitute a signed statement indicating that the expenditures were appropriate for the purpose of the fund.
- h) The amount submitted to the Auditor-Controller for reimbursement and the date of submission shall be recorded in the departments control ledger.
- i) The Auditor-Controller shall be notified in writing of discrepancies in excess of \$50.

D. Closing a Petty Cash or Change Fund

If a department no longer needs their change or petty cash fund they can close it by depositing the funds into the department's miscellaneous revenue account with a description that they are closing their fund and the original resolution number. For example, closing change fund # 97-158. The department will need to provide a copy of the deposit to the accountant in charge of doing the annual audits so that the master file can be updated.

XI. CASH OVERAGES

Any employee performing the function of cashier experiencing a cash overage must submit a written report to the department head at the close of each business day. The report must include the exact amount of any cash overage in the account for the day. (Government Code § 29373)

A. Procedures

1. All cash overages, regardless of amount, should be deposited separately with the County Treasury at the same time as all other cash receipts collected by the department. The deposit shall be identified as being a cash overage and deposited into the Miscellaneous Other revenue account 7990.
2. If the source of the cash over is known and the amount is greater than five dollars (\$5.00) the department shall issue a refund. These refunds are payable by County warrant. The claim shall reference the deposit permit covering the overage.
3. A cash overage of twenty five (\$25.00) or more shall be reported to the Auditor-Controller. The report should include the facts and circumstances and should be forwarded no later than the close of the business day on which the cash overage was discovered.

XII. CASH SHORTAGES

Government Code §29390 regarding cash shortages:

"The Board of Supervisors may, by a resolution incorporating such limitations and safeguards as may be deemed in the best interest 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....."

Additionally, Government Code §25257 through 25259.5 and Board of Supervisors Resolution No. 82-25, allows for the systematic discharge of accountability as authorized by the Auditor-Controller.

The procedures to follow in the case of a cash shortage will depend on the nature of the shortage as outlined below.

A. Routine Errors in Cash Handling

1. Errors may occur when making change and other cash transactions that result in a cash shortage. Any employee that has an unresolved cash shortage must report the exact amount of the cash deficit to his/her department head or supervisor at the close of each business day.
2. The department head or supervisor should make a thorough attempt to determine the reason for the shortage. The review may include recounting the cash, reviewing all transactions for the period and checking the amounts of all checks and money to ensure that the receipts were written for the correct amounts.
3. The department head must submit a memo to the Auditor-Controller requesting a discharge of accountability pursuant to Government Code §29390. The request must be complete with details of the occurrence and an explanation of corrective measures. If the request is granted, the Auditor-Controller will send a memo to the department. Once the department receives the memorandum they will need to submit an emergency request with a copy of the memo to replenish the shortage amount.
4. If the shortage amount is more than two hundred dollars (\$200) the department head will need to request the discharge of accountability from the Board of Supervisors.

B. 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 the assistance of the District Attorney if appropriate.
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/or the District Attorney.
4. The department head may request a discharge of accountability.

C. Discharge of Accountability

1. When a shortage of cash cannot be resolved, no matter the amount, the department head may request a discharge of accountability pursuant to Government Code Sections 25257-25259.5 and Board Resolution 82-25 dated January 26, 1982, if there is no proof that the shortage was the result of fraud or negligence.
2. The department head must submit a memo to the Auditor-Controller providing as much information as possible such as date, amount of shortage, location, and any known reason for the shortage. Any backup documentation available should be attached to the memo.
3. The Auditor-Controller shall review the memo and determine those amounts that will be discharged. Once the discharge is approved a memo will be sent to the department. The department will then submit an emergency claim with the original memo attached to have the fund replenished.
4. Any request for discharge over the amount of two hundred dollars (\$200) will need to be requested of the Board of Supervisors. A copy of the request will need to be submitted to the Auditor-Controller's office. Once the discharge is approved the department will submit an emergency claim with the minute order to have the fund replenished.

XIII. TRUST FUNDS

1. All trust funds maintained by the department must be reconciled monthly. All differences must be resolved or reconciled.
2. For those funds belonging to other agencies, 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.
3. Trust funds are established via Board resolution and authorization of the Auditor-Controller.

ALL DISCREPANCIES AND DEVIATIONS FROM THIS FISCAL POLICY MANUAL ARE SUBJECT TO AUDITOR-CONTROLLER AND THE RESPONSIBLE EMPLOYEE/DEPARTMENT HEAD MAY BE HELD ACCOUNTABLE SHOULD A DEFICIENCY LATER BE DETERMINED TO BE THE RESULT OF FAILURE TO FOLLOW THESE PROCEDURES.