

BEFORE THE BOARD OF COUNTY COMMISSIONERS OF DOUGLAS COUNTY OREGON

AN ORDER ADOPTING CASH)
HANDLING POLICIES AND) ORDER
PROCEDURES FOR DOUGLAS)
COUNTY OREGON)

SEP 20 2001

This matter coming on regularly before the Board of Commissioners of Douglas County, Oregon, on the 19th day of September, 2001, and

The Board of Commissioners finds that it is in the best interest of the public that the attached **CASH HANDLING POLICIES AND PROCEDURES** be adopted for Douglas County.

NOW, THEREFORE, IT IS ORDERED:

The **CASH HANDLING POLICIES AND PROCEDURES** attached to this order be adopted and the Clerk is authorized to file a copy of the policies and procedures in the County Journal.

The attached **CASH HANDLING POLICIES AND PROCEDURES** as adopted shall supersede any other rules or regulations pertaining to cash handling policies and procedures for Douglas County.

Dated this 19th day of September, 2001.

BOARD OF COUNTY COMMISSIONERS
OF DOUGLAS COUNTY OREGON

BY *Joyce Morgan*
Chairman

BY *Michael D. Updegraff*
Commissioner

BY *Doug Robertson*
Commissioner

APPROVED AS TO FORM
BY *[Signature]* 9/19/2001
Office of County Counsel

DOUGLAS COUNTY, OREGON

CASH HANDLING POLICIES AND PROCEDURES

(The information herein supersedes all previous documentation)

Effective: September 19, 2001

INTRODUCTION

The collection and control of cash are very important functions. Ideally, from a control perspective, the collection of cash should be centralized in one location. However, this is not always possible or practical. As a result, the collection of money in many situations is decentralized. This document outlines county policies and procedures that are to be followed by departments handling cash.

The term **cash** includes coin, currency, checks, drafts, money orders, electronic funds transfers, negotiable instruments and charge card transactions.

Only those employees who have been specifically authorized shall perform cash handling duties. Whether an employee is newly hired, transferred from another position, or given expanded duties that include the handling of cash, all employees handling cash shall have background checks, including a credit check.

These policies and procedures shall be implemented to the maximum degree practicable. If it is not practical to fully implement these policies and procedures, contact the county accountant for approval of any variances. Any department handling "casual collections" (i.e. grants, non-recurring fees and sales, other infrequent and incidental transactions) should contact the county accountant for assistance in implementing controls.

Cash handling procedures in all county departments and offices are subject to announced and unannounced audits by the county accountant and the county auditor.

Historical practices shall not constitute justification for deviation from policies and procedures set out in this document. Any employee who fails to comply with these policies and procedures shall be subject to disciplinary action. Significant violations may result in termination.

CASH RECEIPTS

General

The objective of cash receipt controls is to ensure that all *cash* is properly accounted for and timely deposited. These policies and procedures shall apply to all *cash* received by county employees, agents, or independent contractors acting on behalf of the county.

Responsibilities

- It is the responsibility of the county accountant to ensure county cash handling policies and procedures including any modifications are distributed to all county departments.
- It is the responsibility of department management to document **and** implement proper operating procedures that comply with county policies and procedures.
- It is the responsibility of department management to provide the county accountant a copy of departmental operating procedures and any subsequent modifications to those procedures.
- It is the responsibility of department management to train designated employees in cash handling policies and procedures.

Segregation of Duties

Wherever possible, the duties of collecting cash, opening mail, maintaining documentation (i.e. billing and accounts receivable ledger), preparing deposits, and reconciling records should be separated among different individuals. Where separation of duties is not possible (i.e. small staff), compensating controls such as strict individual accountability and thorough *management supervision and review* are required. If assistance in establishing departmental controls and/or compensating controls is needed, contact the county accountant for guidance. Ideally, responsibilities should be divided as follows:

- Someone independent of the cashing and accounts receivable/billing responsibilities should open mail. The delivery of unopened mail should be prohibited to employees having access to the accounting records or billing system.
- The accounts receivable/billing person should be restricted from preparing the bank deposit or having access to customer collections.
- Cashiers should be restricted from gaining access to the billing system and customer statements.
- An employee independent of the cashier or accounts receivable functions should be assigned to handle customer complaints.
- Reconciliation of department collections and deposits to the county general ledger should be independent from all cash collection and record maintenance functions.

