

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

# Compliance Audit Countywide Cash Handling Policy and Controls

For the Period: July 1, 2023 to April 15, 2024

Engagement No: 4007  
Report Date: June 26, 2024



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### Engagement No. 4007

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## Executive Summary

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As a part of the 2023/2024 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's (ACTTC) Office conducted an audit of Sonoma County's (County) Departments cash handling process, risks and controls over cash collections and deposits of cash.

The two objectives of the audit were to determine whether:

- 1) County department cash handling procedures submitted to the ACTTC General Accounting division are in compliance with section 1 (Documentation of Cash Handling Procedures) of the ACTTC Cash Handling Policy (Fiscal Policy C-6) (Countywide Cash Handling Policy).
- 2) Controls are operating effectively over physical custody of cash and checks. Specifically, whether segregation of duties, collections and deposits are in compliance with the Countywide Cash Handling Policy for the selected departments (Regional Parks, Animal Services and Probation).

Our report provides two findings in the County's cash collections and deposits processes. In accordance with our established procedures, we are bringing to management's attention our observations and applicable recommendations. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the findings and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

### Summary of Findings and Recommendations:

**Findings #1a-1d: The majority of cash handling procedures submitted to the ACTTC by departments are not fully in compliance with the Countywide Cash Handling Policy. Although department cash handling procedures are being collected by the General Accounting division, they are not reviewed for compliance with the Countywide Cash Handling Policy. (Risk Classification: C – Control Finding)**

Approximately 70% of department cash handling procedures submitted to the ACTTC have not been updated within the last five years. The Countywide Cash Handling policy has not been updated since 2017. Several department's cash handling procedures do not address important recommended guidelines of the Countywide Cash Handling Policy, additional details are provided on pages 6-7 of the audit report.

ACTTC management should perform outreach to departments with identified compliance gaps and request that those departments make the necessary updates to their cash handling procedures in order to bring them into compliance with the Countywide Cash Handling Policy and reflect current internal controls in place. The Countywide Cash Handling policy should be periodically reviewed and updated if necessary. ACTTC management should develop procedures and assign staff to review departments' cash handling procedures for compliance with the Countywide Cash Handling Policy.

**Findings #2a-2g: Some controls are not operating effectively over physical custody of cash and checks, for departments selected for review. Opportunities exist to strengthen internal controls over segregation of duties, collections, and deposits. (Risk Classification: C – Control Finding)**

- Safe combinations have not been changed for long periods of time. Safes holding cash and checks are opened by one employee instead of two employees.
- At some of the cash collection locations, multiple cashiers are sharing one cash drawer instead of each cashier using a separate cash drawer.

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## Executive Summary

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- At one cash collection location, cashiers are sharing one login credential for processing transactions in the cash register system instead of each cashier using separate unique login credentials.
- At one cash collection location, previously collected cash is brought out of the safe and used to make change throughout the day instead of keeping it secure in the safe during the day.
- Some cash collection locations do not require supervisors to observe and verify each cashier's cash count at the end of the day. Alternatively, they rely on weekly cash verifications performed by the accounting divisions of the departments.
- Some departments deposit cash once or twice a week instead of daily deposits, as recommended by the Countywide Cash Handling Policy. In instances where it is not practical to deposit cash within a one-day time frame as required, a policy exception may be requested by departments and approved by the Assistant ACTTC or Treasury Manager. However, no such policy exception could be found for the selected departments.
- One department performs end of day cash counts and balancing procedures during business hours, in an area that is visible/accessible to the public, instead of in a non-public location or behind protected areas.

We made several recommendations related to strengthening internal controls over safe combinations, segregation of duties, system access, securing unused cash, supervisory review, cash deposits and counting cash (see details of the findings, observations, recommendations and management responses on pages 6-11).

