

FIN 6.10 - Cash**CASH**

Administrative Rule Adopted by Council

ARC-FIN-6.10

Purpose

The purpose of this administrative rule is to establish minimum standards for the proper receipt, handling, disbursement, and safeguarding of cash, and the reconciliation of cash transactions.

Authority

Authority for this administrative rule is established in the City Charter and City Code. This administrative rule has been approved by the City Council.

Monitoring

The Accounting Division and the Public Finance and Treasury Division of the Bureau of Revenue and Financial Services of the Office of Management and Finance (~~Accounting Division~~) will shall periodically monitor bureaus to assess compliance with the minimum standards of this rule. As instances of non-compliance, or perceived or actual malfeasance are identified, they must be reported to the City Controller. ~~B~~bureaus ~~will be~~ are required to develop and implement a corrective action plan. The Accounting Division ~~will~~ shall provide assistance to bureaus, if requested, to develop this plan. The Controller ~~will~~ shall report all instances of non-compliance or malfeasance promptly annually to the Chief Financial Officer (CFO) and no less than annually to City Council.

Definitions

“Automated Clearing House (ACH) Network” means the nationwide electronic funds transfer system operated by the Federal Reserve and Electronic Payments Network. ACH Network transactions include: direct deposits; direct payments; business-to-business payments; ~~E-checks, E-commerce~~ e-checks; e-commerce payments; and federal, state, or local tax payments.

“Cash” means currency, coins, negotiable checks, and money orders, electronic funds transfers, bankcard payments, demand deposits, and other accounts having demand deposit characteristics.

“Demand deposit” means accounts from which funds may be deposited or withdrawn at will by the owner without penalty.

“Electronic Funds Transfer (EFT)” means a transfer of funds, with no paper money changing hands, from one bank account directly to another through computer-based

systems. EFT may be used for both electronic payments and collections. EFT includes ACH and Fedwire payments.

“Fedwire” means a real-time electronic funds transfer through a system owned and operated by Federal Reserve Banks. Fedwire is more expensive than ordinary EFT and is most often used to handle large-value, time-critical payments, such as: the purchase, sale, and financing of securities transactions; disbursement or repayment of loans; and settlement of real estate transactions.

“Restrictive endorsement” means a signature or stamp specifying the transfer of the check under certain conditions, such as the commonly used endorsement “For Deposit Only.”

~~“Segregation of Duties” means that one individual may not perform two or more accounting control functions such as authorization, receipting, disbursement, and reconciliation.~~

“Returned check” means a check that is returned unpaid to Public Finance and Treasury by the ~~city’s~~ City’s depository banks.

“Scanned check deposit” means the creation of an electronic image of a check that is directly deposited in the City’s bank account on machines specifically designed for this purpose.

“Segregation of Duties” means that one individual may not perform two or more accounting control functions, such as: authorization, receipting, disbursement, and reconciliation.

“Void check” means a check that was created in error or otherwise determined as not needed. Voided checks are not released for payment. They are retained for archival purposes to account for all check numbers.

Cash Internal Controls

1. Internal controls ~~shall~~ must be established and maintained to provide management with reasonable assurance that cash and cash-related transactions are properly accounted for and controlled. For additional information, see Accounting Administrative Rule FIN 6.15 Internal Controls and Management’s Responsibility.
2. All cash accounts, cash balances, and cash transactions must be recorded in the City’s financial accounting system.
23. Duties relating to the handling of cash transactions, including collections, deposits, purchases, disbursements, bank reconciliations, approvals, and recording of transactions, shall must be adequately segregated so that no single person ~~shall~~ will handle a cash transaction from beginning to end.

3. ~~Collections, deposits, purchases, disbursements, bank reconciliations, approvals, and recording of transactions shall be segregated to the optimum extent possible.~~
4. Where segregation is impractical, bureaus shall arrange alternate compensating controls ~~shall be arranged~~ through the Accounting Division. Such controls may include additional managerial review, unannounced audits, periodic reassignment of duties, or verification by other staff.
5. ~~At the end of each accounting period, Treasury shall prepare a written reconciliation of bank statements to Treasury cash records, and the Accounting Division shall prepare a written reconciliation of Treasury cash records to the general ledger.~~
5. Public Finance and Treasury shall import daily bank transaction details into the City's financial accounting system, so bureaus can identify and clear their cash transactions. Public Finance and Treasury shall be responsible for the daily maintenance of bank transactions and reconciling bank transaction clearing accounts in the City's financial accounting system.
6. Public Finance and Treasury shall be responsible for follow-up and resolution of daily postings that are incomplete, do not match related documentation, and/or for any reason do not clear the bank. Public Finance and Treasury shall act as liaison between the bureaus and the banks in clearing unreconciled items.
7. Public Finance and Treasury shall periodically prepare bank clearing account reconciliations and audit schedules as requested by the Accounting Division.
8. Within 15 business days after the close of each accounting period, Public Finance and Treasury shall prepare written reconciliations of bank statements to the general ledger, and the Accounting Division shall review the cash records posted to the general ledger.
9. Within 15 business days after the close of each accounting period, bureaus shall prepare written reconciliations of cash records, including bank statements, to the general ledger for audit and internal control purposes for all bank accounts under their direct control, including imprest petty cash, cash with fiscal agent, and local government investment pool accounts. Bureau bank account reconciliations are subject to unannounced audits by the Accounting Division.
10. Bureaus that fail to adequately reconcile or otherwise maintain appropriate internal controls over bank accounts under their direct control may be directed by the City Treasurer to close those accounts.

