COUNTY OF SAN LUIS OBISPO

OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

Revised

September 22, 2008

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

FORWARD

This manual contains policies and procedures to be followed by County employees whose duties require them to perform cash handling activities.

The manual contents are applicable to all County departments and to all special districts governed by the San Luis Obispo County Board of Supervisors.

We recommend that the Cash Handling Policy be required reading for all custodians, managers and supervisors. This policy should be used as a guide for the development of internal policies and procedures in the department. In addition, all employees required to handle cash must be familiar with this policy. This manual should be made readily available to employees as a reference in carrying out their day-to-day cash handling activities and in training new employees.

Occasionally, unique operating requirements exist in a department that require deviation from the procedures. For example, there are unique circumstances that apply to the Treasurer and the Tax Collector's Office. Deviations from the policy must receive prior approval in writing from the Auditor-Controller.

Gere W. Sibbach, CPA
Auditor-Controller

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

POLICY RECEIVED AND REVIEWED BY:		
DATE	PRINTED NAME	SIGNATURE

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

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OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

SECTION I: GENERAL INFORMATION

A. Definition of Cash

Cash is defined as coin, paper currency, and all forms of negotiable instruments. Examples of negotiable instruments are personal checks, cashier's checks, bank drafts, traveler's checks, money orders, and credit card charge slips.

B. Responsibility

1. It is the responsibility of each County department head to ensure that: (a) records of cash transactions are timely, accurate, and complete, and (b) cash in their possession is safeguarded.

2. Each department head is responsible for the proper training of staff with cash handling duties and the establishment of procedures to ensure compliance with the Cash Handling Policy. The department's procedures must be in writing and periodically monitored by the department for compliance.

3. All existing and new managers and custodians of cash collection functions must certify in writing that they have read the Cash Handling Policy (See pg 3).

C. Additional Controls

This Policy specifies the minimum controls to be followed by all departments. Unavoidable deviations from these controls must be carefully scrutinized by the department and compensating alternate checks and balances established to ensure the continuous integrity of the department's cash operations. The Auditor-Controller may also specify additional controls depending on the circumstances.

D. Custodians

Every cash fund will have one (1) custodian and one (1) alternate. The cash fund custodian names will be furnished to the Auditor-Controller whenever there is a change of custodian and/or alternate, or when requested.

SECTION I (Continued)

E. Changes in Personnel

A physical count of cash is required whenever there is a change in the custodian of a cash fund. The count should be done in the presence of a witness. If requested, the Auditor can provide the new custodian with the amount established for the change and/or imprest cash fund for independent verification.

F. Unannounced Cash Reviews

The Auditor-Controller's office will make periodic cash reviews on an unannounced basis.

G. Deviations

Any deviations from the Cash Handling Policy must receive prior approval in writing from the Auditor-Controller.

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

SECTION II: INTERNAL CONTROL

A. Definition

The management of each County department is responsible for maintaining a system of internal control for cash. The objectives of a cash internal control system are to: (1) control cash receipts and disbursements, (2) minimize potential for cash related defalcations and, (3) obtain true financial statement balances which are used for obtaining financial statistics and monitoring cash flows.

B. General

1. No employee is permitted to co-mingle their own or any other person's private monies with County funds. Therefore, County funds must not be used to cash payroll checks or other personal checks of County employees. Furthermore, employee personal funds must not be used to reimburse shortages in cash funds. Employees will not borrow money or issue personal IOUs in exchange for County funds of any kind. In addition, employees may not purchase for personal use stamps or any other supplies that are intended for County office use.

2. The functions of collecting and receipting County monies must be centralized, where practical. This will limit cash handling functions to as few employees as possible and will centralize activity in the hands of specially designated cashiers.

3. All collections must be deposited timely and intact; in general no later than the next business day. Large amounts of cash shall not be allowed to accumulate. Depositing intact means that the deposit to the bank account must consist of the checks, money orders, currency and coins as indicated in the receipts, which the deposit covers. No disbursement should be made from collections prior to deposit (see section IV for details).

4. Where it is practical to do so, a list of departmental services and associated fees should be posted at each cash collection point. The cost of infrequently provided services need not be posted, but should be available upon customer inquiry.

C. Physical Safeguards

1. The custodian must protect cash during breaks in a secure location and at night by locking it in a safe or locking file cabinet.

    a. The safe combination should be restricted to as few employees as possible. Written safe combinations must be kept in a secure location. The combination to the safe should be changed whenever an employee who has knowledge of the combination terminates County employment, is transferred to another department, or is removed from cash handling functions.

    b. Safes should be kept in limited access areas, out of sight of the public.

    c. The safe design and quality should be adequate to provide the appropriate level of security (i.e. safes should be non-portable, not have exposed hinges, be fireproof, etc.).

    d. The department must maintain accountability for all items stored in the safe. Only items relating to County business should be stored in the safe.

2. Many physical security concerns applicable to safes also apply to payment drop boxes. Drop boxes should not have exposed hinges or locks that can be cut off. Where practical, the box should be inside, within view of employees. Payments should be removed and processed at least once a day.

3. Offices must be locked during non-working hours and keys to office doors should be restricted to the minimum possible number of responsible employees. Extra keys should be kept in a secure location. Keys should be engraved with "Do Not Duplicate". A record of office keys must be maintained and it should be the responsibility of one (1) employee to ensure that office keys are returned by terminated or transferred employees.

4. Cash register keys and/or cash drawer keys should be retrieved from employees prior to termination. Locks may also need to be re-keyed periodically or when employees terminate.

5. Cash register systems that require computer passwords and log-on names should be disabled when those individuals terminate or are transferred.

6. Access to cashiering areas must be restricted to as few authorized individuals as practical. During working hours, cash must be kept in a cash drawer, cash box, or cash register, which is not accessible to unauthorized persons. Cash drawers or cash boxes must be closed and locked when not in use during the day.

7. Subsequent to collection activity, cash handling such as counting and preparing deposits should be done out of sight of unauthorized individuals.

D. Accountability

1. An adequate separation of cash handling and recording duties must exist to ensure that no one individual controls more than one key aspect of a cash transaction. The cashier must have no accounting responsibility beyond that of summarizing cash receipts. The bookkeeper should not have access to receipt preparing methods. The daily cash receipts should be recorded from the duplicate receipts, computer logs, or cash register tape, by a bookkeeper or someone other than the cashier who receives and counts the money.

2. Only one cashier should be responsible for each shift and drawer and this responsibility should be documented. The cashier should count and document cash on hand at the beginning and end of the shift.

3. Accountability must be documented in writing each time cash is transferred from one employee or department to another. This requirement also applies where a courier service is used.

4. An individual independent of the cash receipting/depositing function must daily reconcile receipts to the Treasurer validated deposit permit to verify that all collections are properly accounted for and deposited.

5. Postdated checks, disputed items, unidentified collections, NSF checks, and similar items should be subject to normal receipt control and timely investigated by persons without cash handling or recording duties.

6. Any adjustments to cash receipt records must be approved in writing by an appropriate supervisor.

SECTION II (Continued)

E. Payment Acceptance

1. Departments may accept payments for County services in the form of cash, personal checks, bank checks money orders, cashier's checks, and credit cards for the exact amount of purchase.

2. Departments should encourage payments be made in acceptable mediums other than cash. This is especially true with mail payments. Billings or invoices should clearly state that cash should not be mailed to the County in payment of goods or services.

3. The Treasurer has been authorized by the Board of Supervisors to contract with service providers to allow County Departments to accept credit card payments for County services. Departments must contact Treasury to request setup for accepting credit card payments either via the use of credit card machines or through the internet. Treasury provides the departments with the necessary forms for the approval process. Departments will prepare a business case for accepting credit cards. Acceptance of credit cards as payment must be endorsed by the Administrative Office and then approved by the Auditor-Controller before Treasury coordinates with the service provider to setup the department. The Auditor-Controller will review requests for credit card processing and make a determination whether use of credit cards is valid for the particular application. If approved, by the Auditor-Controller, Treasury will proceed with coordinating the setup with the service provider and the department. Treasury will provide instructions and related operating procedures to the department.

4. Nationally recognized traveler's checks may be accepted for payment, subject to supervisory approval. Traveler's checks accepted in excess of the amount due should be so noted on the receipt. Traveler's checks should be signed in the presence of the cashier who should verify the signature.