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## Introduction and Background

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### Introduction

The Internal Audit Division completed an audit of the County's Cash Handling process for the period July 1, 2023, to April 15, 2024. We reviewed County departments' cash handling procedures, compliance with Countywide Cash Handling Policy and controls over cash collections and deposits. We designed this internal audit to identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, findings and recommendations contained in our report.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

The Internal Audit Division as well as the Assistant Auditor-Controller-Treasurer-Tax Collector, who is responsible for the General Accounting division and the Countywide Cash Handling policy covered by this audit, report to the elected ACTTC. Except for conducting this review, the Internal Audit Division has no other responsibilities or involvement in the General Accounting division or the Countywide Cash Handling policy.

### Background

The Sonoma County Auditor-Controller-Treasurer-Tax Collector (ACTTC) has governance and oversight responsibility for the County's cash and cash handling practices. This responsibility includes the design of controls to help ensure that cash is adequately managed, secured, deposited, and reconciled. Since the County's cash receipting activities are decentralized, the ACTTC has developed several mechanisms to help ensure that money received by County departments is handled and processed consistently and appropriately. These mechanisms include, but are not limited to, developing and implementing a Countywide Cash Handling Policy, a review of written cash handling procedures submitted by County departments, maintaining a record of all outside bank accounts, and reviewing and approving requests for exceptions from the Countywide Cash Handling policy.

California Government Code Section 26881 states, "... the auditor-controller shall prescribe, and shall exercise a general supervision, including the ability to review departmental and countywide internal controls...."

The Countywide Cash Handling Policy defines cash as coin, currency, checks, wire transfers, electronic fund transfers, automatic bill pay systems, debit and credit card receipts, and lock box deposits. Although most transactions can be handled electronically, the County does conduct certain transactions with actual cash and checks. For purposes of this audit cash represents coins, currency, and checks. This audit focused on the handling of physical cash that departments receive from customers, as well as the change funds that departments use. To minimize the risk of the theft and fraud associated with cash handling, it is essential that the County have appropriate controls in place.

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## Objectives, Scope & Methodology

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### Objectives

The objectives of the audit were to determine whether:

- 1) County department cash handling procedures submitted to the ACTTC General Accounting division are in compliance with section 1 (Documentation of Cash Handling Procedures) of the ACTTC Cash Handling Policy (Fiscal Policy C-6) (Countywide Cash Handling Policy).
- 2) Controls are operating effectively over physical custody of cash and checks. Specifically, whether segregation of duties, collections and deposits are in compliance with the Countywide Cash Handling Policy for the selected departments (Regional Parks, Animal Services and Probation).

### Scope

The audit covers the period July 1, 2023 through April 15, 2024 and includes a review of departments' cash handling policies and procedures with annual certification, department compliance with policies over cash collections (collection and initial storage of cash and checks) and cash deposits for selected departments.

### Methodology

To address our audit objectives, the Internal Audit Division conducted the following activities:

- Reviewed County department written cash handling policies and procedures and certifications for compliance with the Countywide Cash Handling Policy, including fourteen (14) recommended guidelines.
- Reviewed department cash handling procedures to determine whether they had been updated within the last five (5) years.
- Interviewed department personnel regarding the procedures for collecting and handling cash.
- Observed cash handling processes at selected departments.
- Evaluated the design of cash handling controls.
- Identified key risk areas to cash collection and deposit activities for selected departments.
- Performed walkthroughs of the cash handling procedures at selected departments.

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## Results

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### **Objective 1 Results:**

Departments submitted signed certifications to the ACTTC which state that they comply with the Countywide Cash Handling Policy, however most cash handling procedures submitted to the ACTTC by departments are not fully in compliance with the ACTTC's Countywide Cash Handling Policy. Approximately 70% of department cash handling procedures on file with the General Accounting division have not been updated within the last five years. Additional details are in the Findings, Recommendations and Management Responses section of the report on page 6.

