

County of Monterey Board Policy Manual

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| Policy Name Accounting and Internal Control Policy Manual | Policy Number A-10 | Page 1 of 9 |
| Policy Category Accounting, Financing and Purchasing | | |

I. Purpose

- a. The purpose of this policy is to establish minimum procedural and documentation requirements and controls related to cash handling, petty cash and change funds, and outside bank accounts.

II. Background

- a. It is the responsibility of County department, agencies, and districts to have effective internal controls in place to accurately collect and safeguard cash, to properly and timely deposit all cash, to monitor cash balances, and to record the correct amount of cash collected in the County's Financial System.
- b. Each department is responsible for developing and maintaining written internal control procedures for their petty case and change funds prior to the approval and establishment of such accounts.
- c. An outside bank account can only be established with the approval of both the Auditor-Controller and the Treasurer.

III. Policy

- i. Policy for Cash Handling Controls
- ii. Policy for Petty Cash and Change Funds
- iii. Policy for Outside Bank Accounts

IV. Procedure

- a. Please see attached policies.

V. Review Date

- a. This Policy will be reviewed for continuance by February 1, 2027.

VI. Board Action

- a. Legistar File Number: RES 22-021, February 1, 2022.



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

POLICY C-01: Policy for Cash Handling Controls
Issued by: Auditor-Controller's Office
Issued/Revised: February 01, 2022

I. PURPOSE & DEFINITION

The purpose of this policy is to establish minimum procedural and documentation requirements and controls related to cash handling. This policy is applicable to all County departments, agencies, and districts under the Board of Supervisors.

This policy outlines the minimum requirements and is not meant to be a detailed procedural guide. Cash Handling Control Guidelines supplement this policy and provide departments, agencies, and districts with guidelines for establishing and documenting cash handling procedures. The Cash Handling Control Guidelines can be obtained from the Auditor-Controller's SharePoint site.

For purposes of this policy, cash is defined as coin, currency, checks, wire transfers, electronic fund transfers, automatic bill pay systems receipts, debit and credit card receipts, lock box deposits, and all forms of negotiable instruments. Examples of negotiable instruments are personal checks, cashier's checks, bank drafts, traveler's checks, money orders, and all other instruments that may be transferred by endorsement and delivery within the ordinary course of business activity.

II. POLICY

It is the responsibility of County departments, agencies and districts to have effective internal controls in place to accurately collect and safeguard cash, to properly and timely deposit all cash, to monitor cash balances, and to record the correct amount of cash collected in the County's Financial System.

Written procedures must be developed to guide staff on proper cash handling. This documentation must include all cash related transactions and document the internal controls in place that mitigate the risk of error and safeguard cash.

Written procedures for cash handling must be submitted to the Auditor-Controller's Office Internal Audit Division (ACO-IA) and resubmitted as changes occur.

All cash collected or received by County departments, agencies, or districts, shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received.

If it is not practical or cost effective to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 is accumulated, whichever comes first. In instances where it is not practical or cost effective to deposit cash within the required one-day time frame, a policy exception should be requested and approved by the Auditor-Controller. The agreed upon alternative deposit schedule must be documented in departmental written procedures.

All individuals involved in cash handling are required to be adequately trained. Questions related to training should be directed to the Auditor-Controller and the Treasury as appropriate.

In order to comply with the County's Cash Handling Control Policy, departments, agencies, and districts as applicable, must also review and comply with the following policies:

- C-02 – Petty Cash and Change Funds
- C-03 – Outside Bank Accounts

In addition, the Treasurer-Tax Collector has policies and procedures pertaining to the cash collections, deposits, and bank accounts which should be referred to in conjunction with this policy.

III. RESPONSIBILITIES

County Departments, Agencies, and Districts

- Comply with the Auditor-Controller's Policy for Cash Handling Controls and its related guidelines
- Implement effective procedures and internal controls to accurately collect and safeguard cash, properly and timely deposit all cash due to the County, monitor cash balances, and record the correct amount of cash collected in the County's financial system
- Maintain written documentation for cash handling procedures
- Submit written documentation of the cash handling procedures to the ACO-IA
- Ensure all cash is counted and balanced with receipts daily
- Report all cash overages and shortages of \$50 or more to the ACO-IA
- Ensure that all individuals involved in cash handling are adequately trained