Cash Receiving and Recording

- Cash receipt records shall be maintained and prepared *immediately* for all cash received. Either prenumbered receipts, cash registers or other approved electronic receipting devices shall be used.
- Mail should be opened and processed on a timely basis. If the opening of mail is not segregated from the cashiering function, it should be opened and receipted in the presence of a coworker.
- All checks must be endorsed immediately with a restrictive endorsement payable to Douglas County.
- Only one cashier should be allowed access to a cash register or cash drawer during a single shift.
- Cash collection duties should be assigned to a *specific* individual or individuals so there is a means of establishing accountability.
- Never leave cash items in or on desks or unattended. Cash receipts should be kept in a locked metal box or cash drawer at *all* times.

Prenumbered receipts

- A supply of three-part prenumbered receipts is available in Management and Finance. For the most part, departments will want to use these approved receipts. One copy is for the customer, one copy is for the department and one copy is attached to the revenue transmittal form submitted to the county treasurer. Sequentially numbered receipts, not supplied by Management and Finance, can be used *if* approved by the county accountant. Receipts shall not be numbered by hand.
- All unused receipt supplies should be kept in a secure locked place under the control of a responsible person who is not the cashier.
- Receipts should contain the following information:
 - o Date the receipt is issued.
 - o Name of the department issuing the receipt.
 - o Name of the person/entity making the payment.
 - o Date(s) or period covered by the payment.
 - o Where applicable, reference number (grant number, etc.).
 - o Description of the nature of service.
 - o Amount of payment.
 - o Name of the person receiving payment.
- If a receipt needs to be voided, then two copies are to be retained by the department and the third copy is to be transmitted to the county treasurer with the revenue transmittal form that includes the sequentially numbered receipt(s) issued before and/or after the voided receipt. Mark all copies of the receipt “void”.

Cash registers or other electronic receipting devices

- A department should contact the county accountant *prior* to the purchase of a cash register or other electronic receipting device to ensure minimum controls are present. Adequate cash balancing procedures, record keeping processes and revenue transmittal documentation procedures must be established.
- All sales should be recorded through the cash register/electronic device if it is being utilized.
- To ensure the accurate recording of the sale, the customer should receive a cash register receipt tape or an electronically produced receipt.

- The cash drawer in the register should never be left open unless a transaction is being processed.
- If a sale is voided, a void should be prepared immediately. The void should reference the original receipt. If the void transaction key is not password or key protected, the employee and a supervisor must initial the void document.
- The register must have a grand total that cannot be reset to zero or any other number.
- The “z” key/access code where totals can be cleared should be restricted to a minimum number of individuals. The individual assigned the cashiering function should not have access to this function.

Payments by Check

- Checks are to be written to “*Douglas County*”. Any other information on the payee line is for the convenience of the department.
- All checks are to be *restrictively endorsed immediately* upon receipt. Contact the county treasurer to obtain an endorsement stamp.
- Any checks returned by depository banks to the county treasurer are returned to the originating department for collection. It is the originating department’s responsibility to notify the check writer and use due diligence to collect the amount of the check and any service fee from the payor. Generally, restitution should be in the form of currency, money order, cashiers check or certified check. Redeposit of the funds must be coded on the revenue transmittal form to the special NSF account provided each department by Management and Finance. Contact Management and Finance if you have questions when handling an NSF redeposit.

Balancing of Cash Receipts

All cash collected must be balanced daily by comparing the total of actual cash received to cash register totals, the pre-numbered receipts totals or electronically produced receipts, as applicable. Currency and coin must be balanced separately from checks/credit cards by comparing actual currency and coin received to the cash total from the cash register tape or to the sum of the cash sales from the manual receipts.

The difference between recorded sales and the total cash counted should be recorded as cash over or short on the revenue transmittal form. Overages and shortages should be fully explained. Any large cash shortages should be immediately reported to the county accountant.

Deposits

Someone not involved with collecting cash or opening mail should prepare deposits. Where this is not possible, adequate supervision and review procedures need to be implemented. Ensure that the validated bank deposit slip or county treasurer’s receipt is delivered to someone other than the cashier for review.

All cumulative cash receipts of \$50.00 or more shall be deposited with the county treasurer or a depository bank approved by the county treasurer no less than once a day. Receipts less than \$50.00 may be held by the receipting department and deposited when accumulated cash reaches \$50.00. ***This policy will be strictly enforced.*** Any exceptions to this policy must have the written approval of the county accountant.