### **Objective 2 Results:**

Some controls are not operating effectively over physical custody of cash and checks, for departments selected for review. For all cash collection locations reviewed, supervisors were not aware of the Countywide Cash Handling policy. Internal Control gaps were observed in the areas of cash tracking, depositing of cash, segregation of duties, and security. Additional details are in the Findings, Recommendations and Management Responses section of the report on page 8.

Without addressing compliance and internal control gaps noted in this report, there is an increased risk that cash handling errors and or misappropriation of cash will go undetected and or uncorrected. In the event of a loss, it would be difficult to establish responsibility. There is an increased risk of theft of cash and potentially unsafe conditions for the employee(s) assigned to transfer deposits to the Treasury.



## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
1a	<p><b>Countywide Cash Handling Policy Section II Policy:</b> It is the responsibility of County departments, agencies, and districts to have effective internal controls in places to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances and record the correct amount of cash collected in the County’s Enterprise Financial System (EFS). 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.</p>	<p><b>Risk Classification: C – Control Finding:</b> Procedures for seventeen (17) departments were outdated (from over 5 years to over 25 years old) and do not reflect current internal controls and cash handling processes.</p> <p><b>Recommendation:</b> ACTTC management should request that the 17 departments with outdated procedures submit updated cash handling procedures which reflect current internal controls over cash handling.</p>	<p>We agree and will request updated procedures from the 17 departments with potentially outdated cash handling procedures.</p>
1b	<p><b>Countywide Cash Handling Policy and Attachment A: Cash Handling Guidelines Section I. Documentation of Cash Handling Procedures:</b> Documentation of cash handling procedures should include the following, as applicable:</p> <ul style="list-style-type: none"> <li>•Description of the sources of cash received</li> <li>•Reconciliation of deposits</li> <li>•Reconciliation of outside bank accounts</li> <li>•Procedures for researching unidentified payments received and checks returned from banks</li> <li>•Accounting procedures for recording collections and deposits</li> <li>•Analytical review requirements (completed by staff not handling cash) to monitor daily cash balances and trends or variances</li> <li>•Segregation of duties</li> <li>•Security and fraud controls</li> <li>•Emergency preparedness</li> <li>•Inventory control over receipt books</li> <li>•Staff training</li> </ul>	<p><b>Risk Classification: C – Control Finding:</b> The following documentation is missing from department cash handling procedures:</p> <ul style="list-style-type: none"> <li>•Sources of cash received - eight (8) departments.</li> <li>•Reconciliation of deposits - two (2) departments.</li> <li>•Reconciliation of outside bank accounts - eight (8) departments.</li> <li>•Procedures for researching unidentified payments received and checks returned from banks - Ten (10) departments.</li> <li>•Analytical reviews (completed by staff not handling cash) to monitor daily cash balances and trends or variances - Nineteen (19) departments.</li> <li>•Segregation of duties - two (2) departments.</li> <li>•Security and fraud controls - sixteen (16) departments.</li> </ul>	<p>We agree and will request departments update their cash handling procedures to include the missing information.</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
	<ul style="list-style-type: none"> <li>List of names and titles of all individuals involved in the cash handling process.</li> </ul>	<ul style="list-style-type: none"> <li>Emergency preparedness - Eighteen (18) departments.</li> <li>Inventory control over receipt books – ten (10) departments.</li> <li>Staff training - thirteen (13) departments.</li> <li>List of names and titles of all individuals involved in the cash handling process - seven (7) departments.</li> </ul> <p><b>Recommendation:</b> ACTTC management should perform outreach to departments and request that departments include the missing documentation (if applicable) in their cash handling procedures.</p>	
1c	<p><b>Countywide Cash Handling Policy Section III. Responsibilities:</b> It is the responsibility of the ACTTC’s Office to review written cash handling procedures submitted by County departments, agencies and districts for compliance with the County’s cash handling policy.</p>	<p><b>Risk Classification: C – Control Finding:</b> Department cash handling procedures are being collected by the ACTTC General Accounting division, however there are no processes in place and no staff are assigned the responsibility for reviewing department procedures for compliance with the Countywide Cash Handling Policy.</p> <p><b>Recommendation:</b> ACTTC management should develop processes and assign staff to review departments’ cash handling procedures for compliance with the Countywide Cash Handling Policy.</p>	<p>We agree and will develop a process to review new/updated department cash handling procedures for compliance with the Countywide Cash Handling Policy.</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