Auditor-Controller

- Review written cash handling procedures submitted by County departments, agencies, and districts for compliance with the County's cash handling control policy. Review the departmental internal controls and provide recommendations as necessary
- Conduct unannounced cash reviews when deemed necessary
- Examine and settle the accounts of any money payable to the County treasury and certify the amount
- Review and approve requests for exceptions from the one day-deposit policy and maintain a log of approved requests

Treasurer-Tax Collector

- Approve the acceptance of debit and credit cards as payment and the set up with the approved card processor and acquirer
- Receive all deposits
- Establish agreements and coordinate all relationships between the County and banks and non-bank financial services providers



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

POLICY C-02: Policy for Petty Cash and Change Funds
Issued by: Auditor-Controller's Office
Issued/Revised: February 01, 2022

I. PURPOSE

Many County Departments maintain a petty cash fund for emergency expenditures where it is impractical to be billed or have a warrant issued in advance or maintain a change fund for facilitating day-to-day operating activities, typically in a public counter environment. The purpose of this document is to specify the policy for managing such funds.

This policy outlines the minimum requirements and is not meant to be a detailed procedural guide. Petty Cash and Change Fund Guidelines supplement this policy and provide departments, agencies, and districts with guidelines for establishing, managing, modifying, or closing the funds. The guidelines, along with related forms, can be obtained from the Auditor-Controller's SharePoint site.

II. POLICY

Each Department is responsible for developing and maintaining written internal control procedures for their petty cash and change funds prior to the approval and establishment of such accounts. These procedures and petty cash and change funds are subject to review and audit by the Auditor-Controller's Office Internal Audit Division (ACO-IA). The ACO may establish change and petty cash funds for County departments for the following purposes:

- Change fund to be used to make change in carrying out official County duties of cash collection
- Petty cash fund to be used to pay small obligations for which the issuance of a formal purchase order and check would be too expensive and time consuming

Unauthorized Uses

Petty cash and Change funds must only be used for its intended purpose as defined by this policy. The same funds cannot be used for both petty and change purposes.

Petty cash expenditures will be limited to goods and reimbursements, which are legal charges against the County. Individual Petty cash expenditure may not exceed \$50. Petty cash purchases shall not be used to circumvent the procurement policies and procedures established by the County. Departments that have petty cash funds must consider alternate payment methods, such as Procurement Cards (P-Cards) to eliminate the need for a petty cash fund.

Documentation

Petty cash disbursements must be properly documented and verified that they are for a valid County business expense using formally printed, pre-numbered vouchers and vendor receipts. Receipts should be itemized and include a description of the business purpose of the transaction, goods purchased, the purchase date, and the appropriate authorization.

Custodian

Departments must appoint a custodian for the petty cash/change fund, who will be responsible for the safekeeping and disbursements of the fund.

When custody of a petty cash fund is transferred to another custodian, the existing petty cash fund should be turned in and a reconciliation performed to ensure that the total of the cash and the receipts equal the specified amount of the fund, and that the new custodian is aware of his/her specific responsibilities related to custody of the petty cash fund. This reconciliation should be agreed and documented by both relinquishing and acquiring custodian.

The department must update their written documentation and inform ACO-IA when there is a change of custodian.

Petty Cash and Change Fund Establishment and Management

Departments must follow the procedure outlined in the Auditor-Controller's Petty Cash and Change Fund Guidelines for establishing a new petty cash or change fund, or to modify or close existing petty cash or change fund.

Replenishing a Petty Cash Fund

Departments must follow the procedure outlined in the Auditor-Controller's Petty Cash and Change Fund Guidelines to request replenishment of petty cash fund.

Physical Security

When the petty cash fund's currency is not being used, it must be placed in a safe or locked receptacle, which is kept in a properly secured area.

In the event of theft or loss of funds, a Cash Over and Short form must be prepared immediately and sent to the ACO-IA. Refer to Policy for Cash Handling Controls, C-01, for more information on Cash Overages and Shortages.

Petty Cash funds are not to be borrowed by individual employees for any length of time, and daily cash counts should be conducted.

Petty Cash/Change Fund Report

The ACO will render a written report and give an account to the Board of Supervisors of any petty cash fund differences when the ACO determines it is necessary or when the Board directs the ACO to do so. The report will contain a summary of petty cash fund differences, establishments, increases, reductions, transfers, and discontinuances requested and received by each county department/agency.

Unannounced Cash Review

Departments must make periodic cash reviews for petty cash and change fund balances and of all cash, including receipts, on an unannounced basis. The ACO-IA may conduct unannounced cash reviews when deemed necessary.