5. All foreign checks require special handling. **Departments should avoid accepting foreign checks whenever possible.** Additional bank charges are incurred for foreign check handling and the amount recorded will depend on the current exchange rate. These costs vary and can exceed the value of the item. The following are guidelines for handling a foreign check:

a. Foreign checks payable in U.S. funds through an American bank: Deposit to the Treasury like any other checks payable through an American bank as these checks do not require special handling.

b. Foreign checks payable in foreign currency: Departments should separate foreign checks from other checks payable through an American bank that are being deposited with the Treasury. Departments will request the Treasury to send these checks to the Treasury's bank for collection. Once the collected amount is credited to the Treasury's bank account, the department will be notified by the Treasury to prepare a Deposit Permit in SAP which in turn will be posted by the Treasury.

c. Foreign checks payable in U.S. funds through an international bank: Handling of these checks will be the same as Section II.E.5b.

d. There may be instances when departments inadvertently deposit with the Treasury, foreign checks payable in foreign currency or foreign checks payable in U.S. funds through an international bank along with other check deposits. If these foreign checks are returned by the Treasury's bank, Treasury will re-deposit these checks separately and request the bank to send these checks for collection. When collected and credited by the Treasury's bank, the department will be notified by the Treasury to prepare a Deposit Permit in SAP, the difference between the amount of the check originally deposited and the actual amount credited to the Treasury bank account due to currency exchange rate and fees.

6. Checks should be made payable only to the department which is to receive the revenue or to San Luis Obispo County.

7. The County may be subject to financial loss if a bank refuses to honor payment of a customer's 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 to be aware of services the department is providing where this type of loss can result. It is recommended that in these instances the following safeguards be followed:

a. Accept checks only for the exact amount owed to the County.

b. The check must be drawn on a banking institution located in the United States.

c. It is preferred that checks be preprinted. If it becomes necessary to accept a non-preprinted check, obtain the necessary information and write it neatly on the face of the check. This information should include the name of the individual or business, the physical address, current phone number and any other information required under this section.

d. Personal checks that have already been prepared are acceptable as long as there is proper identification.

e. Law prohibits requesting credit card information as part of the check acceptance process.

f. The cashier must examine a driver's license before accepting payment. Compare the person with the description on the identification as to age, height, etc. and compare to the photograph. If a driver's license is not available, some other type of identification (preferably with a picture of the payer) indicating the name and address must be required. **Do not accept expired identification.**

g. Note the driver's license number and expiration date on the face of the check and initial the check. If the driver's license number is printed on the check, circle the number and initial.

h. Verify that the address, phone number and other data preprinted on the face of the check is current. If necessary, obtain and write current information on the check. If the address on the face of the check is a P.O. Box or if the address is incorrect, obtain a physical address location and note it on the check. The payer's name and address must be verified by comparing it to the driver's license or other identification.

i. An identifying in-house number (e.g., case file number, parcel number, etc.) should be written on the face of the check. This information will facilitate follow-up if the check is returned due to "Non-Sufficient Funds".

j. Do not accept a check that is dated other than the current date (stale dated or postdated) unless received in the mail.

k. Do not accept two party checks (i.e., the payee is not a County department or San Luis Obispo County).

l. When there is a discrepancy between the numerical amount and the written amount on a check, the written amount is the legal amount. Departments can guarantee payment for the numeric amount, if the amount is less than the written amount. Departments can guarantee payment for the numeric amount, if the written amount is missing and the numeric amount is the correct amount. If the written amount is less than the numerical amount, and the written amount is incorrect, return the check to the maker for issuance of a replacement check.

m. The encoded numbers on the bottom of checks should not be altered or covered in any way. This could cause the check to be returned.

8. A restricted endorsement stamp must be used on all checks and money orders at the time they are received. Do not wait to restrictively endorse checks until the deposit is made.

   a. The endorsement stamp should read:
   PAY TO THE ORDER OF SAN LUIS OBISPO COUNTY TREASURER
   (DEPARTMENT NAME)

   b. In accordance with Federal Reserve regulations, the endorsement stamp should be restricted to the left 1 ½" of the back of the check.

9. When making change, count out the coins to the nearest dollar, and then count the bills. Count the cash twice before paying out, once when removing it from the cash drawer and again as it is given to the customer.

10. Never count currency directly into the cash drawer. Always place it on the counter, away from the customer's reach, and count. Make the necessary change and complete the transaction. Then place the customer's payment in the proper compartments of the cash drawer. This procedure will help to avoid controversies that might arise as to the amount given by the customer.

SECTION III: RECEIPT DOCUMENTATION

A. General

1. In general, a County receipt must be prepared immediately whenever monies are collected by employees in connection with their County duties. The risk of misappropriation or error is greatest during the period between actual collection and the documentation that will establish accountability. However, receipting each payment may not be practical for certain high volume collection activities with specialized processing needs. These applications must receive prior review and approval in writing from the Auditor-Controller before receipting requirements can be modified.

2. Signs should be posted reminding the public to obtain a receipt for any payment made.

3. Four different types of receipts are in use at the County:

   a. Official County receipt books are pre-numbered and contain an original copy and two carbon copies. The original is given to the customer, the yellow copy is returned to the Auditor-Controller, and the pink copy is retained by the department.

   b. Some departments require special purpose variations of the official County receipt designed to meet specific needs. These forms are also printed with sequential receipt numbers for control purposes and serve the same purpose as other types of official County receipts. (See section III E. for further details).

   c. Cash register receipts are often used in departments with a large volume of transactions. (See section III F. for further details).

   d. Some departments have implemented computerized receipt systems. (See section III G. for further details).

4. The type of receipt system that will be most effective and economical for the needs of the department should be selected. In all cases, preprinted pre-numbered receipt forms must be used for manual receipts.

5. Implementation or modification of any special, cash register, or computerized receipt system must receive advance approval in writing from the Auditor-Controller.

B. Control of Unused Receipts

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

2. The following procedures must be followed in securing and controlling the use of special purpose receipts:

   a. Receipt design and quantity to be held in inventory must be approved in advance by the Auditor-Controller.

   b. The department manager shall obtain the Auditor-Controller's approval of each purchase requisition prior to submitting to the purchasing agent.

   c. Special purpose receipts are to be delivered to the Auditor-Controller's Office where they will be logged in. The department will be notified by the Auditor-Controller's Office when the receipts are ready for pick up.

3. The department must maintain accountability at all times over receipts issued for use by their department and by subordinate offices and field locations.

4. The department must provide a secure restricted access location for the storage of receipts not in use.

5. Only one person in each department should be assigned responsibility for the issuance and control of unused receipts. This individual should not have cash handling responsibilities.

6. Receipts must be pre-numbered and issued in numerical sequence. If more than one book has been received by a department or location, these books should also be used sequentially. On a predefined periodic basis, a supervisor must verify that receipts are used in sequential order and that all receipts are accounted for, including voided receipts. **This procedure should include verifying the first receipt issued each day numerically follows the last receipt issued the prior day.**

7. Each department is responsible for maintaining a receipt control log indicating (See attachment A):

   a. The beginning and ending numbers of the receipts received from the Auditor-Controller.

   b. The numbers of the receipts used by the department or issued to subordinate offices and the identity of the issuee. The log should be signed by the issuee.

   c. The numbers of the receipts which are unused and still on hand.

8. A new receipt book should not be issued to a subordinate office or field location until a used book is returned, with all receipts accounted for.

9. A periodic inventory of all used, unused, and voided receipts (including partially used receipt books) must be performed by the department at least annually and documented.

10. An investigation should be made immediately when a used or unused receipt or book is determined to be missing, stolen, or destroyed. A report detailing the results of the investigation should be forwarded to the Auditor-Controller's Office.

11. When all receipts in a book have been used, the used book containing the receipt copies should be returned to the department's business office for storage. The business office should account for the receipts in numerical sequence, verify that receipts were issued consecutively by date, and that voided receipts were handled in accordance with section III D.

12. When employees terminate, departments should ensure that all receipt books issued to the terminating individual are accounted for and returned to the business office or transferred to another employee. The receipt custodian must be notified upon transfer of the new employee responsible for the receipts.

13. Used receipt books may be destroyed after five (5) years or after being audited by the Auditor-Controller.

C. Preparing Receipts

1. Receipts should be prepared in sequential order and staff should verify that the first receipt issued each day numerically follows the last receipt issued the previous day. (See control of Unused Receipts, Section III B, for additional information.)

