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CITY OF SPOKANE ADMINISTRATIVE POLICY AND PROCEDURE	ADMIN 0410-21-05 LGL 2021-0030
TITLE: CASH EFFECTIVE DATE: January 1, 2022 REVISION DATE (IF APPLICABLE)	

1.0 GENERAL

1.1 PURPOSE

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

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2.0 DEPARTMENTS/DIVISIONS AFFECTED

This policy shall apply to all City divisions and departments.

3.0 REFERENCES

- RCW 43.09.185
- RCW 43.09.240
- SMC 03.01A.260
- ADMIN 0860-06-01 (Repealed)
- ADMIN 0410-05-02 (Repealed)
- ADMIN 0410-21-03 Cash Handling Manual

4.0 DEFINITIONS

- 4.1 "Automated Clearing House (ACH) Network" means the nationwide electronic funds transfer system operated by the Federal Reserve and Electronic Payments Network.

- 4.2 "Cash" means currency, coins, negotiable checks, money orders, electronic funds transfers, bankcard payments, demand deposits, and other accounts having demand deposit characteristics.
- 4.3 "City Treasurer's Designee", is the position which supervises the Treasury Services function of the division/department of Finance, Treasury, and Administration.
- 4.4 "Demand deposit" means accounts from which funds may be deposited or withdrawn at will by the owner without penalty.
- 4.5 "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.
- 4.6 "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.
- 4.7 "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."
- 4.8 "Returned Check" means a check that is not paid by the bank on which it is written (drawn). Checks may be returned due to insufficient funds, closed accounts, invalid signatures, stop payments, or any other condition making the check invalid.
- 4.9 "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.
- 4.10 "Segregation of Duties" means that one individual may not perform two or more accounting control functions, such as: authorization, receipting, disbursement, and reconciliation.
- 4.11 "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.

5.0 POLICY

5.1 General

5.1.1 The City shall manage its cash assets to preserve principal, provide ample liquidity to meet the City's daily cash requirements, and generate a fair return. Finance, Treasury and Administration shall ensure the accurate and timely accounting, investment, and security of all cash assets.

5.2 Cash Balances

5.2.1 The City shall maintain adequate cash balances in each fund to maintain a non-negative cash position at the end of each day. Each department shall be responsible for monitoring all funds within the purview of its budget to ensure that cash positions remain non-negative at all times. The City Treasurer, or their designee, may, at their discretion, grant an exception to this rule whenever a negative balance is due to timing and it is not administratively feasible to correct on the same day.

5.3 Banking and Cash Deposit

5.3.1 Under state law, City money shall be deposited in an authorized bank, a qualified and collateralized depository for public funds, or with the City Treasurer within twenty-four (24) hours of receipt, as prescribed by the Revised Code of Washington. The City Treasurer may, at their discretion, grant an exception subject to state law and this policy.

5.3.2 Only the City Treasurer is authorized to establish bank accounts for the City.

5.4 Cash Handling Policy and Procedure Manual – The Chief Financial Officer shall promulgate a Cash Handling Policy and Procedure Manual, that will consist of the following items:

- a. Receipt, handling and deposit to authorized agent or bank by city employees;
- b. Documentation of transaction;
- c. Regular reporting to the City Treasurer;
- d. Compliance of city employees authorized to receive or handle city moneys;
- e. Inspection of departmental record;
- f. Inspection of departmental cash-handling practices and procedures; and

- g. Contracting agents to collect City cash and their collection procedures.

5.5 Cash Handler Training

- 5.5.1 All City employees involved in the handling, receipting, reconciling, or depositing of "cash", as defined by this policy, shall read and understand the Cash Handling Policy and Procedures. It shall be the responsibility of the Department Head, or designee of each department to ensure each cash handler's compliance.
- 5.5.2 All employees who receive and handle City cash on a regular or temporary basis in the scope and course of their employment, shall complete a written acknowledgement of Cash Handling Policy and Procedure Manual training, prior to the handling of cash.
- 5.5.3 City department heads shall provide cash handler training, specific to departments within their purview, which are consistent with the Cash Handling Policy and Procedures administered by Finance, Treasury, and Administration.