III. RESPONSIBILITIES

County Departments, Agencies and Districts

- Comply with the Auditor-Controller's Policy for Petty Cash and Change Funds and its related guidelines in conjunction with the Cash Handling Controls Policy, C-01
- Establish and maintain internal controls for petty cash and change funds

Auditor-Controller

- Approve or deny petty cash and change fund requests
- Maintain a record of all petty cash and change funds along with the justification for the account
- Conduct unannounced cash reviews when deemed necessary



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

POLICY C-03: Policy for Outside Bank Accounts
Issued by: Auditor-Controller's Office
Issued/Revised: February 01, 2022

I. PURPOSE

The purpose of this policy is to establish minimum procedural requirements and internal controls related to outside bank accounts. This policy is applicable to all County departments, agencies, and districts under the Board of Supervisors.

This policy outlines the minimum requirements and is not meant to be a detailed procedural guide. Guidelines for Outside Bank Accounts supplement this policy and provide departments, agencies, and districts with guidelines for establishing, documenting, managing outside bank accounts. The Guidelines for Outside Bank Accounts, along with related forms, can be obtained from the Auditor-Controller's SharePoint site.

II. POLICY

An outside bank account can only be established with the approval of both the Auditor-Controller and the Treasurer. There are a few unique instances where California Law allows county money to be deposited outside the Treasury. In those limited cases, the Auditor-Controller and Treasurer must pre-approve the request and suitability of the proposed banking relationship and the financial institution.

Every County department, agency, or program that intends to utilize outside bank accounts must also review and comply with requirements of the County's "Bank Account and Merchant Card Services Policy" issued by the County Treasury.

An outside bank account may be allowed for the following purposes:

- Depository suspense account when a department is not conveniently located to make frequent cash deposits to the Treasury, i.e., remote locations. A depository suspense account is used as a clearing account only and its use to disburse funds (expenditures) is prohibited
- Revolving account when a department must regularly make expenditures where timing and department specific criteria/conditions are critical to County operations. Control procedures for checks on hand and issued must be established. A revolving account is only used for expenditure disbursement and its use to deposit revenue is prohibited
- Trust account to hold funds by a County department on behalf of outside agencies or individuals
- Other purpose deemed necessary based on justifiable business need or regulatory requirement

Bank accounts must be used for official County business and only for the specific purposes for which they were established. All banking changes must be coordinated through the County Treasurer. Any unauthorized account or unauthorized change in the use of the account may result in immediate closure of the account.

Each department is responsible for developing and maintaining written internal control procedures for their outside bank account prior to the approval and establishment of such account. These procedures and the accounts are subject to review and audit by the Auditor-Controller.

Outside Bank Account Establishment and Management

Departments must follow the procedure outlined in the Auditor-Controller's Guidelines for Outside Bank Accounts in requesting to establish new outside bank accounts, as well as managing the approved accounts.

Outside Bank Account Reconciliations

Reconciliations of outside bank accounts must be performed at least monthly and submitted to the Auditor-Controller. Unreconciled bank accounts are subject to closure by the Auditor-Controller.

Closing Accounts

Departments must follow the procedure outlined in the Auditor-Controller's Guidelines for Outside Bank Accounts to close out previously approved outside bank accounts.

III. RESPONSIBILITIES

County Departments, Agencies, and Districts

- Comply with the Auditor-Controller's Outside Bank Accounts Policy and its related guidelines in conjunction with the Cash Handling Controls Policy, C-01, as well as the Treasurer-Tax Collector's Bank Account & Merchant Card Services Policy in establishing and maintaining outside bank accounts
- Establish and maintain internal controls for the outside bank accounts
- Monthly reconcile the bank account with bank and submit a copy to the Auditor-Controller's Office, General Accounting Division (ACO-GA)
- Ensure the County's financial system is updated for activity in outside bank accounts at least monthly
- Submit June 30 (Year-End) bank reconciliations and supporting bank statements along with the completed "Outside Bank Account Year-End Questionnaire" to ACO-GA annually

Auditor-Controller:

- Approve or deny outside bank account
- Maintain a record of all outside bank accounts along with the justification for the account
- Maintain records of authorized signers and signatures
- Review monthly and annual (June 30) bank reconciliations for all outside bank accounts and confirm reconciliations balance to County's financial system
- Review established internal controls over outside bank accounts as deemed necessary

Treasurer-Tax Collector

- Approve or deny outside bank account
- Work with the Department, Agency, or District to open the bank account, as necessary
- Establish and manage agreements and relationships with banks and non-bank financial services providers