2. Where possible, receipts should be written in the presence of the payer.

3. The issued receipt must be for the exact amount received.

4. The receipt must be prepared accurately and completely and initialed by the preparer.

5. Method of payment should be indicated on the receipt, (i.e., cash, check, money order, etc).

6. If payment is by check, indicate check number on the receipt.

7. 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 for each.

8. 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. Variations in departmental operations and needs may result in exceptions to this policy. Where appropriate, this policy may be waived by the Auditor-Controller upon written request of the department.

D. Voided Receipts

1. Receipts with alterations or erasures must be marked void and a new receipt written. Receipts with alterations or erasures that are not marked void should be immediately investigated.

2. The immediate supervisor must review and initial the voided receipt in the presence of the payer. The word **"VOID"** should be written in large letters on the receipt. A brief explanation should be noted on the receipt.

3. All copies of the voided receipt must be retained by the department for inspection by the Auditor-Controller's Office.

4. A written explanation must be kept if a receipt is voided after the original has been given out and it is not possible to recover the original.

5. Any replacement receipt should be referenced to the original voided receipt number.

E. One-Write Receipt Systems

1. "One-Write" receipt systems consist of a metal, wood, or plastic pegboard and a set of journal pages with a bank of receipts attached at the left-hand side of the journal page. A journal page is placed over the pegs on the pegboard and the receipts are placed over this with the top line of each receipt directly aligned with an applicable line on the journal page. As each receipt is written, the information is transferred to the journal page by the carbon on the back of the receipt.

2. Method of payment should be shown on the receipt such as cash or check. If check, the bank and check number should be written on the receipt where they will be transferred to the journal page underneath.

3. If it becomes necessary to void a receipt when a "One-Write" receipt system is used, the same procedures described in section III D. should be used. In addition, the corresponding line on the journal page shall likewise be noted with the word "VOID". All copies of the voided receipt must be retained by the department after it is reviewed and initialed by the immediate supervisor.

F. Cash Registers

1. Cash registers are used for the receipt and control of monies received by departments which have a large volume of collections.

2. The Department Head, in coordination with the Auditor-Controller, is responsible for developing and adopting the necessary operating procedures for the use of cash registers in the department. The Auditor-Controller shall approve such procedures in advance.

3. In general, all internal control concepts described in this Policy are applicable to cash register systems, with specific guidelines as follows:

   a. Each cashier should be assigned a separate cash drawer. If this is not possible, each cashier should use an identification code when entering a transaction.

   b. The cash drawer must be kept locked when not in use.

   c. At the start of each business day, the cashier will count and sign for any assigned change funds.

   d. Cash registers should have the capability of printing transaction numbers in numerical sequence.

   e. Duplicate imprints of transactions should be recorded on a tape locked in the cash register (the detail audit tape).

   f. If an error is made by keying an incorrect amount or distribution the cashier must note the error, write a brief explanation in ink on the detail audit tape, and key in the proper amount. At the end of the day, the cashier must subtract the erroneous amounts from the cash register total and reference to the original transaction numbers.

   g. If it becomes necessary to void a receipt when a cash register is being used, the detail audit tape shall be noted with the word **"VOID"**, and the voided receipt shall be attached to the cashier's reconciliation of the day's business.

   h. All corrections or voids must be reviewed, verified, and initialed by the cashier's immediate supervisor.

   i. When a cashier is on a break or at lunch, provisions should be made to fix accountability for monies received by the individual providing relief for the cashier.

j. At the end of each business day, the supervisor must clear out the cash register totals for the day's business. In this connection, the cash register will have the capability of summarizing transactions by coded distribution key. The cashier shall **at no time** have the capability of clearing out cash register totals.

k. The supervisor must also reconcile the cash register tape total with the monies turned in by the cashier at the end of each day. The count should be observed by the cashier in case of discrepancies. If this is not practical, the cashier must perform and document a count to be verified later by the supervisor.

l. The cash register tape and reconciliation should be used for the daily posting to the journal and should be retained by the department.

m. If the cash register has a visible display of the amounts being entered, the cash register should be positioned so that the customer can observe the display. Otherwise, the customer must be given the cash register receipt, which itemizes the transaction.

G. Computerized Receipt System

1. Computerized receipt systems are particularly useful in departments with a large volume of collections where a specialized system is needed to interface with accounts receivable and other accounting records.

2. All computerized accounting systems must be reviewed and approved in advance by the Auditor-Controller's Office.

3. Options considered may include the use of existing packaged computer accounting, cashiering or receipting systems, custom designed computer systems, or in-house developed systems. All systems require extra scrutiny to ensure that the design meets the accounting standards and controls set by the Auditor-Controller. The system design and implementation process should be fully planned and documented before work is started. Manual records must be maintained until the computer program is tested and functions properly.

4. All receipt numbers must be accounted for consecutively, and any errors must require a voided receipt to be generated and logged with an explanation. Under no circumstances must the system allow a transaction to be deleted and the receipt number reused. The immediate supervisor or an individual separate from the cash handling functions should review the voided receipt transaction log and indicate their review.

5. In general, all internal control concepts described in this section are applicable to computer receipt systems. Special attention should be paid to controls over receipt forms, receipt numbering, and providing an adequate audit trail of the receipting process.

H. Payments Received Through the Mail

1. A responsible employee other than the cashier or bookkeeper must receive, open, and distribute mail. The employee who opens the mail should perform the following procedures with payments:

   a. Prepare a listing of the receipts.

   b. Cross-reference supporting documents and checks.

   c. Restrictively endorse checks.

   d. The listing of mail receipts, checks and any supporting documents should be reconciled to ensure that all receipts are accounted for.

   e. If the volume of mail receipts is large it may not be practical to prepare a listing of all mail receipts. At a minimum, an adding machine tape should be prepared and agreed to the checks and supporting documents.

   f. Before forwarding the listing of mail receipts/adding machine tape to the cashier, a copy should be made and forwarded to the individual responsible for reconciling collections to deposits. This employee should compare the list to the final deposit.

2. The cash and checks should be readied for deposit and deposited by someone other than the mail opener or cashier. Supporting documents and the listing of mail receipts/adding machine tape should be forwarded to the cashier for recording. The individual responsible for reconciling collections to deposits should verify the amount deposited to the listing of mail receipts/adding machine tape.

SECTION III (Continued)

3. Questionable items should be included in the mail listing and investigated by an individual independent of the cash handling function. Questionable items should be cleared each day.

4. All adjustments to the listing of mail receipts should be documented and approved by supervisory personnel. If any monies are routed to other departments, this should be noted next to the item on the list.

5. The mail listings should be kept with cash receipt records for five (5) years or until audited by the Auditor-Controller.

SECTION IV: DEPOSIT OF PAYMENTS

A. General

This section describes deposit procedures and includes an illustration of the deposit permit form used in this procedure.

B. Internal Control

1. All cash receipts shall be deposited timely and intact. The frequency of deposits will be determined by the volume of funds received. Collections of $500 or more should be deposited no later than the next business day. Collections of less than $500 may, at the discretion of the department, be held and deposited less frequently, except that in no case should deposits be less frequent than weekly.

2. Receipt number sequences and/or collection date(s) for each deposit must be listed on the deposit permit. The total amount of receipts issued must be reconciled daily to the corresponding deposit permit amount and to the total amount of cash and checks. This reconciliation should be performed by someone independent of cash handling and recording functions.

3. Deposits should be made by an employee other than the cashier or the person who issues receipts.

C. Depositing Procedure

The following steps outline the procedure for depositing funds in the County Treasury.

		ACTION
Originating Department	1.	Prepare electronic Deposit Permit in SAP (ZD document type using transaction code ZDP) or for those entities that have no access to SAP, fill out an EFS Deposit Permit found in the EFS Accounting Forms located in the Auditor-Controller's website (See Attachment B). Be sure total receipts agree with amount entered on Deposit Permit. (See also Section IV–D)
	2.	The Deposit Permit must be "Saved as Complete" before deposit is brought to the Treasury for verification of funds and posting of the Deposit Permit. (Departments follow their own Deposit Permit approval procedures for "Saved as Complete").
	3.	Bring funds to the Treasury for deposit with the SAP document number. .
	4.	Submit a tape listing checks and cash separately with the deposit permit. Tape listing must include the number of checks being deposited. The total of the tape must match the deposit total.
Treasurer	5.	Find completed Deposit Permit document in SAP. Verify deposit amount with Deposit Permit and post document in SAP.
	6.	Provide a copy of the posted Deposit Permit to originating department representative and forward receipt copies or cash receipts journal page to Auditor-Controller's Office.
Originating Department	7.	File the department's Deposit Permit copy in numerical order for five (5) years or until audited by the Auditor-Controller.