Receipt and Deposit of Cash

EXHIBIT A

1. Bureaus shall promptly deposit and record cash receipts shall be deposited and recorded promptly in order to ensure accurate records, reduce the chance of loss or theft, and allow the city City to maximize interest income. Bureaus shall enter journal entries in a timely manner (see item 8) directly to the City's financial accounting system to record all cash receipts.
2. Bureaus shall provide written acknowledgment of receipts shall be provided to customers at point-of-sale locations and retain receipt copies shall be retained at the collection site, including copies of voided receipts. There will be limited circumstances when bureaus are not required to provide receipts. These include when the payments are for de minimus amounts and in circumstances where the provision of written receipts is infeasible or cost prohibitive.
 - a. Receipt acknowledgments may be cash register tapes, official pre-numbered receipt forms, or other such appropriate documentation.
 - b. Bureaus shall account for the numerical sequence of pre-numbered receipts forms, including voided receipts, shall be accounted for on a regular basis.
3. Bureaus shall generate a daily listing of checks received shall be generated at all sites where checks are collected, including mail rooms. This daily listing can be generated manually or electronically, and must include the check number and dollar amount of each check received. Bureaus must retain the daily listing for use in reconciliation. Checks shall must be restrictively endorsed to the City of Portland upon acceptance at the collection site.
4. Bureaus shall make deposits shall be made using preprinted City deposit slips prepared in duplicate. Bureaus shall retain duplicate copies, including printed bank receipts, in compliance with City retention requirements. Note that the general retention schedule for deposits is three years, but there are longer-term requirements for federal grant receipts and receipts related to bond issuances. Bureaus shall observe current retention requirements for specific receipt types.
5. Deposits shall must be intact, meaning that all cash and checks shall must be deposited in their entirety and shall must not be used to pay expenses, make adjustments to accounts, or cash personal checks.
6. Bureaus shall, on a daily basis, reconcile deposit details, including credit card receipts and ACH activity cash and EFT, to daily sales receipts or other point-of-sale documentation, which may include reports generated from the City's payment gateway, so transactions can be cleared in the City's financial accounting system. Reconciliation documentation must include identification of the preparer, date, and evidence of review by a separate staff member, which should include the name of the staff member performing the review and the date of that review. Periodic management review of the reconciliation process must be documented and dated.
 - a. Bureaus shall investigate discrepancies shall be investigated promptly, and if

- material, reported them immediately to both bureau management, the Accounting Division, and the Public Finance and Treasury Division.
- b. Any cash overage or shortage ~~shall~~ must be charged to the appropriate account and ~~shall~~ must not be netted to the deposit.
7. Bureaus shall make deposits ~~shall be made~~ in a timely manner and as follows:
- a. Daily receipts totaling ~~\$250~~ \$500 or more ~~shall~~ must, within one business day of receipt, be ~~either delivered to the Treasury Department~~ Public Finance and Treasury Division for deposit, deposited via electronic scanning device, or deposited directly from the collection site into the City's account at a Public Finance and Treasury-designated financial institution.
- b. ~~Daily receipts totaling less than \$250 may be held and deposited no less than weekly, but only if the receipting location possesses adequate facilities for securing such receipts. Receipts may be accumulated and secured until the total exceeds \$250. At that point, a deposit shall be made within one business day.~~
- b. Daily receipts totaling less than \$500 must, within one business day of receipt, be delivered to the Public Finance and Treasury Division for deposit, deposited via electronic scanning device, or deposited directly into the City's account at a Public Finance and Treasury Division-designated financial institution. If, as determined by the Accounting Division and the Public Finance and Treasury Division, a bureau's receipting location possesses adequate facilities and procedures for securing such receipts, receipts totaling less than \$500 may be held and deposited at such time when receipts at that location total \$500 or more.
- c. Receipts that are not attributable to a specific customer or account must not be held from deposit during an investigative process, but should instead be deposited in accordance with 7a and 7b above. If necessary, such unattributable receipts must be credited to a suspense account – account number 120050 – Unapplied Cash. All receipts placed in Unapplied Cash must be cleared within 45 business days of deposit. If after 45 business days, a bureau cannot attribute the payment properly, the bureau shall issue a refund to the payee.
- d. If bureaus do not possess adequate facilities and procedures for securing such receipts, bureaus can consider alternate internal controls, subject to written approval of the Accounting Division and the Public Finance and Treasury Division. Lacking an approved alternate control, receipts must be deposited within one business day.
8. Receipting entries applying the deposited cash shall must be prepared and entered in the financial accounting system submitted to Treasury within seven business ~~10~~

