



Deschutes County Administrative Finance Policy No. F-7 (replaces prior policies F-7, F-8, F-9, F-11)
Original Adoption: January 29, 2007
Effective Date: Revised Adoption: January 29, 2007 TBD

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OPENING BANK ACCOUNTS AND CASH HANDLING POLICY

A. STATEMENT OF POLICY

It is the policy of Deschutes County to establish new bank accounts only when the need for a new account is clearly demonstrated, 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, and personnel proposing to open new bank accounts for the purpose of conducting Deschutes County business.

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.

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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

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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

C. POLICY AND PROCEDURE

Any and all bank accounts established for the purpose of receiving or disbursing moneys due and accruing to Deschutes County, or any funds to be held in trust by Deschutes County, ~~shall will~~ be authorized by the ~~Board of County Commissioners~~ 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 shall prepare a formal request to the ~~Finance Department~~ Treasurer. Such a request ~~will include:~~ shall include type of account, purpose for the account, description of account activity, and any other pertinent information. ~~Upon Board of Commissioners' approval of the request, the account shall be established.~~

- 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 for the purposes described above without first receiving Board~~ shall 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 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 Director of the department 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 and 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 managers 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. 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 _____

Dave KannerNick Lelack
County Administrator

Deschutes County Administrative Finance Policy No. F-8
Effective Date: January 29, 2007

PETTY CASH

STATEMENT OF POLICY

~~It is the policy of Deschutes County to provide standardized safe keeping, approval process, reimbursement and reconciliation of petty cash funds throughout the County.~~

APPLICABILITY

~~This policy applies to all of the County's petty cash funds and to all employees who handle petty cash funds.~~

POLICY AND PROCEDURE

~~A department showing a need to have a certain amount of cash on hand, may establish, or increase the amount of, a petty cash fund for such department when authorized by Board order. Departments will administer the petty cash fund in accordance with the following guidelines:~~

- ~~1. Each department with a petty cash fund will designate an employee of that department as the "Petty Cash Custodian." The custodian will be responsible for safeguarding the cash and the receipts. The cash and receipts will be kept in a locked box in a secure area of the department. The department will provide the Finance Department with the name of the appointed petty cash custodian.~~
- ~~2. Disbursement of petty cash is limited to small dollar value expenditures of the department including minor office and shop supplies, postage, meeting expenses, etc. Petty cash shall NOT be disbursed for the following:~~
 - ~~• Cashing employee's personal checks~~
 - ~~• Gifts~~
 - ~~• Travel advances~~
 - ~~• Employee expense account items except as allowed by Policy F-1, the County's Employee Expense Reimbursement Policy~~
 - ~~• Any item not directly related to County and Department activity~~

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Commented [DK2]: Content is summarized in policy F-7, Definitions

Commented [DK3]: Content moved to policy F-7, Section 4

~~No expenditures shall be made from the petty cash fund for a purpose for which there is no appropriation or source of reimbursement authorized at that time.~~

~~3. The petty cash custodian disburses cash from the fund. To evidence the disbursement, the custodian places in the locked box a pre-numbered receipt, signed by the person who received the cash. A receipt or invoice supporting the expenditure should be attached to the pre-numbered receipt, when available. At any point in time, the cash on hand, the total of the amount on the signed receipts, and any pending "Petty Cash Reimbursement Forms" should equal the authorized amount of the petty cash fund.~~

~~4. The attached "Petty Cash Reimbursement Form" must be completed in its entirety with the proper receipts attached for reimbursement of the department's petty cash fund. Petty Cash reimbursement checks will be available on Friday for those properly completed reimbursement forms received by the Finance Department on or before 5:00 p.m. on Wednesday of the preceding week.~~

~~5. As a petty cash fund is established to reduce the administrative cost associated with disbursements made by check, the petty cash fund will not be reimbursed more frequently than monthly. More frequent reimbursement would indicate a petty cash fund insufficient for the department's needs or inappropriate expenditures being disbursed from the fund. A Petty Cash Reimbursement Form should be completed no less frequently than quarterly in order to record the department's actual expenditures for comparison to budget.~~

~~6. 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 petty cash fund. After a careful review for any arithmetical errors, the amount of the over/short should be noted on the "Petty Cash Reimbursement Form." 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.~~

~~7. As part of the County's annual audit, each department's petty cash fund will be audited by the County's independent auditor. The department's petty cash fund may also be audited by a party authorized by the County Administrator on a random basis.~~

~~Deschutes County Policy No. P-1988-069, Petty Cash, is hereby rescinded.~~

~~Approved by the Deschutes County Board of County Commissioners January 29, 2007~~

~~_____
Dave Kanner
County Administrator~~

~~Deschutes County Administrative Finance Policy No. F-9
Effective Date: January 29, 2007~~

CASH OVER/SHORT REPORTING POLICY

STATEMENT OF POLICY

~~It is the policy of Deschutes County to report to the Treasurer's Office all cash over or under amounts, in order to facilitate the management of records and maintain oversight of cash handling.~~

Commented [DK4]: New language added to policy F-7, Section 4. "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."

Commented [DK5]: Details for how a petty cash funds operate were simplified and moved to Cash Handling Standards and Practices, Section 6, Items c, d, and e. Also, see Appendix B for Assignment, Transfer, Dissolution of Cash Drawers and Petty Cash Boxes Form.