D. Preparing the Deposit Permit Form

The following steps outline the procedure for preparing a Deposit Permit Form.

1. To Be Completed By Originating Department/Entity:

Transaction Code in SAP: ZDP

In the Deposit Permit document Basic Data tab, enter the following:

Document Date
The date the document is prepared.

Posting Date
The date the deposit is brought to the Treasurer's Office and posted in SAP.
Note: Funds received by 12:00 noon will have a value date and posting date of the current day. Funds received after 12:00 noon will have a value date and posting date of the following business day.

Reference
The name of the department.

Doc. Header Text
A description of the deposit.

In Details tab, enter the following:

Trading Partner Business Area
The name of the department/entity.

Accounting Entries
Debit appropriate Treasury General Ledger (GL) accounts for checks, currency, coin, ACH Incoming, Night Deposit, Wire Incoming, and Credit Card deposits. Appropriate location identifiers or credit card merchant numbers are required to be entered in the assignment no. field of the line items.

Credit appropriate department/entity GL, Fund, and Cost Center accounts. Other information such as order numbers and/or text descriptions may also need to be entered.

Value date for Treasury GL accounts normally will be the same as the posting date. Value date is the date the Treasury receives the funds.
Note: Funds received by 12:00 noon will have a value date and posting date of the current day. Funds received after 12:00 noon will have a value date and posting date of the following business day.

Deposit Permit document may be saved as complete when debits equal credits. Note deposit number displayed to give to Treasurer's Office staff.

E. Treasury Cash Concentration Depository Account

1. Some departments have outlying branches that require depositing directly to the bank. This is referred to as Cash Concentration Depository Account, and limits the department to deposit only authority. Location Identifiers are established for these branches in conjunction with the Auditor-Controller and the Treasurer. Departments utilizing the service need to meet the requirements of the Treasurer's Office:

2. Deposits made to non-Treasury depository accounts must be deposited into the Treasury no later than the 15th of each month unless there is a requirement to maintain a minimum balance in the account.

F. Deposit Verification

Each day departments must verify total collections to the County's financial system (EFS) to provide reasonable assurance that the department has been properly credited for all deposits. The verification should be done by an employee independent of the cashiering or deposit preparation functions.

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

SECTION V: BANK ACCOUNTS

A. General

1. Board of Supervisor's Resolution 84-40 authorizes the Auditor-Controller to establish bank accounts for County departments for the following purposes:

   a. Treasury Cash Concentration Depository Accounts/Depository Clearing Accounts are used when departments are not conveniently located to make frequent cash deposits to the Treasury. Depository Clearing Accounts should be cleared at least monthly or more frequently by the departments. (See attachment C1).

   b. Revolving Accounts are for special departmental expenditures where timing may be critical or normal payment processing is not adequate fo the specific operational need. Revolving accounts are considered imprest funds and are subject to control procedures for these funds (see section VI), in addition to controls for bank accounts.

   c. Trust Accounts are used for funds held in trust by County departments for outside agencies or individuals.

   d. Non-Treasury Depository Accounts are used when a Treasury Depository Account is unavailable. These accounts are for deposit only; however, checks may be issued for transferring funds to the Treasury.

2. Bank accounts should be established at banks where the County has a banking agreement. Accounts will be established through the Auditor-Controller in conjunction with the Treasurer.

B. Authorizing Procedures

1. In order to establish a bank account, the department must submit to the Auditor-Controller a written request with the following information:

   a. Location and purpose of the account.

b. Reasons why the department needs this type of account.

c. Monthly average dollar amount to be deposited, if a depository account, or the monthly average amount of checks, if a revolving account.

d. Frequency with which deposits will be made to the depository account, or the frequency of disbursements, if a revolving account.

e. Employee responsible for the account.

f. Authorized signers' names and titles, if a revolving account. Each check will require two (2) signatures.

2. The Auditor-Controller will review the departmental request and any supplementary information considered necessary to establish the need for such a bank account. Based upon this review the Auditor-Controller will determine whether or not the establishment of such an account is justified.

3. If a deposit consolidation account is approved, the Auditor-Controller will issue a new location identifier number to be used by the department. The bank/branch the department will deposit to will depend on the physical location of the department and the County Treasurer's current banking agreements.

4. If a revolving account is approved, the Auditor-Controller will issue a warrant to the department to open the account. The department should coordinate the account opening through the Treasurer. The department must provide the Auditor-Controller with a copy of the bank signature card.

5. The Treasurer will issue deposit slips and checks, if applicable, to the department.

6. If the account is disapproved, the Auditor-Controller will notify the requesting department of the decision and reason(s) for disapproval.

C. General Controls

1. All bank accounts must be maintained in the name of the County of San Luis Obispo. Under no circumstances will accounts be maintained in an individual's name or departmental name.

2. Bank accounts must be used for official County business and only for the specific purposes for which they are established. Any unauthorized change in the use of the account may result in immediate closure of the account.

3. The bank account custodian must maintain a record of all bank transactions including the following information:

   a. Date of deposit or check.

   b. Deposit or check amount.

   c. Payee of each check and purpose.

   d. Source of each deposit amount.

   e. Account balance.

4. A written bank account reconciliation must be prepared by an employee with no cash handling or check writing responsibilities. This individual must receive the statements directly from the bank or electronically. (See suggested reconciliation format, Attachment C2).

5. During the reconciliation, all checks should be compared with records to verify date, number, amount, and payee. Signatures and endorsements on checks should also be inspected. Non-check and unusual items on the bank statement (e.g., bank charges, cash withdrawals, transfer of funds, unexplained debits/credits) should be promptly investigated and resolved. All other items must be resolved within thirty (30) days.

6. The reconciliation must be reviewed and approved in writing by an appropriate level supervisor (See Attachment D).

7. The department must furnish a copy of the bank statement, the reconciliation, and the reconciliation review form to the Auditor-Controller by the 25th of the following month. Submit only these three items. All other supporting documents should be kept at the department and available upon request by the Auditor-Controllers' Office.

8. Duplicate deposit slips, bank statements, canceled checks, and debit memos should be kept by the department for five (5) years or until audited.

9. Depository Clearing Accounts must also be reconciled monthly and should follow the same general guidelines listed above for bank accounts. These accounts are EFS accounts set up as clearing accounts to reflect deposits made by outlying departments or credit cards deposits. Since bank statements are not received for these accounts, the reconciliation should be performed using the EFS balance obtained from the month end Trust Detail report. (See Attachments C1 and C1.1 for procedures and the required reconciliation format.)

10. Interest earned on non-Treasury bank account balances must be deposited quarterly into the County Treasury.

11. The Auditor-Controller will maintain list of all current bank accounts.

12. Any change in the status or nature of the account must be immediately reported to the Auditor-Controller.

D. Disbursement Controls

1. Only revolving and non-Treasury depository bank accounts will be issued checks to make disbursement.

2. All disbursements from revolving bank accounts must be approved in writing by the revolving bank account custodian's supervisor.

3. Where a non-Treasury depository account is used, all checks must be made payable to the Treasurer and bear the joint signature of the Auditor-Controller and another signer authorized by the department. In this case only, the check payee may be preprinted to increase security.

4. Blank check stock and signature stamps must be stored in a secured area with access restricted to authorized individuals. A responsible employee should be designated.

5. Checks must be serially pre-numbered. Spoiled checks must be voided and retained for subsequent inspection. All Checks (used and unused) must be accounted for on a periodic basis (monthly at a minimum). Computerized cash systems may also use pre-numbered check stock. Most systems will print the check numbers. Additionally, the department **must not** allow a void or cancelled check number to be reused and the department must maintain an adequate audit trail that details checks issued.

6. In preparing checks, care must be taken so that alterations cannot be made. Checks must be prepared in ink (handwritten, not typed, unless the volume makes it impractical). All amounts should be inserted far to the left in the prescribed spaces to avoid the possibility of a later insertion in front of the correct figure.

7. Revolving account checks must be payable to the individual or organization receiving the funds. Checks must never be made payable to "cash" or "bearer".

8. Departments should monitor their bank accounts to insure that before checks are issued from that account, there is a collected balance. They should be aware that checks deposited to the bank account take a certain time to clear through the Federal Reserve System. If disbursement checks are presented to the bank before the checks deposited are collected, the bank account will be charged a fee for uncollected funds.