All cash receipts are to be deposited intact. The total deposit should equal the departmental record of receipts. Cashing checks from county deposits, borrowing cash for personal use, lapping receipts to cover shortages in cash receipts, withholding checks for deposit in order to float checks, commingling of personal and county funds, withholding monies to establish a change fund and reducing cash receipts by amounts needed for petty cash transactions *are all prohibited*.

For proper fiscal year-end accounting, departments should make every effort to make deposits by June 30th. If deposits related to June are made in July, Management and Finance should be notified.

Visa/MasterCard/American Express

Charge card transactions are monetary transactions and therefore are subject to the same control and reconciliation policies as cash transactions. They should be balanced daily with any checks, currency and coin. The actual funds for the charge card transactions are electronically deposited to the county treasurer's accounts.

Charge, credit and debit card transmittals **must be** to the county treasurer no later than **one business day** after a card transaction. *Any exceptions to this policy must have the written approval of the county accountant.*

Revenue Transmittal

A completed revenue transmittal form must be submitted to the county treasurer for *all* deposits. Copies of departmental receipts or cash register tapes *and* all electronic charge documents (VISA, etc) are to be attached to the transmittal. Receipts are to be in sequential order. Include all void transactions.

Refunds

All refunds should be paid through the appropriate budget with a county accounts payable generated check. Refunds should not be issued directly from cash receipts or petty cash. Certain checks (i.e. checks clearly written for the incorrect amount) can be returned to the payor with a written explanation rather than processed through the county system. Contact the county accountant if you have questions about refund procedures for your department.

Reconciliation

Deposits should be reconciled to the county's general ledger monthly. Someone independent of the cash handling or recording functions should do the reconciliation.

Safekeeping of Funds

It is the responsibility of each department to make whatever provisions are necessary to properly safeguard the cash held in their area. Cash should be physically protected through the use of safes, locked cash boxes, locked cash drawers, etc. Generally, cash should not be retained in desk drawers or standard file cabinets since they are easily accessed with minimal forcing or readily available keys.

- Avoid storing large amounts of cash in the office overnight.

- One person should maintain lock combinations and custody of keys. Combinations and keys should *never* be stored in an unlocked desk drawer or unsupervised area.
- For emergencies or in the absence of the funds custodian, copies of combinations and/or keys should be secured and stored by the department head or his/her designee. Access to combinations and keys should be limited to a minimum number of people.
- Safe combinations and keys should be changed periodically and always when permanent custody changes (employee turnover or reassignment of duties, etc.).

Departmental Bank Accounts

The unauthorized use of departmental bank accounts for depositing of and/or safekeeping of county funds is strictly prohibited. Any special handling of county funds must be documented and approved by the county accountant.

PETTY CASH FUNDS

Purpose

The purpose of petty cash is to supply a department with funds for small, incidental departmental expenses when it is infeasible or impractical to use the county's normal procurement system. The petty cash fund is not to be used to circumvent county procedures and record keeping in regards to purchases and payments.

Imprest Basis

Petty cash funds are to be maintained on an imprest basis, which means the amount of the fund remains constant. Currency and coin plus petty cash receipts in the fund should always equal the authorized amount of the fund.

Approved Uses

- Miscellaneous supplies
- Freight, C.O.D.'s, postage due
- Other incidental authorized business expenses

Prohibited Uses

- Travel expenses and/or travel advances
- Moving expenses
- Personal or third-party check cashing
- Borrowing
- Employee personal services
- Independent contractor or consultant services
- Any unauthorized expenditure

Maximum Expenditure Amount

The maximum amount of any petty cash expenditure is \$25.00 unless written approval to exceed this limit is obtained from the county accountant. It is prohibited to divide a purchase between two petty cash requests to avoid the limit.

Establishing a Petty Cash Fund

- The department head must send a signed memo to Management and Finance detailing the purpose and use of the fund, identify the custodian of the fund and requesting an amount for which the fund will be established.
- Once reviewed and approved by Management and Finance and the Board of Commissioners, accounts payable will issue a check for the start of the petty cash fund.

Funding Source

Funding is provided through the department's budget.

Fund Custodian

The custodian is the head of the department or his/her designee.

Fund Custodian's Duties and Responsibilities

- _ Maintains and balances the fund.
- _ Enforces county policy regarding expenditures covered with petty cash funds.
- _ Reports any loss of funds or unusual fund activity to Management and Finance.
- _ Responsible for the physical security of the fund and the receipts reimbursed.
- _ Responsible for assuring funds are not commingled with other funds (e.g., change funds, daily receipts).