6.0 PROCEDURE

6.1 Cash Internal Controls

- 6.1.1 Internal controls must be established and maintained to provide management with reasonable assurance that cash and cash-related transactions are properly accounted for and controlled.
- 6.1.2 All cash accounts, cash balances, and cash transactions must be recorded in the City's financial accounting system.
- 6.1.3 Duties relating to the handling of cash transactions, including collections, deposits, purchases, disbursements, bank reconciliations, approvals, and recording of transactions, must be adequately segregated so that no single person will handle a cash transaction from beginning to end.
- 6.1.4 Where segregation is impractical, departments shall arrange alternate compensating controls utilizing departmental Accounting staff. Such controls may include additional managerial review, unannounced audits, periodic reassignment of duties, or verification by other staff.
- 6.1.5 Treasury Services shall import daily bank transaction details into the City's financial accounting system, so departments can identify and clear their cash transactions. Treasury Services

shall be responsible for the daily maintenance of bank transactions and reconciling bank transaction clearing accounts in the City's financial accounting system.

- 6.1.6 Treasury Services 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. Treasury Services shall act as liaison between the departments and the banks in clearing unreconciled items.
- 6.1.7 Treasury Services shall periodically prepare bank clearing account reconciliations.
- 6.1.8 Within 15 business days after the close of each accounting period, Treasury Services shall prepare written reconciliations of bank statements to the general ledger.
- 6.1.9 Within 15 business days after the close of each accounting period, departments 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. Department bank account reconciliations are subject to unannounced audits by the Accounting Department.
- 6.1.10 Treasury services will perform reconciliation of combined city accounts on a quarterly basis.
- 6.1.11 Departments 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.

6.2 Receipt and Deposit of Cash

- 6.2.1 Departments shall promptly deposit and record cash receipts, within twenty-four (24) hours in order to ensure accurate records, reduce the chance of loss or theft, and allow the City to maximize interest income.
- 6.2.2 Departments shall provide written receipts to customers at point-of-sale locations and retain receipt copies at the collection site, including copies of voided receipts.
 - a. Receipt acknowledgments may be cash register tapes, official pre-numbered receipt forms, or other such appropriate documentation.
 - b. Departments shall account for the numerical sequence of pre-numbered receipts forms, including voided receipts, on a regular basis:

- 6.2.3 Departments shall generate a daily listing of checks received 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. Departments must retain the daily listing for use in reconciliation. Checks must be restrictively endorsed to the City of Spokane upon acceptance at the collection site.
- 6.2.4 Departments shall make deposits using preprinted City deposit slips prepared in duplicate. Departments shall retain duplicate copies, including printed bank receipts, in compliance with City retention requirements. Note that the general retention schedule for deposits is six (6) years, but there are longer-term requirements for federal grant receipts and receipts related to bond issuances. Departments shall observe current retention requirements for specific receipt types.
- 6.2.5 Deposits must be intact, meaning that all cash and checks must be deposited in their entirety and must not be used to pay expenses, make adjustments to accounts, or cash personal checks.
- 6.2.6 Departments shall, on a daily basis, reconcile deposit details, including 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, and date. Periodic management review of the reconciliation process must be documented and dated.
- a. Departments shall investigate discrepancies promptly, and if material, report them immediately to department management and Treasury Services.
 - b. Any cash overage or shortage must be charged to the appropriate account and must not be netted to the deposit.
- 6.2.7 Departments shall make deposits in a timely manner and as follows:
- a. Daily receipts must, within twenty-four (24) hours of receipt, be delivered to the Treasury for deposit, deposited via electronic scanning device, or deposited directly into the City's account at a Treasury-designated financial institution.
 - b. Receipts that are not attributable to a specific customer or account must not be held from deposit during an investigative process. If necessary, such unattributable receipts must be credited to a suspense account – Unapplied Cash. All receipts placed in Unapplied Cash must

be cleared within 45 business days of deposit. If after 45 business days, a department cannot attribute the payment properly, the department shall issue a refund to the payee.

6.2.8 Receipting entries applying the deposited cash must be prepared and entered in the financial accounting system within Seven (7) business days. Entries must identify appropriate and accurate account codes for revenue and other cash sources. Departments must notify Treasury Services when a daily deposit exceeds \$1,000,000.

6.2.9 Departments shall adopt specific cash deposit procedures that promote and ensure the safety of employees.

6.2.10 Departments that need armored courier services for cash receipts deposits at the bank shall coordinate such contracts through Treasury Services.

6.3 Safeguarding Cash and Checks

6.3.1 Cash on hand, including petty cash and change accounts, must be secure at all times.

6.3.2 During operating hours, cash must be locked in a cash register, drawer, or box.

6.3.3 During non-business hours, cash must be locked in a more secure location such as a locking file cabinet or safe.

6.3.4 Unused check stocks must be stored in a locked and secure area at all times. Only authorized personnel shall have access to this area.