working days of deposit. Entries ~~must~~ shall, to the greatest extent possible, identify appropriate and accurate account codes for revenue and other cash sources. Bureaus must notify Public Finance and Treasury when a daily deposit exceeds \$1,000,000.

9. Bureaus shall adopt specific cash deposit procedures that promote and ~~insure~~ ensure the safety of employees.
10. Bureaus that need armored courier services for cash receipts deposits at the bank shall coordinate such contracts through the Public Finance and Treasury Division.
11. See CFMP Procedure FIN 6.10.01 Deposits for additional guidance of the options available to City bureaus for making deposits.

Returned Checks

1. Upon receiving Treasury shall establish accountability for checks returned by the bank, the Public Finance and Treasury Division shall forward such items to the Accounts Receivable section of the Accounting Division for processing. ~~such as checks that are returned for insufficient funds (NSF).~~
2. ~~Treasury shall either handle and resolve such items or distribute them to the appropriate bureau in accordance with agreed upon arrangements with that bureau.~~
23. Bureaus shall, in coordination with the Accounting Division, adopt specific procedures for the handling, recording, and collection of returned checks.
- 3 4. Bureaus should note that the City is charged NSF (insufficient funds) fees by its depository bank for checks that are dishonored. In accordance with ORS 30.701(5), bureaus may charge up to \$25-\$35 per returned check to cover the cost of such processing.

Disbursements

1. ~~All disbursements, with the exception of petty cash disbursements, only, shall be by check or electronic transfer~~
2. ~~Disbursements shall be only for authorized purposes, within legal appropriations.~~
3. ~~Proper fund and account shall be charged for all disbursements.~~
4. ~~Disbursements shall be made in accordance with payment terms specified by invoice, or contract thereby preventing the incurrence of interest and penalties for late payment.~~

~~5. Disbursements shall be authorized only by personnel acting within the scope of their prescribed authority and responsibility, and those persons authorizing shall neither prepare or sign checks nor reconcile such disbursements to bank statements.~~

~~6. For all disbursements, documentation such as original invoices or payroll records shall be retained in accordance with City policies and retention schedules published by the City Auditor.~~

~~7. Checks shall be issued in numerical order. Void checks shall be retained, and the numerical sequence of checks, including voided checks, shall be accounted for on a regular basis.~~

~~8. Bureaus shall maintain written procedures for handling and processing payment documents. Bureaus may consult with the Accounting Division for assistance in developing such guidelines.~~

Safeguarding Cash and Checks

1. Cash on hand, including petty cash and change accounts, shall must be secure at all times. See Accounting Administrative Rule FIN 6.08 Petty Cash.
 - a. During operating hours, cash shall must be locked in a cash register, drawer, or box.
 - b. During non-business hours, cash shall must be locked in a more secure location such as a locking file cabinet or safe.
2. Unused check stocks shall must be stored in a locked and secure area at all times. Only authorized personnel shall have access to this area.
3. Check printing and signing equipment, including signature plates, shall must be maintained in a locked and secure area at all times and shall must be accessible to and operated only by authorized personnel. Obsolete signature plates and check stock must be promptly and securely destroyed.
4. Electronic signature files must be maintained in a secure location with appropriate back-up at all times. When obsolete, they must be promptly and securely destroyed.
- 4-5. In accordance with City code Charter Section 7-105, checks, exclusive of petty cash checks and disbursements for Fire and Police Disability and Retirement Funds (FPDR), shall must be signed by both the Mayor and the City Auditor. Petty cash checks must require dual signatures by designated and authorized staff. For more information relating to petty cash checks, see Accounting Administrative Rule FIN ~~6.09~~ 6.08 Petty Cash. Disbursements for FPDR must be signed by the Mayor and

FPDR Fund Administrator. For more information relating to FPDR disbursements, see City Charter, Section 5-203.

56. EFT disbursements transactions ~~shall~~ must be initiated and completed only by authorized personnel.
- a. Duties for initiating, releasing, and reconciling electronic transactions ~~shall~~ must be appropriately segregated.
 - b. Unique passwords ~~shall~~ must be issued to each individual having access to electronic accounting records or transactions. Such passwords ~~shall~~ must not be shared and ~~shall~~ must be periodically changed.

History

Resolution No. 36435, adopted by Council September 6, 2006.