Access

The petty cash fund should be secured at all times. Access to the petty cash fund should be restricted to the fund custodian or a backup custodian, if applicable.

Changing Custodian

Prepare a memo to Management and Finance referencing the old custodian and the new custodian. The department head must sign the memo. A final accounting, signed by the current custodian, must be attached to the memo.

Reimbursement Procedures

- _ A *Petty Cash Request* voucher needs to be completed in its entirety (including the business purpose of the request and authorized signature) to be processed. Multiple *Petty Cash Request* vouchers for the same business expense will not be processed.
- _ Supporting documentation in the form of ORIGINAL receipts should be attached to the *Petty Cash Request* voucher. Receipts should clearly document the purchase.

Note: The custodian shall not reimburse him/her self.

Balancing the Fund

- _ The fund custodian should balance the fund at least once a week.
- _ Someone other than the fund custodian should balance the fund quarterly in the presence of the fund custodian or backup custodian. This procedure provides protection for the department, and the custodian/backup custodian.
- _ To balance the fund:
 - _ Count the cash on hand.
 - _ Run a tape on receipts to be reimbursed.
 - _ Identify any reimbursements in transit.
 - _ The total of the cash, receipts on hand, and reimbursements in transit should equal the total fund.

Replenishing the Fund

- _ Petty cash funds should be replenished when the funds are nearly exhausted. Replenishment will replace the monies that have been spent, restoring the fund to its original amount. The fund should also be replenished at the end of the fiscal year. The fund should be replenished even if it is not low so that all expenses in the fund are recorded to the appropriate budget before the budget year is closed. The amount to be replenished plus the cash on hand must equal the authorized fund amount.
- _ When replenishment of the fund is needed, complete a *Petty Cash Reimbursement* request form and submitted it to accounts payable. All receipts and all "Petty Cash Request" forms must be attached to substantiation the reimbursement request.

Changing the Fund Amount

- Should a situation arise where it is determined that the size of the petty cash fund should be increased or decreased; a memo should be forwarded to Management & Finance requesting this change.
- An increase to a petty cash fund is subject to the same approval process as when the fund was initially established.
- When decreasing the petty cash fund, the custodian should deposit the excess funds with the county treasurer using a *Revenue Transmittal* form and crediting the petty cash account. Management and Finance can assist you with the general ledger account coding.

Closing a Petty Cash Account

- Balance the fund
- Contact Management and Finance and inform them that your department is closing the petty cash fund. They will assist you in preparing a *Revenue Transmittal* that uses the applicable general ledger account. Deposit the funds with the county treasurer.

CHANGE FUNDS

Purpose

The purpose of change funds is to make change for cash sales.

Establishing a Change Fund

- The department head should send a signed memo to Management and Finance. The memo must identify the specific use of the fund, the custodian of the fund and the amount.
- Once reviewed and approved by Management and Finance and the Board of Commissioners, accounts payable will issue a check for the amount of the fund.

Funding Source

The department provides the funding.

Fund Custodian

The custodian is the head of the department or his/her designee.

Custodian's Duties and Responsibilities

- The custodian maintains and balances the fund. The change fund must, at all times, contain the authorized amount of cash.
- The custodian does not allow expenditures, advances or borrowings to be made from change funds.
- The custodian provides for the physical security of the funds.
- The custodian does not allow these funds to be mixed (commingled) with other funds (e.g. petty cash funds).

Changing Custodian

Prepare a memo to Management and Finance referencing the old custodian and the new custodian. The department head must sign the memo.

Balancing the Fund

- The fund should be balanced daily.
- If the fund is passed on from one cashier to another, it must be balanced before being transferred.
- To balance the fund:
 - o Count cash and coin in the drawer
 - o Add the checks
 - o Subtract the sales receipts
 - o The balance should equal the change fund

Changing the Fund Amount

- Should a situation arise where the change fund should be increased or decreased; a memo should be forwarded to Management & Finance requesting the change.
- An increase to a change fund is subject to the same approval process as when the fund was initially established.

- When reducing or closing the change fund, contact Management and Finance and inform them that your department is closing or reducing the change fund. They will assist you in preparing a *Revenue Transmittal* that uses the applicable general ledger account. Deposit the funds with the county treasurer.