Commented [DK6]: Content moved to policy F-7, Section 4

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APPLICABILITY

This policy applies to all County personnel authorized to accept cash (currency and coin) payments.

POLICY AND PROCEDURE

Differences between cash (currency and coin) received and anticipated amounts based on Department records can occur as a result of cash handling associated with collection of fees and other revenues. Departments shall have effective internal controls in place to identify such differences.

Cash over/short amounts shall be reported to the Treasurer's Office on a cash over/short form (sample shown on page 2) or in a form that the department uses internally, so long as the same information is included. The information must be provided to the Treasurer's Office within three business days of the occurrence. The following information must be provided:

- the amount collected and deposited (supported by a copy of the deposit slip);
- the anticipated receipts per the Department's records;
- the amount of the difference;
- an explanation for the difference;
- name and signature of the cash handler(s);
- name and signature of the supervisor; and
- for differences equal to or greater than \$100, the name and signature of the Department Head.

The County Administrator shall receive a monthly recap of these cash over/short differences and balance by department from the Treasurer's Office to assess if further investigation is warranted.

Deschutes County Policy No. P 2003-105, Cash Over/Short Reporting Policy, is hereby rescinded.

Dave Kanner
County Administrator

SAMPLE: CASH OVER/SHORT FORM (to be included with Treasurer's deposit or attached to bank deposit slip forwarded to Treasurer's Office)

Date: _____

Department: _____

Amount collected and deposited (A): _____ \$ _____

Anticipated receipts per Department records (B): \$ _____

Difference: (A) (B) OVER (SHORT) _____ \$ _____

Commented [DK7]: Policy language expanded in policy F-7, Section 4. Updated policy language states that cash over/short will be reported to the Finance Department instead of the Treasurer's Office.

Commented [DK8]: The Cash Over/Short Form is moved to Cash Handling Standards and Practices document, Appendix A, instead of including it directly in the policy.

Commented [DK9]: Policy language changed in policy F-7, Section 4. "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."

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Explanation for difference:

Cashier's name(s):

Cashier's signature(s):

Supervisor's name:

Supervisor's signature:

(If difference equals or exceeds \$100, the Department Head shall acknowledge)

Department Head's name:

Department Head's signature:

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Commented [DK10]: Content moved to Cash Handling Standards and Practices, Appendix A.

Deschutes County Administrative Policy No. F 11

Effective Date: March 19, 2007

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CASH HANDLING PRACTICES POLICY

STATEMENT OF POLICY

It is the policy of Deschutes County to ensure that County directors and managers design, implement and monitor effective cash handling controls.

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APPLICABILITY

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

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POLICY AND PROCEDURE

This policy sets out overall guidance on cash handling practices:

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

- Currency (paper money and coin)
- Checks
- Debit/Credit card slips
- Money orders
- Travelers checks
- Bank drafts, etc

Commented [DK11]: Updated content is included in the definition sections of policy F-7 and Cash Handling Standards and Practices document.

- 1) ~~County directors and managers shall design, implement and monitor effective cash handling controls. Cash handling procedures shall be distributed to all appropriate staff.~~
- 2) ~~Management will periodically review internal control policies and procedures pertaining to cash to ensure they are working as intended. It is critical that managers 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.~~
- 3) ~~To assist directors and managers establish and monitor their cash handling systems, the Internal Audit Program shall develop and circulate a Cash Handling Guide (Guide), which is attached hereto and incorporated herein as Exhibit A. The Guide highlights the internal controls that are required by County departments.~~

~~Management should utilize the Guide and checklist as a reference. Some items may not apply to every cash handling system, depending on the quantity of the cash transactions and the functions of the department. Implementation of some of these controls may not be possible due to limited resources. In these cases, compensating controls shall be developed.~~
- 4) ~~Exemptions from implementing any internal control policy or procedure must be granted in writing by the County Administrator or his/her designee.~~
- 5) ~~Required procedures:~~
 - a) ~~Cash shall be turned over to the Finance Department or a designated bank depository within 24 hours of receipt in accordance with Finance policy P 1999-075.~~
 - b) ~~Receipts provided to parties remitting payment must be pre-numbered and include the County and departments name in accordance with Finance policy P 1999-075. Unused receipts shall be kept in a secured area.~~
 - e) ~~Any and all bank accounts used to transact County business shall be approved in accordance with Finance Policy No. F-7.~~
 - d) ~~Any cash overage or shortage identified during reconciliation should be reported to Finance in accordance with Finance Policy No. F-9.~~

Approved by the Deschutes County Board of Commissioners March 19, 2007

 Dave Kanner
 County Administrator

Commented [DK12]: Content expanded and moved to policy F-7, Section 6.

Commented [DK13]: Content moved to policy F-7, Section 7.

Commented [DK14]: In a collaborative effort with the County Internal Audit Department, the Finance Department drafted a more thorough "Guide", the Cash Handling Standards and Practices Document. That document include an updated checklist from the Internal Audit Department as Appendix C.

Commented [DK15]: Policy F-7, Section 6, requires departments to develop procedures which provide adequate internal control over cash handling. These procedures must be documented, and delivered to the Finance Department and Internal Auditor for review. Additionally, when certain controls are impracticable, compensating controls will be developed.

Commented [DK16]: Updated content to policy F-7, Section 8, item 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."

Commented [DK17]: Updated content to policy F-7, Section 8, item 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."

Commented [DK18]: This language is no longer necessary since these cash handling policies are included in policy F-7.