



Deschutes County Administrative Policy No. F-7

(replaces prior policies F-7, F-8, F-9, F-11)

Original Adoption: January 29, 2007

Revised Adoption: March 6, 2024

BANK ACCOUNTS AND CASH HANDLING POLICY

A. STATEMENT OF POLICY

It is the policy of Deschutes County to establish guidelines for the creation and use of bank accounts and cash funds. Additionally, the County establishes policies to ensure department heads design, implement and monitor effective cash handling controls. The policy is intended to comply with the provisions of ORS 294 and ORS 295.

B. APPLICABILITY

This policy applies to all County departments, offices, and County service districts under the governance of the Board of County Commissioners.

C. DEFINITIONS

Bank Account – An account maintained on behalf of Deschutes County at a financial institution. Examples include, but not limited to, deposit, checking, money market, and imprest account types.

Change Fund – A cash fund and sum of money designated for the purpose of making change where cash is collected for transactions with the County.

Petty Cash Fund – A cash fund and sum of money designated for the purpose of making small expenditures for County business.

Bank Account/Cash Fund Custodian – Department heads will appoint a custodian for all established bank accounts and cash funds. The custodian is responsible for the design, implementation, and monitoring of appropriate cash handling procedures for the account/fund. Additionally, each individual County employee who handles cash has custodial responsibility for receiving, handling, transferring, or depositing funds.

For the purpose of this policy, Cash includes the following:

- Currency (paper money and coin)
- Checks
- Debit/credit card payments
- Other physical monetary instruments
- Not included above are electronic payments that are deposited into the County's accounts by an outside agency or entity. If a department is aware that they will be receiving funds in this way, the Finance Department must be notified of the source and amount. Refer to the County Payment Card (merchant card) policy for additional compliance requirements related to electronic payments.

D. POLICY

1. Authorization and Establishment of Bank Accounts

Any and all bank accounts established for the purpose of receiving or disbursing money due and accruing to Deschutes County, or any funds to be held in trust by Deschutes County, will be authorized by the County Administrator. New accounts must comply with ORS Chapter 295 which governs the custody and control, as well as collateralization of Oregon public funds and provides the statutory requirements for the Oregon State Treasurer's Public Funds Collateralization Program.

Departments requiring a new bank account will prepare a formal request to the County Treasurer. Such a request will include:

- a. Account type
- b. Account purpose including the reason(s) a segregated account is required
- c. Description of account activity
- d. Name of the account custodian (regular/active County employee)
- e. Any other pertinent information requested from the Treasurer

Once the appropriate information is received, the Treasurer will approve and submit the request to the Chief Financial Officer (CFO). The CFO will make a recommendation to the County Administrator as to the establishment of the account. Upon the Administrator's approval of the request, the CFO will establish the account at the financial institution. Once established, the CFO may authorize increases or decreases in bank account balances based on business need. The Finance Department will ensure that all bank account balances are accurately recorded and maintained in the County's accounting system.

Any employee who opens a bank account without first obtaining the required approval will be subject to disciplinary action, up to and including termination. In addition, such employees may be subject to civil and criminal prosecution for misappropriation of funds.

2. Authorization and Establishment of Cash Funds

When a department wishes to establish or increase the balance of a cash fund, the custodian will prepare a formal request to the CFO. Such a request will include:

- a. Amount of the cash funds required
- b. Cash fund purpose
- c. Timeframe for the required funds (permanent or temporary)
- d. Any other pertinent information or as requested from the CFO

Once the appropriate information is received, the CFO will make a recommendation to the County Administrator. Upon the Administrator's approval of the request, the account will be established.

Once established, the CFO may authorize increases, decreases, or conversion between fund types, in cash funds balances based on business need. The Finance Department will ensure that all balances are accurately recorded and maintained in the County's accounting system.

3. Closing Bank Accounts or Cash Funds

If a department chooses to decrease or close a bank account or cash fund, the custodian will notify the Finance Department and deposit the funds into an approved County bank account. The Finance Department will ensure that all cash fund balances are accurately recorded and maintained in the County's accounting system.

4. Maintenance and Control of Accounts and Cash Funds

Expenditures made from bank accounts and cash funds are subject to the same budget and fiscal control requirements as regular expenditures of the County and must be substantiated by acceptable receipts.

Full responsibility for each bank account or cash fund and the method by which it is utilized will rest with the department head which has custody of the funds. The department will designate an employee as the Custodian. The custodian will be responsible for the cash, controls over cash, and supporting documentation.