1d	Policies should be periodically reviewed and updated.	<p><b>Risk Classification: C – Control Finding :</b> The Countywide Cash Handling Policy has not been updated since 2017.</p> <p><b>Recommendation:</b> ACTTC management should periodically review the Countywide Cash Handling Policy and update it as necessary. ACTTC management should consider increasing the \$500 threshold related to the next business day cash deposit requirement in section II of the Countywide Cash Handling policy.</p>	We agree and will periodically review the Countywide Cash Handling Policy, this will include looking at the next business day threshold and make any necessary updates.
2a	<p><b>Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section VIII. Segregation of Duties Controls:</b> Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination). At least two staff should be present to open a safe.</p>	<p><b>Risk Classification: C – Control Finding:</b> Safe combinations have not been changed for extended periods of time. Generally, one person is present when opening a safe. Safes do not have the capability for dual combinations/keys requiring two people to open a safe.</p> <p><b>Recommendation:</b> Probation, Regional Parks, and DHS (Animal Services) department management should obtain the appropriate number of business safes capable of requiring two combinations to gain entry into the safe and periodic changes to the combinations.</p>	<p><b>Probation Management Response:</b> The Probation Department’s Adult Division at the Hall of Justice procured a dual lock safe (requiring both keys simultaneously) with depository. Probation staff will begin using this new safe effective August 5, 2024.</p> <p><b>Regional Parks Management Response:</b> Regional Parks agrees with the finding regarding security of the safes discussed in this report. In response to the report, the safe combinations have been changed. Going forward safe combinations will be changed at least annually or when an employee with access to a safe, transfers or terminates employment (whichever comes first). By the end of 2024, Regional Parks Administration, including the Front Office, should be moved into a new facility. As part of this move, management intends to explore purchasing dual lock safes. This change in</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
			<p>process will require further review of our staffing who work various shifts and may impact the ability to provide the dual access that is required with a dual combination lock. Due to limited staff availability requiring two staff to open a same may not be a process we can implement.</p> <p><b><u>Animal Services Management Response:</u></b> Purchasing a new safe that allows for two separate combinations would be costly and is not currently in Animal Services' budget. Going forward two customer service staff (account clerk IIs) will be present to open and close the safe. The Animal Services Director or his designee will change the combination monthly, and/or when a customer service staff person leaves the agency, whichever comes first.</p>
2b	<p><b>Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section II. Cash Tracking Procedures:</b> Implement a cash management system that allows each cashier to have a segregated cash drawer and are independently responsible for any cash shortages and overages. Cash registers should allow individual users to input a unique log-in code when conducting a transaction to assist in tracking shortages/overages, so discrepancies can be resolved.</p>	<p><b>Risk Classification: C – Control Finding:</b> At some of the cash collection locations multiple cashiers are using one cash drawer instead of each cashier using a separate cash drawer. At one cash collection location multiple cashiers are using the same log-in code when conducting a transaction at the front cash register system, instead of each cashier using their own unique log-in credentials.</p> <p><b>Recommendation:</b> Regional Parks and DHS (Animal Services) department</p>	<p><b><u>Regional Parks Management Response:</u></b> Regional Parks agrees with finding. Currently both the Itinio POS and Full-Service Marina POS systems have ability for users to have a unique log-in code. Both the Front Office supervisor and the Marina manager will have all employees sign in and sign out when utilizing the cash drawer. Due to space and staffing, we are unable to have multiple stations or cash drawers in use. Further analysis will be conducted on this recommendation upon Regional Parks Administration move.</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