9. Strict control must be maintained over authorized signatures as follows:

    a. Authorized signers must be officers or employees independent of the handling of incoming cash and accounting records and independent of the fund custodianship.

    b. The number of authorized check signers must be limited. Provision should be made for one (1) or two (2) additional employees to be signers in the event of absences or emergencies. Checks require two (2) authorized signers acting together.

    c. A list of authorized signers should be maintained in the department's business office at all times. Changes (additions or deletions) in the authorized signers should immediately be posted to the list as they occur. Authorized signers going out of service or transferring to another area or department should be deleted immediately from the check signer list. Copies of all changes must also be provided to the bank, the Treasurer, and the Auditor-Controller.

    d. The Auditor-Controller must be designated an authorized signer on non-Treasury depository accounts.

10. Checks must not be signed until they have been fully completed. Blank checks must not be pre-signed or pre-countersigned.

SECTION V (Continued)

11. When a mechanical check-signing machine (with a signature plate) is used, someone not involved in the processing of checks must safeguard the signature plate.

12. Supporting documentation (vouchers, receipts, etc.) must be presented with the checks submitted for signature. The check signers must review the documentation for accuracy and appropriateness before signing the check.

13. Checks must not be mailed by the employee who prepared the checks. If a check is returned as undeliverable, it must not be returned to the employee who prepared it.

14. Replacement checks should never be issued prior to confirmation of an effective stop payment action or prior to receiving credit for the original check. The replacement check must be referenced to the original check on the check register.

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

SECTION VI: CHANGE, IMPREST AND PETTY CASH FUNDS

A. General

1. Board of Supervisor's Resolution 84-40 authorizes the Auditor-Controller to establish change and imprest cash funds for County departments for the following purposes:

   a. Change Funds are used to make change in carrying out official County duties. (Government Code Section 29325).

   b. Imprest Cash Funds are used to purchase services or materials, which are a legal charge against the County. (Government Code Section 29326).

   c. Generally, "Petty Cash" comes under the definition of an imprest cash fund. Petty cash funds are used to pay for minor purchases that are not generally covered by a countywide blanket purchase order, with the exception of emergency situations or for purchases which the issuance of a formal purchase order or purchase claim would be too costly and time consuming.

2. Change and imprest/petty cash funds are designated solely for the purpose of conducting County business. These funds may not be expended or taken for personal use under any circumstances and must be used only for the purpose for which they were established.

3. The same fund should not be used for both change and imprest/petty cash purposes unless approved in writing by the Auditor-Controller.

4. In accordance with Resolution 84-40, the Auditor-Controller will maintain a list of all cash funds and provide a written report to the Board of Supervisors at the end of the fiscal year stating the amount of such funds and the responsible officers.

B. Authorization/Administration

1. In order to establish a change or imprest/petty cash fund, the department must submit to the Auditor-Controller a written request with the following information:

   a. Location and purpose of the cash fund.

   b. Reasons why the department needs this type of fund.

   c. Fund amount to be established. For change funds, the amount of the fund needed will depend on the volume and average dollar amount of transactions and the number of locations needing change funds. For petty cash funds, the amount of the fund should equal approximately two (2) months' expenses. Information supporting the requested fund amount must be provided.

   d. The name of the fund custodian(s).

   e. A County claim form (see Attachment E) should be included with the request, payable to the requesting department. The claim should indicate the total amount requested and be signed by the department head. The Auditor-Controller will provide the appropriate account coding for the transaction.

2. The Auditor-Controller will review the written request and determine if the establishment of such a fund is justified.

3. If approved, the Auditor-Controller will issue a warrant in the amount requested to the department.

4. If the Auditor-Controller determines the change or imprest/petty cash fund is unjustified, the department will be notified in writing.

5. Change or imprest/petty cash funds are authorized for a specific amount at a specific location. Approvals for changes in location of an established fund or increases or decreases in amount and/or purpose of the fund will be made by the Auditor-Controller based upon a written request from a department head. No changes should be made until approval is received from the Auditor-Controller.

6. When the purpose or need for which a cash fund was authorized ceases to exist or the total amount authorized is no longer needed, the fund will be discontinued or reduced.

7. It is the responsibility of the department having custody of the cash fund to:

   a. Furnish an accounting of the fund upon demand by the Auditor-Controller.

   b. Provide proper physical safeguards for the fund.

   c. Assign responsibility for each fund in writing to a separate custodian. A second custodian should be designated in writing in case of absence or emergency. The fund custodian must not have any other cash handling responsibilities (such as the ability to sign checks or authorize imprest fund disbursements).

   d. Notify the Auditor-Controller of any change in the fund custodian.

8. The custodian must count and reconcile cash on hand to the assigned amount on a daily basis. If not used daily, the fund should be counted at least weekly. The fund should periodically be counted and reconciled by someone other than the custodian on a surprise basis. A record of the date and the amount counted should be maintained in the department's business office. Reconciliation guidelines are as follows:

   a. Imprest/Petty cash fund: Cash plus vendor receipts and vouchers equal the approved amount.

   b. Change fund: Cash less undeposited receipts equals the approval amount.

C. Imprest/Petty Cash Funds

1. Estimated expenditures must be budgeted through the normal budgetary process.

2. Disbursements through petty cash funds are restricted to official County use and must be an appropriate expenditure of public funds. In addition, petty cash **should not** be used to purchase food items, meals, reimburse travel claims or be used for any other items of a similar nature.

3. Employees may not use petty cash funds for personal items, borrow money or issue IOUs in exchange for County funds.

4. Petty cash may only be used for authorized expenditures, which do not exceed $100, unless it is an emergency and after hours.

5. Imprest/Petty cash funds should not be commingled with change funds or any other funds or receipts.

6. When making disbursements from an imprest/petty cash fund, the following controls must be adhered to:

   a. Disbursements must be authorized by an appropriate individual to ensure that the item or service to be purchased is a necessary and legal charge. In some situations this individual may be the fund custodian. A petty cash voucher system should be used for this purpose (see Attachment F).

   b. The fund custodian must obtain and review supporting documentation for all disbursements. Sales receipts/invoices must be obtained documenting the date of the purchase, the amount expended, and the item purchased. Whenever possible, the sales receipt should be obtained prior to disbursing funds.

   c. In situations where funds are advanced before a receipt/invoice is obtained, a petty cash voucher must be used to document the date, the item to be purchased, and the amount advanced to the purchaser. Both the individual authorizing the expenditure and the individual to whom the funds are disbursed should sign the voucher. After purchase, the voucher must be completed with actual cost and amount due to/from the fund, and the sales receipt attached.

   d. Supporting documentation must be prepared in such a manner as to make alterations difficult. For example, petty cash vouchers and vendor invoices must be written in ink so that documentation cannot be easily altered.

   e. Documentation supporting expenditures must be marked paid to prevent subsequent reuse (misuse) of the documents.

   f. Documents other than vouchers and sales receipts should not be kept in the petty cash box.

g. Departments with imprest/petty cash funds assigned to multiple locations may have each office forward the appropriate expenditure documentation to the department's central business office. Upon verifying the appropriateness of the expenditures and supporting documentation, the business office should reimburse the individual locations from the business office's fund. The business office should then request reimbursement of the fund from the Auditor-Controller.

7. County departments may request replenishment of expended imprest/petty cash funds by submitting an official County claim form made payable to the department to the office of the Auditor-Controller (see Attachment E). This claim shall include:

   a. An expenditure distribution of the accounts to be charged for reimbursement.

   b. Copies of all vendors' invoices and vouchers properly completed and approved. In the case of expenditures from confidential funds of the District Attorney or Sheriff Department, the applicable department head may substitute a signed statement indicating that the expenditures were appropriate for the purpose of the fund.

   c. The claim must be for the exact amount of expenditures.

   d. The claim should be reviewed and approved by someone other than the fund custodian.

8. Upon approval of the claim, the Auditor-Controller will issue a warrant to the requesting County department to replenish the fund. The warrant should immediately be cashed and the funds secured with the imprest/petty cash fund monies (or deposited into the revolving fund checking account, as appropriate).

9. At fiscal year-end, the request for reimbursement should be submitted at an appropriate time to ensure that expenditures are reflected in the proper accounting period.

COUNTY OF SAN LUIS OBISPO
OFFICE OF THE AUDITOR-CONTROLLER

CASH HANDLING POLICY

SECTION VII: RETURNED CHECKS

A. General

1. There are a number of reasons why a check may be returned unpaid from the bank. The most common reason is due to insufficient funds on deposit by the maker of the check. These returned checks are often referred to as "NSF" (non-sufficient funds). Returned items also include payments using credit card machines at the departments' location or online payments using credit cards or electronic payments using a savings or checking account.