The following transactions are expressly prohibited from cash funds:

- a. Cashing a check for any person or providing change for a transaction initiated by check.
- b. Payment of expenditures from change funds.
- c. Travel advances or gifts.
- d. Employee expense reimbursement requests over \$10 from petty cash funds.
- e. Any item not directly related to County and department activity.

In a cash fund or imprest checking account, the sum of the cash on hand and the total of the receipts may, on occasion, be more than (over) or less than (short) the total authorized amount of the cash fund. After a careful review for any arithmetical errors, the amount over/short should be noted on the supporting documentation submitted with the cash receipt. In no event should the excess cash be transferred to any other department funds, nor should any cash shortfall be made up from any other department funds.

Overages or shortages will be recorded to the appropriate "Cash (Over) Short" account in the general ledger accounting system. Cash over/short amounts will be reported to the Finance Department using the "Cash Over/Short Form" included in the Cash Handling Standards and Practices published by the Finance Department.

These amounts are reviewed by the Finance Department on a regular basis with individual or departmental follow-up completed as necessary. In the event of a suspected theft or loss of funds from a cash fund, the custodian will notify the CFO and the Office of the County Internal Auditor immediately.

Deschutes County Finance Department will monitor all bank and cash accounts to maintain adequate controls over cash, accommodate operating needs, and facilitate efficient cash management.

All County bank accounts and cash funds are subject to audit at all times. Audits may be conducted by any party authorized by the Treasurer, CFO, or Auditor.

5. Reconciliation

All bank accounts and cash funds will be reconciled at least monthly, employing the following components to ensure adequate control and separation of duties:

- a. The account will be reconciled to the bank statement by a County employee who is not an authorized signer on the account.
- b. The reconciliation will be reviewed by a second County employee.
- c. Reconciliations will be maintained on file in the custodial department and will be provided upon request to the Treasurer, CFO, or County Internal Auditor.
- d. Change funds should be reconciled to underlying receipts and authorized balances daily, or at the time of deposit of the receipts for which they provide change. Change funds will be replenished from the cash receipts at the time of deposit.
- e. Petty cash funds will be reconciled to the expenditure receipts and authorized balances at least monthly, and upon a request for replenishing. Requests for funds to replenish the petty cash fund will be entered in the accounting system along with copies of the receipts for all expenditures.

6. Cash Handling Controls

County department heads will design, implement, and monitor effective cash handling procedures which safeguard cash. These procedures must be in writing and be submitted to the Finance Department for review before changes are implemented. Cash handling procedures will be distributed to all appropriate staff who are involved in cash transactions for the County. The procedures must also be delivered to the Office of the County Internal Auditor.

To assist department heads in establishing and monitoring their cash handling systems, departments will adhere to the Cash Handling Standards and Practices developed by the Finance Department. These standards highlight the internal controls that are required by County departments. Certain practices may not apply to every cash handling system, depending on the quantity of the cash transactions and the functions of the department.

Additionally, implementation of all recommended controls may not be possible due to limited resources. In these cases, compensating controls will be developed.

7. Review of Cash Handling Controls

Department management will periodically review internal control policies and procedures for cash to ensure they are working as intended. It is critical that department heads promote an effective internal control environment. Effective internal controls minimize the potential for errors or irregularities to occur, and if they do occur, will detect such errors or irregularities in a timely manner during the normal course of business.

8. Required Procedures:

County Departments and Offices must adhere to the *Cash Handling Standards and Practices* developed by the Finance Department and the Office of the County Internal Auditor.

Specific requirements include:

- a. Turnover of funds for deposit (checks, drafts, cash, and other types of payments) must be made to the Finance Department or a designated bank depository within 24 hours of receipt unless compensating controls have been authorized by the CFO. This procedure will be strictly followed except in the event of extenuating circumstances. Such circumstances will be brought to the immediate attention of the Finance Department.
- b. All receipts and invoicing "billing" for goods and services and subsequent collection will be recorded using documents that incorporate a unique identifying invoice number, the County's name, and the department's name. No departments will use "generic" invoice receipts. Access to billing software or invoicing forms will be restricted to necessary personnel.
- c. Each department will reconcile its internal billing software or other revenue reports to the general ledger at least monthly. Any variances will be brought to the attention of the Finance Department for correction. A written record of such reconciliation will be maintained by the department.
- d. All third-party merchant service provider agreements for the acceptance of credit cards, debit cards, or other electronic payment methods will be authorized by the CFO. Further information can be found in the County policy for accepting payment cards.
- e. Funds in transit with merchant service providers must be collateralized in accordance with this policy.

Approved by the Deschutes County Board of Commissioners on _____.
(Date)

Nick Lelack
County Administrator