		<p>management should obtain or utilize an existing system that allows each cashier to have a separate cash drawer. If a system or cash register is used to collect cash by more than one individual, it should allow individual users to input a unique log-in code when conducting a transaction.</p>	<p><b><u>Animal Services Management Response:</u></b> An additional amount of petty cash has been requested from Department of Health Services fiscal team and leadership. This way, each customer service staff member would have sufficient change for their own bag.</p>
2c	<p><b>Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section IX. Security Controls:</b> Unused cash drawers must remain in the vault/secure storage during the day.</p>	<p><b>Risk Classification: C – Control Finding:</b> Instead of keeping cash from previous days collections secured in a locked safe, one collection location is using previously collected cash to make change in addition to using the existing \$200 change fund.</p> <p><b>Recommendation:</b> Animal Services (DHS) management should review change fund needs and establish the appropriate number of change funds and dollar value based on business need. Cash collected from previous days should be secured in a safe until transported for deposit.</p>	<p>Going forward cash collected from previous days is secured in a safe during business operations until transported for deposit. Management is currently reviewing change fund needs and the appropriate number of change funds based on business needs.</p>
2d	<p><b>Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section VIII. Segregation of Duties Controls:</b> Supervisors should observe and verify each cashier’s cash count for end-of-day balancing.</p>	<p><b>Risk Classification: C – Control Finding:</b> At two cash collection locations a supervisor is not verifying each cashier’s cash count for end-of-day balancing. In both instances cash is collected daily and verified/reconciled weekly by the accounting division. In both instances supervisors are relying on the accounting division’s weekly verification of cash collections.</p> <p><b>Recommendation:</b> Probation and Regional Parks department management</p>	<p><b><u>Probation Management Response:</u></b> The Probation Department’s Adult Division at the Hall of Justice will implement a new procedure wherein a supervisor will observe and verify each cashier’s cash count for end-of-day balancing. This procedure will begin August 12, 2024.</p> <p><b><u>Regional Parks Management Response:</u></b> Regional Parks agrees with finding. When feasible due to staffing, the Marina</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
		<p>should update cash handling procedures and ensure supervisors verify each cashier's cash count for end-of-day balancing.</p>	<p>Supervisor or Sr. Marina Attendant will verify and initial the daily Marina deposit for the end-of-day balance. For the front office, again based on scheduling, either the Front Office supervisor or a second account clerk would be responsible for verifying and initially the daily deposit.</p>
2e	<p><b>Countywide Cash Handling Policy Section II. Policy:</b> All cash collected or received by County departments shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received except for Trust Fund monies, which according to law, should be deposited on the date received. If it is not practical 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. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit cash within the one-day time frame required, a policy exception should be requested and approved by the ACTTC Treasury Manager.</p>	<p><b>Risk Classification: C – Control Finding:</b> Departments reviewed deposit cash once or twice a week. The Probation Department reached out to ACTTC Treasury management during the audit and received approval for a policy exception in April 2024.</p> <p><b>Recommendation:</b> Regional Parks and DHS departments should deposit cash/checks, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, unless an exception is approved by the Treasury Manager or the Assistant ACTTC.</p>	<p><b>Regional Parks Management Response:</b> Regional Parks agrees with the finding. We will begin daily deposits or seek a Policy exception in other circumstances.</p> <p><b>Animal Services Management Response:</b> Animal Services will request a policy exception from the ACTTC Treasury Manager for Animal Services deposits.</p>
2f	<p><b>Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section IX. Security Controls:</b> Avoid counting cash in public view, cover windows or move to a non-public location.</p>	<p><b>Risk Classification: C – Control Finding:</b> Cash at one collection location is counted during business hours in public view. This collection location does not have protective shields or</p>	<p>Regional Parks agrees with the finding. For both cash collection locations, cash will now be counted out of public site. We have identified an adjacent secured area in both locations where cash can be counted or</p>

## Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
		<p>a segregated area to count cash.</p> <p><b>Recommendation:</b> Regional Parks department management should identify a non-public area for employees to count cash and consider installing protective shields/barrios in locations that collect cash.</p>	<p>will count cash after public hours have concluded and the doors are secured.</p>

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## Appendix A

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For purposes of reporting our audit findings and recommendations, we classify audit report items into four distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**  
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- **Risk Classification B: Significant Control Weakness:**  
Audit findings or a combination of Control Weaknesses that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.
- **Risk Classification C: Control Weakness:**  
Audit findings concerning internal controls, or compliance issues that require management's corrective action to implement or enhance processes and internal controls. Control Weaknesses are expected to be addressed within our follow-up process.
- **Risk Classification D: Opportunity for Improvement:**  
Audit findings concerning opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes. Opportunities for improvement are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.





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# FISCAL POLICY MANUAL

**POLICY C-6:** Cash Handling Policy  
**APPROVED:** Auditor-Controller-Treasurer-Tax Collector (ACTTC)  
**AUTHORITY:** Auditor-Controller-Treasurer-Tax Collector  
**ISSUE/REVISED DATE:** June 30, 2017

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## I. PURPOSE

The purpose of this policy is to establish minimum procedural and documentation requirements related to cash handling for County departments, agencies and districts under the Board of Supervisors, as well as other entities for which the Auditor-Controller-Treasurer-Tax Collector functions as the entity Treasurer. This policy outlines minimum requirements and is not meant to be a detailed procedural guide. Attachment A in this document is included to provide departments, agencies, and districts with guidelines for establishing and documenting cash handling procedures.

For purposes of this policy, cash is defined as coin, currency, checks, wire transfers, electronic fund transfers, automatic bill pay systems, debit and credit card receipts, and lock box deposits.

## 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, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Enterprise Financial System (EFS). 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 ACTTC General Accounting Manager on an annual basis. ACTTC will facilitate this process with an annual certification.

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, except for Trust Fund monies, which according to law, should be deposited on the date received. If it is not practical 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. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit cash within the one day time frame required, a policy exception should be requested and approved by the ACTTC Treasury Manager.

Reconciliations of cash transactions in authorized outside bank accounts must be performed at least monthly, this activity must be recorded in EFS. EFS must be updated monthly with a journal entry that includes the gross (do not net) impact to all applicable accounts and updates the balance in

account 10200 – Cash with Fiscal Agent. The June 30 reconciliation and supporting bank statement must be submitted to the ACTTC General Accounting Manager by August 1.

All individuals involved in cash handling are required to be adequately trained.

In order to comply with the County's Cash Handling Policy, as applicable departments, agencies, and districts must also be in compliance with the following fiscal policies issued by the Auditor-Controller-Treasurer-Tax Collector:

- C-1 – Petty Cash
- C-2 – Handwritten Receipts
- C-4 – Establishment of Outside Bank Accounts
- C-5 – Bank Account Overdraft

[http://www.sonoma-county.org/auditor/fiscal\\_policy.htm](http://www.sonoma-county.org/auditor/fiscal_policy.htm)

### **III. RESPONSIBILITIES**

It is the responsibility of County department, agency and district management to:

- Implement effective procedures and internal controls to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Enterprise Financial System
- Maintain written documentation of cash handling procedures
- Submit documentation of cash handling procedures to the ACTTC on an annual basis
- Ensure that EFS is updated for activity in outside bank accounts at least monthly
- Ensure all outside bank accounts are reconciled at least monthly
- Submit June 30 bank reconciliations and supporting bank statements to the ACTTC by August 1
- Ensure all individuals involved in cash handling are adequately trained

It is the responsibility of the ACTTC's office to:

- Review written cash handling procedures submitted by County departments, agencies and districts for compliance with the County's cash handling policy
- Maintain a record of all outside bank accounts along with the justification for each outside account
- Review June 30 bank reconciliations for all outside bank accounts and agree reconciled balances to EFS
- Review and approve requests for exceptions from the one-day deposit policy and maintain a log of approved requests

## **CASH HANDLING GUIDELINES FOR COUNTY DEPARTMENTS, AGENCIES, AND DISTRICTS**

It is the responsibility of County departments, agencies and districts to have effective controls in place to accurately collect and safeguard cash, properly and timely deposit all cash, monitor cash balances, and record the correct amount of cash collected in the County's Enterprise Financial System. These guidelines provide a framework for cash handling, including suggested procedures and major control points, and may not apply to all County departments, agencies and districts. County departments, agencies and districts must implement appropriate cash handling procedures based on their individual operations and requirements to ensure that proper internal controls are established to safeguard cash.

Contact the ACTTC Internal Audit Division at [ACTTC-Audit@sonoma-county.org](mailto:ACTTC-Audit@sonoma-county.org) or 707-565-8300 with questions regarding appropriate cash handling procedures.

### **I. DOCUMENTATION OF CASH HANDLING PROCEDURES**

Documentation of cash handling procedures should include the following, as applicable:

- Description of the sources of cash received
- Description of all outside bank accounts and investments held with trustees
- Cash receipts processes describing the methods of receiving customer payments and how customer deposits are processed:
  - Cash, checks, debit and credit card payments
  - Wire transfers
  - Payments by mail
  - Online and ACH payments through third party electronic billing system, or Automatic Bill Pay, etc.
  - Cash and checks received directly by Accounting
  - Lock box deposits
- Reconciliation of deposits
- Reconciliation of outside bank accounts
- Procedures for researching unidentified payments received and checks returned from bank
- Accounting procedures for recording collections and deposits
- Analytical review – completed by staff not handling cash to monitor daily cash balances and trends or variances
- Segregation of duties
- Security and fraud controls
- Emergency preparedness
- Inventory control over receipt books

- Staff training
- List of names and titles of all individuals involved in the cash handling process:
  - Collecting cash
  - Recording cash receipts
  - Depositing cash
  - Reconciling cash
  - With access to safes, vaults, etc.
  - Preparing accounting entries for financial system
  - Managing revolving funds

## **II. CASH TRACKING PROCEDURES**

- Perform and document beginning counts of the cash placed in each drawer
- Require employees to log out of the POS (Point of Sale) system when not in use
- Implement a cash management system that allows each cashier to have a segregated cash drawer and are independently responsible for any cash shortages and overages
- Cash registers should allow individual users to input a unique log-in code when conducting a transaction to assist in tracking shortages/overages, so discrepancies can be resolved

## **III. PAYMENT COLLECTIONS AND DEPOSITING OF CASH**

- Establish procedures where supervisors routinely collect revenue from the cash collection point, which will increase the location's ability to protect its cash collections, especially during busy times
- Require deposits of cash with the Treasurer or authorized outside bank account no later than the next business day after its receipt
- If your department's operations cannot meet the one-day requirement, please contact ACTTC and document any agreed upon alternative depositing schedule in your cash handling procedures

## **IV. CASH RECEIPTS BOOKS AND CASH REGISTER RECEIPTS**

- Ensure copies of the sequentially numbered receipts are compared to cash collected
- Implement procedures related to customer receipt issuance at the location to systematically account for sales transactions, may include the following:
  - Install a cash register that generates sequenced receipts that contain transaction amount, date, time, quantity, and description
  - Place a sign at each transaction location that receipts are required to be provided to customers

- Maintain copies of issued receipts generated for accounting, balancing, verification, and auditing purposes
- Establish and monitor a record retention policy for all cash receipts documentation