2. Departments are responsible for establishing the procedures necessary to reduce the possibility of NSF checks and to provide the accounting for these items until properly cleared from their records. (See Section II E. for check acceptance policies).

3. It is the department's responsibility to determine if any action the County took in processing the item contributed to its return.

4. Departments are able to waive the returned check fee if any action of the County contributed to the return. If the returned check fee is waived, the department is required to send an email to the Treasury stating that the fee is being waived and the reason for the waiver.

5. When a department receives an NSF check, it is the responsibility of that department to ensure that no additional services are provided and that no other checks are accepted until the NSF check is made good.

6. As a rule, timely collection action on a debt increases the possibility of collection. Allowing NSF check writers to purchase goods and services without an aggressive attempt to obtain repayment encourages them to write more NSF checks. Aggressive action tends to reduce the number of NSF checks.

B. Redemption of Returned Checks

1. Upon receipt of a returned check from the bank, the Treasury will:

   a. Notify the department that deposited the check.

b. Obtain accounting information from the department.

c. Prepare a journal entry to reverse the original entry, which recorded receipt of the NSF item.

2. The department must pick up a copy of the journal entry and the original NSF check at the Treasury and acknowledge receipt of the NSF check by signing the Treasury's returned check log.

C. Department Accounting for NSF Items

1. The department must maintain a log, which identifies outstanding NSF checks (amount, date, receipt number, payer, address and phone number). Collection efforts and status of checks must be recorded. Items should be cleared from the log as they are repaid or when relief from accountability is received.

2. If applicable, the department must immediately stop providing services to the payer of the NSF check. Flag the payer file to ensure that no future services are provided and that no other checks are accepted until the NSF check is made good. Lists of NSF check payers should be kept at cashier's stations.

3. The department should actively pursue collection of all NSF items, along with the Treasurer's returned check Fee (unless waived). Written and verbal notification to the check payer should begin immediately in order to minimize the possibility of nonpayment. Written demands for payment should be sent by certified mail (see Attachment G).

4. Additional penalties and returned check fees should be identified when communicating with the check payer. The County fee ordinance requires the County to impose a charge for all NSF checks. In addition, section 1719 of the Civil Code provides that the payer is liable for damages of three (3) times the face value of the NSF check if payment is not received within thirty (30) days of notification of the NSF check.

5. The District Attorney's Bad Check Program should be contacted to assist in the collection of all NSF checks and proceed with criminal prosecution, if necessary.

6. All reasonable collection efforts should be performed before relief from accountability is requested from the Board of Supervisors.

D. Deposits of Recovered Money

1. Only accept cash, cashier's checks or money orders for payment on NSF checks.

2. Any monies received by the department to replace a NSF item will be recorded and deposited as an original receipt.

3. Receipts issued for the repayment of NSF item should be so noted and cross referenced to the original receipt.

4. General Fund departments will deposit the returned check fee to the Treasury, Cost Center 1080200000, Fund 1000000000, and GL account 4550090. Non General Fund departments will split this fee between the Treasurer and their organization, crediting their portion with their appropriate Cost Center, Fund, and GL account 4550090 and crediting the Treasury portion, Cost Center 1080200000, Fund 1000000000, and GL account 4550090. The deposit permit should reference the last name of the individual whose check was returned.

5. To recover costs incurred related to returned checks, departments may be required to reimburse the Treasury for returned check fees regardless of whether the fees are collected or not collected by the department.

SECTION VIII: CASH OVERAGES AND SHORTAGES

A. General

1. The Auditor-Controller considers the problem of a cash overage as serious as a cash shortage. Both cash discrepancies are a result of a breakdown in cash handling procedures.

2. All overages and shortages must be accounted for and reported separately. Overages and shortages must not be offset or netted against each other.

3. Per Board of Supervisors Resolution 84-40, overages and shortages will be reported to the Board of Supervisors by the Auditor-Controller at the end of each fiscal year.

4. Statutory shortages in the office of the Treasurer-Tax Collector are excluded from the requirements of this chapter.

B. Cash Overage

1. Any cashier experiencing a cash overage must report this fact to their department head or supervisor immediately upon discovery.

2. Cash overages of $25 or more must be reported to the Auditor-Controller. Such reports should describe the facts and circumstances related to the overage, as known by the fund custodian, and should be forwarded to the Auditor-Controller no later than the close of business the day after the overage is discovered.

3. All cash overages, regardless of amount, should be deposited timely and intact, together with all other cash receipts collected by the responsible department or activity. Overages should be deposited to GL account 4550160.

4. When the source of a cash overage is known to the fund custodian, and when the amount of the overage exceeds $10, the fund custodian will initiate a refund. Such refunds are payable by County warrant, which must be supported by a properly completed claim form.

C. Cash Shortage - General

1. Any cashier experiencing a cash shortage must report the shortage to the department head or supervisor immediately upon discovery.

2. The responsible supervisor must determine the reason for the shortage and review for indication of fraud or negligence on the part of any employee. The review might include recounting the cash, reviewing all transactions for the period, and checking the amount of all checks and money orders to ensure that the receipts were written for the correct amounts.

3. Departments must notify the Auditor-Controller of shortages in a timely manner. Immediate notification is required in the case of fraud, theft, gross negligence or shortages over $100.

4. When possible, the department should cover the shortage by using the change fund (not the imprest/petty cash fund) in order to deposit all daily receipts intact.

5. The department's change fund will have to remain short until relief from liability is either granted or denied by the Auditor-Controller. Under no circumstances shall a change fund or any cash shortage be reimbursed with employee personal funds or petty cash.

6. When shortages involve negotiable instruments (i.e., a check is lost by County staff before being deposited), departments must contact the makers, notify them to put a stop payment on the original check and request a replacement check. When the replacement check is received, a new receipt should be written and referenced to the original receipt number.

7. The change fund custodian must maintain adequate records to describe the source and nature of all shortages.

8. Contractors receiving County funding should report any theft involving County monies to the department administering the contract as well as to the appropriate law enforcement agency. The department will notify the Auditor-Controller. County departments are responsible for ensuring that contractors are aware of this requirement.

9. The Auditor-Controller has the discretion to investigate and report any shortage to the Board of Supervisors, depending on the circumstances.

10. All shortages should be cleared at least quarterly or when the cumulative shortages reach $100, which ever comes first.

D. Cash Shortage – Routine Errors of $100 or Less

1. Cumulative shortages of $100 or less will receive immediate cash reimbursement from the Auditor-Controller. Shortages may not be accumulated beyond $100. The minimum reimbursement is one dollar ($1.00). Shortages less than $1.00 must be accumulated until the $1.00 is reached. All other shortages must be processed using the procedures for cash shortages outlined in the following sections.

2. Each shortage must be thoroughly reviewed by the department to be sure it is the result of routine cash handling errors. If irregularities, fraud or negligence is suspected, the department should be careful and not turn the review into an investigation. (See Sec. VIII F. 2 & 3. Cash Shortage – Fraud, Gross Negligence, Burglary or Other Irregularities.)

3. Once it has been determined that the shortage resulted from routine cash handling, reimbursement can be requested by completing a "Request for Relief From Liability for Routine Cash Shortages" form (see Attachment H). The form must be properly signed and coded to the department budget unit number, GL account 5050270 "miscellaneous expense". The completed form may be hand-carried to the Auditor-Controller's Office for immediate review.

4. An Audit Division staff member or Auditor-Controller management will review the form when received, and if appropriate, approve the request for reimbursement. Immediate approval will not be given if the circumstances surrounding the shortage require further investigation.

5. If approved, the shortage reimbursement will be immediately paid in cash directly to the department representative submitting the request. The individual will be required to sign for the reimbursement.

6. The Auditor-Controller's Office will process the approved reimbursement, which will charge the originating department's budget unit for the amount of the shortage.

E. Cash Shortage – Shortages Over $100

1. A cash shortage over $100 must be reported immediately to the Auditor-Controllers Office. The department may request a relief from liability by completing the "Request for Relief From Liability for Non-Routine Cash Shortages" form (see Attachment I) and submitting it to the Auditor-Controller's office. The form must be properly signed by the department head and coded to the department budget unit number, GL account 5050270 "miscellaneous expenses". A written explanation describing the circumstances, including a description of the department's review, must be attached to the form.