6.3.5 Check printing and signing equipment, including signature plates, must be maintained in a locked and secure area at all times and must be accessible to and operated only by authorized personnel. Obsolete signature plates and check stock must be promptly and securely destroyed.

6.3.6 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.

6.3.7 Checks, exclusive of petty cash checks and disbursements for Spokane Retirement System Funds (SERS), must be signed by both the City Administrator and the Chief Financial Officer. Petty cash checks must require dual signatures by designated and authorized staff.

6.3.8 EFT disbursements transactions must be initiated and completed only by authorized personnel.

- a. Duties for initiating, releasing, and reconciling electronic transactions must be appropriately segregated.
- b. Unique passwords must be issued to each individual having access to electronic accounting records or transactions. Such passwords must not be shared and must be periodically changed.

6.4 Exceptions to the Twenty-Four Hour Deposit Policy

6.4.1 The Treasurer may at their discretion grant an exception where such daily transfers would not be administratively practical or feasible, provided: the Treasurer has received a written request from the department, the department certifies that the money is held with proper safekeeping, and the department carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the Treasurer shall state the frequency with which deposits are required, as long as no exception exceeds a time period greater than one deposit per week.

6.4.2 Exceptions will be granted solely to departments not located in City Hall

- a. Small deposits - Departments will be allowed to hold deposits as long as they total less than five hundred dollars (\$500) and the earliest item received has been in possession of the department for no more than five (5) working days. A deposit should be made on the day that total reaches five hundred dollars (\$500). A deposit should always be made no later than the fifth day after the first item was received.
- b. Deposits delayed due to illness, other unanticipated absence or work load peaks - These should be processed as promptly as possible. This situation should be brought to the Department Head's attention so additional resources can be applied. In no case should the five (5) working day rule be violated. Departments should consider a departmental policy on how they would handle these extenuating circumstances.
- c. Outlying areas - On days that courier services are unavailable, deposits over five hundred dollars (\$500) must be deposited within two (2) working days. However, departments will make every effort to make deposits in accordance with the twenty-four (24) hour deposit guideline.

6.4.3 Any deposits not promptly made will have proper safekeeping as follows:

- a. will have all checks restrictively endorsed,
- b. will be kept in a locked secure location,
- c. will be recorded on a transfer of custody log.

6.5 Reporting of Losses

6.5.1 In the event of a suspected loss of public funds, it is important that proper procedures be followed in order to minimize the loss, assist investigations, prevent improper settlements, expedite bond claims and protect employees from false accusations.

- a. Any person, who discovers a loss or theft of City money, shall immediately notify their Department Supervisor, who shall immediately notify the Department Head. The initial verbal report shall be followed by a formal written report within twenty-four hours.
- b. Any time the suspected loss is over \$100, the Department Head should notify the Chief Financial Officer and the City Treasurer immediately, followed by a formal written report within twenty-four hours to the Chief Financial Officer, the City Treasurer, and the City's auditor. However, a policy of reporting lesser amounts may be established by Department Heads.
- c. The City's auditor should be consulted, who reports the suspected loss to the State Auditor's Regional Audit Manager, if appropriate. State agencies and local governments are required to notify the State Auditor's Office when fraud is suspected or detected. (RCW 43.09.185)
- d. The City's auditor should also file a report with the Police Department and/or the Prosecuting Attorney.
- e. DO NOT attempt to correct the loss. Report it as previously stated.
- f. DO NOT make a restitution agreement with the suspect.
- g. DO NOT destroy any pertinent records. All original records should be secured in a safe place such as the Accounting Department vault. In the case of a loss in the Accounting Department, contact the Chief Financial Officer, the City Treasurer, or the City's auditor until the office of the State Auditor completes the investigation.

7.0 RESPONSIBILITIES

- 7.1 The Chief Financial Officer is responsible for establishing and maintaining sound fiscal management practices throughout the City, including the handling of City cash and appropriate training.
- 7.2 The individual department has primary responsibility for the care and liability for the loss of City cash in its custody until the cash is deposited in the treasury or authorized agents or banks, deposited in an after-hours drop box of the City's financial institution, or delivered to a City contracted armored courier service making collection for the City.
- 7.3 Treasury Services of the Division of Finance, Treasury and Administration shall assist departments in complying with this policy.

8.0 APPENDICES

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Dec 17, 2021

Date

COS ADMIN Policy and Procedures - Cash DRAFT 10.8.21

Final Audit Report

2021-12-17

Created:	2021-12-17
By:	Jillann Hansen (jehansen@spokanecity.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAADNnPGUrO-hC-zNoctHYZEZ5HlojvdMmZ

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