## **V. CONTROLS OVER CREDIT CARDS**

- Ensure customers always sign the merchant's copy of the credit card receipt
- Ensure customer credit cards are returned promptly upon completion of transactions
- Staff should not take possession of a customer's credit card at any time

## **VI. RECONCILE COLLECTIONS DAILY**

- Ensure that cash, checks, and credit/debit card collections on cashier's balance sheet match the cashier's recap at the end of the day, document and resolve any discrepancies
- Supervisors should review and approve any adjustments to financial reports and verify adjustments are appropriate and discrepancies are clearly documented
- Cash reports should be forwarded to staff responsible for daily reconciliations:
  - Cashier Workstation Summary
  - Cashier Recap
  - Deposit Summary
  - Cash Summary
  - Check Summary
  - Credit Card Summary
  - Credit Card Detail
  - Phone Payments
  - Electronic Payments

## **VII. TRAIN CASH HANDLING STAFF**

- Employees with cash handling responsibilities must be adequately trained
- Ensure employees understand segregation of duties
- Implement a detailed annual training program of cash handling procedures
- Ensure back-up staff has the ability to perform cash-handling responsibilities
- Keep a record of all training provided
- Train staff involved in collections to increase awareness and proper handling of contaminated, destroyed, and counterfeit money
- Consider the purchase of a money counter with counterfeit bill detection if large quantities or sums of cash are collected

## VIII. SEGREGATION OF DUTIES CONTROLS

Enforce dual custody and segregation of duties for handling and managing cash by implementing the following procedures:

- Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination)
- At least two staff should be present to open a safe
- Supervisors should observe and verify each cashier's cash count for end-of-day balancing
- Deposits prepared for armored courier pickup must have cash counts verified by two employees
- Armored courier shipments must be verified by two employees
- Cash counts and acceptances must be signed for by the individuals present to verify cash balances are accurate
- Independent review of deposit reconciliations
- Prohibit employees responsible for collecting cash from also preparing bank deposits
- Establish policies to cover the absence of key employees
- Rotation of duties

## IX. SECURITY CONTROLS

- Analyze the security requirements for each cash collection point and implement security controls as appropriate:
  - Install security cameras to monitor areas where cash is collected and handled, provide security guards, and secure the safe, cash registers, and drawers
  - Restrict Cashier areas to Cashier personnel and authorized persons
  - Lock Cashier access doors at all times
  - Active cash drawers should be secured in a locked drawer at the cashier's window during business hours including lunches and breaks
  - Cash drawer keys should remain in the sole custody of the cashier, and never be given to anyone or left in the drawer when the cashier is away from the window
  - Cashier and safe keys are kept in a secure location during non-business hours
  - Unused cash drawers must remain in the vault/secure storage during the day
- Avoid counting cash in public view, cover windows or move to a non-public location
- When practical require cashiers to close stations and take excess cash to a more secure location whenever cash accumulates above a specified threshold
- Establish procedures for safely transporting cash around the County campus as appropriate:
  - Ensure that another employee or security officer accompanies an employee transporting large amounts of cash

- Implement controls needed to minimize risk to staff's safety and protect cash
- Cash should be transported in concealed bags or locked containers
- Enhance the Point of Sale (POS) systems to regularly prompt users to change their password consistent with County standards
- Emergency plan and procedures should be in place

## **X. FRAUD CONTROLS**

- Implement procedures to report and investigate suspected fraud or misappropriations
- Reference Sonoma County Administrative Policy Manual located on the County Administrator Office (CAO) intranet as follows:
  - 8-1 Investigations of Alleged Inappropriate Activities by Employees (Fraud/ Theft/ Misuse of County Property)

[http://sc-intranet/cao/admin\\_policy.htm](http://sc-intranet/cao/admin_policy.htm)

- Contact the ACTTC Internal Audit Division at [ACTTC-Audit@sonoma-county.org](mailto:ACTTC-Audit@sonoma-county.org) or 707-565-8300 for assistance whenever fraud is suspected.