2. A member of the Audit Division or Auditor-Controller's management will review the forms, and if appropriate, approve the request for reimbursement. A warrant will be issued to the department to reimburse the shortage.

F. Cash Shortage – Fraud, Gross Negligence, Burglary or Other Irregularities

1. If a burglary is suspected, the department should immediately notify the local law enforcement agency and the Auditor-Controller's Office.

2. When fraud, gross negligence, or other irregularities are suspected in relation to any cash shortages, the person suspecting the irregularity shall contact the department head. If the department head is suspected of involvement, the Auditor-Controller should be notified directly. In all cases, the department must immediately notify the Auditor-Controller and follow up with a written explanation to the Auditor-Controller.

3. When fraud, gross negligence, or other irregularities are suspected, departments are specifically requested **not** to conduct a preliminary investigation, contact suspected employee(s), or commence personnel actions prior to notifying the Auditor-Controller. Based upon the circumstances, the Auditor-Controller may advise departments to reassign the employee to avoid loss of critical evidential material. The Auditor-Controller will assist departments in referring the matter to the appropriate authorities.

4. The Auditor-Controller will perform an investigation to establish the amount of the loss, the circumstances surrounding the shortage, and may issue a report with recommendations based upon the findings.

5. Departments will be required to complete a "Request for Relief From Liability for Non-Routine Cash Shortages" form (see Attachment I) as part of the investigation. This form must be signed by the department head and coded to the department budget unit number GL account 5050270 "Miscellaneous expense". In addition, the department must attach a written explanation detailing the circumstances surrounding the loss. These items should be sent to the Auditor-Controller for review, certification and approval.

6. If a report is issued, all documents will then be submitted to the Board of Supervisors for approval. If the report discloses fraud or gross negligence, a copy of the report will be filed with the District Attorney.

7. If the request is approved by the Board of Supervisors, the Auditor-Controller will issue a warrant payable to the department to replenish the fund.

8. If the request is not approved, the Auditor-Controller will consult with the District Attorney for the appropriate action to be taken.

9. The department should report the loss to the County Risk Management Division, which will attempt to recover from available insurance or surety policies.

G. **Cash Shortage – Counterfeit Currency**

1. When accepting currency as payment, departments should use counterfeit detector pens for $50 and $100 bills. Detector pen marks will appear light brown in color on genuine currency paper. Detector pen marks that are dark brown or black on the bills would put these bills in the "suspect" category. Lesser denominations should be checked if there are obvious signs of counterfeit. Counterfeit bills will pass the detector pen mark test if bleached genuine currency paper is used by the counterfeiter.

2. In addition to using the counterfeit detector pens, County staff accepting currency should hold the $50 and $100 bills against the light. The watermark portrait should be the same person on the bill. Lesser denominations should be checked if there are obvious signs of counterfeit.

   Note: If unsure whether the bill is counterfeit or not, call the Treasurer's Office for instructions.

3. When a department discovers counterfeit currency before making a deposit, the department must:

   a. Obtain and complete a United States Secret Service "Counterfeit Note Report" (see Attachment J). The form is available on the web at: www.treas.gov/usss.

      Call the Treasurer's Office for instructions.

   b. Adjust cash receipts records for the loss.

   c. Submit to the Auditor-Controller a "Request for Relief From Liability for Non-Routine Cash Shortages" form (see Attachment I), a written explanation, and copy of the Counterfeit Note Report (see Attachment J).

4. Upon approval by the Auditor-Controller a reimbursement warrant will be issued to the department.

SAMPLE RECEIPTS FORM CONTROL LOG

Date Rec'd	Receipt Numbers From	To	Rec'd By	Issued to (Location)	Date Ret'd	Verified All Receipts Ret'd

Attachment B

COUNTY OF SAN LUIS OBISPO

DEPOSIT PERMIT

AUDITOR USE ONLY	
DATE	PROCESSED DATE
NUMBER	
Page of	

THE COUNTY TREASURER IS HEREBY AUTHORIZED TO ACCEPT THE DEPOSIT DESCRIBED BELOW

COLLECTED BY _____ _____ 09/19/08

(1) ORGANIZATION (2) NUMBER (3) SIGNATURE (4) PREPARATION DATE

(6)	FUND OR ORG.	ACCOUNT	ACTIVITY	OPTION	CHARGE CODE		AMOUNT
						TOTAL	

(7) REMARKS

As of

(8)

TREASURER USE ONLY

CHECKS	
WARRANTS	
CURRENCY	
COIN	
TOTAL	0.00

(9) AUDITOR'S VALIDATION

BY: _____ [

(10) TREASURER'S VALIDATION DATE _____

BY: _____ DEPUTY

A/C 018 **ORIGINAL : Auditor-Controller** CD-416(4/92)

RECONCILIATION OF DEPOSITORY CLEARING ACCOUNTS

1. Obtain the month end balance from EFS report ZFIR_FUNDDETAIL, Fund Detail Report, record this amount along with the date at the top of the Reconciliation of Depository Clearing Accounts form (see Attachment C1.1).

2. Add items not yet posted to EFS, (e.g. adjustments by bank, journal entries correcting a revenue distribution, deposit permits not yet posted to FMS).

3. Total all additions.

4. Subtract items posted to EFS, which don't belong in the ending balance, (e.g. returned checks not yet posted, correcting journal entries).

5. Total all subtractions.

6. Calculate adjusted balance by adding beginning balance, additions and subtractions. The account should have a credit ( ) balance.

The next step is to breakout the components of the adjusted ending balance, Composition of Account Balance.

7. Revenue deposited but not yet distributed. These are deposits that have been made but the department has not yet distributed the funds to the appropriate revenue accounts. Include the date the deposit was made. Listing the deposit permit number is also acceptable.

8. Add the total undistributed revenue often this will equal the Adjusted Balance in item 6 above.

9. Identify other adjustments and include any necessary detail to provide an adequate explanation.

10. Total Other Adjustments.

11. Add Undistributed Revenues and Other Adjustments to come up with the Composition Total. This amount must equal the Adjusted Balance in item 6 above.

12. Sign the reconciliation and include your extension, send it to the Auditor-Controller's Office by the 15th of the subsequent month.

RECONCILIATION OF DEPOSITORY CLEARING ACCOUNTS

FUND & ACCT #: _____ ACCT TITLE: _____

	Date	Description		Amount Debit/(Credit)
(1.)		Month End Balance		$
(2.)		Adjustments - Items not posted to FMS Add:		
(3.)		Total Add Adjustments	$	$
(4.)		Subtract:		
(5.)		Total Subtract Adjustments	$	$
(6.)		Adjusted Balance - See details of account balance below:		
		COMPOSITION OF ACCOUNT BALANCE		
(7.)		Revenue Deposited But Not Distributed (credit balance)	$	
(8.)		Total Undistributed Revenue	$	$
(9.)		Other Adjustments	$	
(10.)			$	$
(11.)		Composition Total Must Equal Adjusted Balance Above		$

Prepared By: _____

Extension: _____

IMPREST ACCOUNT CASH RECONCILIATION
(IN A BANK ACCOUNT)

PART A:

Bank Statement Ending Balance (Per attached)	$ 547.00
PLUS: Deposits in Transit	0
MINUS: Checks Outstanding (Itemize)	

Check No.	Amount
486	$ 52.00

(Attach a separate sheet if necessary)	Total:	52.00
Should equal the running balance of account. (Per Register or Check Stub)		$ 599.00

PART B:

Running Balance of Account (Equal to last line of Part A above)	$ 599.00
Checks Issued Not Yet Replenished by Claim (List the range of checks & cumulative total)	
MINUS: Checks Outstanding (Itemize)	151.00

	Check No.	Amount		Check No.	Amount
	480	$ 30.00		486	$ 52.00
	484	49.00			
From:	485	20.00	To:		

Claim Has Been Submitted For Replenishment (But Warrant Has Not Yet Been Received)	0

	Check No.	Amount		Check No.	Amount
From:			To:		

AUTHORIZED AMOUNT OF IMPREST FUND	$ 750.00

TO: AUDITOR-CONTROLLER

I have reviewed the attached bank reconciliation statement of bank account no. _____ held at _____ bank for the month of _____.

The reconciliation shows that the bank balance reconciles to the imprest amount approved by the Board of $ _____. (If the amount is not a fixed amount, check this box ☐ - not applicable).

All long outstanding reconciling items have been investigated and will be cleared as soon as possible.

All questions regarding this reconciliation should be directed to _____ _____, extension no. _____.

_____ _____

DEPARTMENT NAME / NO. SIGNATURE / DATE

_____

TITLE

(Should be signed by accounting supervisor or any other responsible department official or manager).

COUNTY OF SAN LUIS OBISPO

Attachment E

PAYMENT REQUEST

☐ Employer I.D. No. or _____

☐ Personnel No. _____

CHECK ONE

Vendor Name _____

Vendor Address _____

STREET/P.O. BOX CITY STATE ZIP

Requesting department _____

Instructions:

Payment Request shall not be considered or allowed unless it is itemized to show:

A. Vendor's Employer I.D. or S.S. Number.
B. Names, dates, and particular serviced rendered.
C. Payment requests must be signed by the Vendor, approved by the head of the department before filing with the County Auditor-Controller.
D. Vendor must make separate payment requests for each department.

I HEREBY CERTIFY that this payment request and the items, amounts and statements as therein set out are true and correct; that no part thereof has been heretofore paid; that the amount requested is justly due and is presented within one year after the last items thereof have accrued.

VENDOR SIGN HERE _____

DATE

DATE	DESCRIPTION	AMOUNT
	TOTAL	

VENDOR - DO NOT WRITE BELOW THIS LINE

COST CENTER (10 char), WBS (18 char), OR REAL INTERNAL ORDER (12 char)	STAT. INTERNAL ORDER (If column 1 is a cost center)	FUNCTIONAL AREA	ACCOUNT	AMOUNT	DESCRIPTION

VENDOR NO.	1099 YES NO	WARRANT NO		
			TOTAL	

A/C 011-2 (Rev 1/2005)

PETTY CASH VOUCHER

VENDOR'S NAME _____ DATE PURCHASED _____

ITEM/SERVICE PURCHASED _____

AMOUNT ADVANCED (WHEN APPLICABLE) $ _____

AMOUNT EXPENDED (RECEIPT MUST BE ATTACHED) $ _____

AMOUNT DUE TO/FROM THE FUND $ _____

REIMBURSEMENT APPROVED BY _____ DATE _____

CASH RECEIVED BY _____ DATE _____

FUND CUSTODIAN _____ DATE _____

SAMPLE DEMAND LETTER

Department Letterhead

DATE _____
CERTIFIED MAIL
RECEIPT NO. _____

Dear _____:

Your check in the amount of $ _____ has been returned unpaid by your bank. You must submit a cashier's check or money order for the amount of your check plus a $30 handling fee for a total amount of $ _____ payable to this office within 30 days from the date of this letter.

Section 1719 of the California Civil Code provides that you will be liable for damages which total three times the amount of the check, with a minimum of $100 and a maximum of $1,500, in addition to the face value of the check for failure to pay the amount of a dishonored check plus the $30 charge within 30 days from the date of this letter.

If you fail to redeem the returned check within 30 days from the date of this letter, it will be referred to San Luis Obispo County District Attorney Bad Check program for enforcement in accordance with this law.

Sincerely,

_____
Person's Name
Title
Phone # Contact

REQUEST FOR RELIEF FROM LIABILITY
FOR ROUTINE CASH SHORTAGES

DATE
____

DEPARTMENT _______________________________________ DEPT.#_______________

Shortages have occurred in the routine handling of our change fund as itemized below:

DATE AMOUNT NAME OF PERSON EXPERIENCING SHORTAGE

TOTAL
SHORTAGE $__________

These shortages have been thoroughly investigated and appear to be the result of routine cash handling errors. There is no indication of fraud or negligence on the part of any employee. A written explanation describing the circumstances, including a description of the department's review, must be attached to this form.

I request that I be "relieved from liability" for the shortage(s) as provided by Government Code Section 29390. I also authorize the Auditor-Controller to charge my department's budget miscellaneous expense account in order to reimburse the total amount of the shortage.

COST CENTER.	ACCOUNT	FUNCTIONAL AREA	INTERNAL ORDER	AMOUNT

Expenditure Authorized and Approved by:

____
Signature of Department Head

- -

AUDITOR-CONTROLLER CERTIFICATION

The circumstances concerning this shortage have been reviewed and it is recommended that the request for "relief from liability" be approved ______ disapproved ______.

Date ____________ By ___________________________________
Deputy

Attachment I

REQUEST FOR RELIEF FROM LIABILITY
FOR <u>NONROUTINE</u> CASH SHORTAGES

DATE _________________

DEPARTMENT _____________________________________ DEPT.# _______________

On ______________ , 20___, a cash shortage in the amount of $_______________ was discovered in the reconciliation of our cash fund.

This shortage has been thoroughly investigated and the circumstances surrounding the loss are set forth in detail in the attachment to this letter (attach explanation).

I request that I be "relieved from liability" for the shortage as provided by Government Code Section 29390. I also authorize the Auditor-Controller to charge my department's budget miscellaneous expense account in order to reimburse the total amount of the shortage.

COST CENTER	ACCOUNT	FUNCTIONAL AREA	INTERNAL ORDER	AMOUNT

Expenditure Authorized and Approved by:

____
Signature of Department Head

- -

AUDITOR-CONTROLLER CERTIFICATION

The circumstances concerning this shortage have been reviewed and it is recommended that the request for "relief from liability" be approved ______ disapproved ______.

Date _________________ By ________________________________

Deputy

Department of the Treasury
United States Secret Service

Counterfeit Note Report

This form is not subject to the requirements of P.L. 96-511 "Paperwork Reduction Act of 1980." 44 USC, Chapter 35, Section 3518 (c)(1)(A) states that, "...this chapter [Chapter 35] does not apply to the collection of information ... during the conduct of a Federal criminal investigation..."

INSTRUCTIONS TO BANK:

1. Prepare two copies of this form for each suspected counterfeit note.
2. Submit copies of completed form **with each suspected counterfeit note** to your **LOCAL SECRET SERVICE OFFICE.**
3. If desired, an additional copy of this form should be prepared and retained for your records.

FROM: (Indicate Bank's Name and Mailing Address (include Zip Code))	DO NOT WRITE IN THIS SPACE
Telephone Number of Bank (include area code) _____	
Point-of-Contact (include extension and e-mail address, if applicable) _____	Classification Number _____

FOLD HERE — **IMPORTANT NOTICE** — FOLD HERE

Bank tellers and persons surrendering the note should date and initial each counterfeit note with pen and ink in the border areas of the note for identification. If the person surrendering the note knows from whom he/she received it, or has a description of the passer, or his/her auto, or any other information, **TELEPHONE the local Secret Service office IMMEDIATELY** and hold the note. (The telephone number of your local Secret Service office can be found in the front cover of your telephone directory.) Otherwise, If no information is available, please mail the note to our local office on the day it is received.

DESCRIPTION OF COUNTERFEIT NOTE OR RAISED NOTE (for raised note give serial number only)

DENOMINATION	FEDERAL RESERVE BANK *(Series 1996 - Letter/Number)*	CHECK LETTER/QUADRANT NO.

CHECK LETTER/FACE PLATE NO.	BACK PLATE NO.	SERIES	SERIAL NUMBER

COUNTERFEIT NOTE RECEIVED FROM

NAME OF CUSTOMER / BUSINESS	DATE OF DEPOSIT
CUSTOMER'S HOME ADDRESS	CUSTOMER'S HOME PHONE A/C
	CUSTOMER'S BUSINESS PHONE A/C

NAME OF PERSON SURRENDERING AND INITIALING NOTE	NAME OF TELLER RECEIVING AND INITIALING NOTE

INFORMATION ABOUT COUNTERFEIT NOTE

DOES THE CUSTOMER HAVE ANY INFORMATION AS TO THE SOURCE OF THE COUNTERFEIT?	☐ Yes	☐ No
WAS THERE ANY SUSPICIOUS ACTIVITY?	☐ Yes	☐ No
IS THIS A NON - CUSTOMER?	☐ Yes	☐ No

REMARKS:

DISPOSITION (For Secret Service Use Only)

☐ Genuine note and SSF 1604 returned to bank (Receipt No. _____) ☐ Acknowledgement of Receipt returned to bank

☐ Other (Specify)

UNITED STATES SECRET SERVICE

PLEASE SUBMIT TO THE LOCAL SECRET SERVICE JURISDICTIONAL FIELD OFFICE

This form was electronically produced via OmniForm by USSS/ADMIN/MNO/PARS

SSF 1604 (03/2000)
(Previous Editions may be used.)