



**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER
FINANCE DEPARTMENT POLICY & PROCEDURE**

SUBJECT **PATIENT TRUST ACCOUNT**

Policy No: **301.4**

Supersedes: **January, 1994**

Revision No.: **1**

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POLICY: A Patient Trust Account has been established at Rancho Los Amigos National Rehabilitation Center (RLANRC) to provide safekeeping for patient monies during inpatient stays at RLANRC .

For patients with balances in the Trust Account, small amounts of cash are made available for incidental purchases. Full remaining account balances are to be available to patients at time of discharge.

Part of the total Trust Account is to be maintained as cash-on-hand in the Cashier's Office, and the remainder maintained in a demand at the Bank of America.

Procedures for maintenance of the Patient Trust Account must comply to the County Fiscal Manual, Chapter 2 - Trust Funds.

(SEE ATTACHED)

REFERENCE: COUNTY FISCAL MANUAL, SECTION 2.1.0 THROUGH SECTION 2.5.3.

EFFECTIVE DATE: January 1, 1994

APPROVED BY:

Reviewed: April, 2003

Revised: August, 2006

Chapter 2- Trust Funds

2.1.0 Trust Funds

2.1.1 Definition of Trust Funds

Trust funds consist of monies received and held by the County as a trustee, custodian, or agent for other parties or jurisdictions. Government Code Section 24351 requires each officer of a county or judicial district to deposit with the County Treasurer all trust money coming into his/her possession. Trust funds are controlled and disbursed in conformance with the Government Code and the authority and purpose of the specific fund.

Disbursements from trust are initiated by completing a "Requisition for Trust Warrant" (see Section 2.2.0). Monies disbursed out of trust using the Requisition for Trust Warrant are normally to return funds to the rightful owner or to pay bills of a non-budgeted entity or jurisdiction for which the County is acting as trustee. County departments, courts, commissions, and special districts must follow the Auditor-Controller's General Claims Section, "Requisition for Trust Warrant" procedures when disbursing monies out of trust. Questions regarding the completion of the "Requisition for Trust Warrant" may be directed to the General Claims Section.

Examples of trust funds include:

- Municipal court fines and fees held in trust until earned and then distributed to the proper jurisdiction.
- Funds received from prisoners, hospital patients, etc., held for safekeeping until release.
- Funds collected and disbursed by the District Attorney and Probation Departments for court ordered settlements.
- Departmental revenue deposited temporarily into trust until transferred to revenue accounts.
- Unearned funds held in trust for various special purpose grant programs.

2.1.2 Objective of Internal Control over Trust Funds

As a trustee/agent of the trust funds, the County is required to maintain proper accounting, reporting, and security over all funds held in trust for individuals, private organizations, other governmental units, and/or other funds and to establish safeguards to ensure funds are used only as intended.

2.1.3 Internal Controls over Trust Funds

The following internal controls must be adhered to when establishing and maintaining trustfunds:

- The department must maintain historical data documenting the trust fund's purpose and authority.
- Restricted donations and funds received from outside agencies/third parties must be immediately deposited into a departmental trust account.
- Employee(s) authorized to sign and approve a "Requisition for Trust Warrant" (Requisition) to disburse monies out of trust must verify the validity of the Requisition by comparing it to supporting documentation.
- A "Requisition for Trust Warrant" is to be completed in duplicate. The duplicate should be maintained in a central file by the issuing department and used to support the validity of the payments.
- The original copy of the approved (signed) "Requisition for Trust Warrant" must be forwarded directly to the Auditor-Controller's General Claims Section for payment, and not be returned to the preparer after it has been approved.
- The approver must be authorized to sign Requisitions and have an original signature on file with the Auditor-Controller's General Claims Section. The Auditor-Controller should be notified immediately, in writing, when a signature authorization should be canceled. Signature authorization forms can be obtained from the Auditor-Controller Web site and must be printed on pastel blue paper. Forms printed in any other color will be rejected.
- The individual responsible for approving a trust Requisition must also verify that the monies withdrawn were, in fact, deposited to the trust account from which the funds are being withdrawn and that the resulting trust balance is correct.
- After the "Requisition for Trust Warrant" has been approved, an individual separate from the preparation and approval process must sign in the "Reviewed by" section to validate that supporting documentation has been reviewed by at least one additional individual.
- A person independent of the Requisition preparation function must verify the correctness of all payments from trust by comparing the Requisition to the "Paid Requisition Report" and vice versa. The "Paid Requisition Report" is generated by the Auditor-Controller's General Claims Section and distributed to the department whenever a requisition is processed. All payment discrepancies should immediately be reported to the Auditor-Controller's General Claims Section.

- The documentation supporting the Requisition must be cancelled or otherwise identified as "paid" to prevent reuse. Also, the date paid and/or warrant number should be recorded to facilitate as needed payment tracing.
- Blank "Requisitions for Trust Warrant" should be secured to restrict access to only authorized individuals.
- Signing a blank "Requisition for Trust Warrant" is prohibited.
- A "Requisition for Trust Warrant" must be made payable to an individual, group or company; not to "Cash" or "Bearer.". If the Requisition is to replenish a Revolving Cash Trust Fund (see Section 2.5.0), the warrant must be made payable to the Department Head or a designated departmental representative (e.g., Deputy Director) to negotiate the warrant.
- Records identifying the source and disposition of all trust monies must be maintained by a person with no cash handling responsibilities. These records should include receipts for trust monies received, supporting (cancelled) documentation for all disbursements made from trust, and monthly reconciliations (to CAPS, bank records, etc.) of trust fund activity (see Section 2.1.5).
- When the need for the trust fund (purpose for which the trust fund was established) no longer exists, the trust fund should be closed by reconciling the trust and dispositioning all fund balances. The chief fiscal officer should sign off on the trust reconciliation and prepare a letter requesting the Auditor-Controller's Accounting Division to close the trust fund.
- Trust warrants cannot be requisitioned from donation trust funds. These funds are available only after being journal vouchered into the department's operating budget.
- Transaction records should be retained for a minimum of five (5) years unless a longer retention period is required by an outside agency.
- Each trust account must be reconciled periodically (see Section 2.3.0) by staff independent of the trust requisition process. Documentation of trust account reconciliations must be retained by the department for audit purposes.

2.1.4 Unclaimed Funds

Pursuant to Government Code Section 50050, unrestricted and unclaimed funds that have been held for over three years may, after publication in a newspaper of general circulation and, if not claimed, be transferred to the County's General Fund. Under Government Code Sections 50050 through 50055, the County's Treasurer is responsible for transferring such monies to the General Fund.

If any department has unclaimed funds that have been on deposit for three or more years, and disposition of such monies do not fall under any other legal requirements

and appear to qualify under Government Code Sections 50050-50055, contact the Treasurer and Tax Collector's Internal Controls Group.

2.1.5 Establishment of Trust Funds

Departments must obtain approval to establish a new trust fund. Departments must submit a written request, signed by the Department Head/chief fiscal officer or designee to the Auditor-Controller's Accounting Division. The request must state the proposed purpose and use of the trust fund. All appropriate correspondence supporting the need to establish the trust fund (e.g., Board letters, etc.) should be attached to the request.

Specific authorization is required for a trust fund to be credited with interest earnings. This authorization may be in the form of a specific law, Board approval, or other legal requirement imposed by the funding source to pay interest. Sufficient documentation must accompany requests for interest-bearing trust funds.

Departments anticipating a trust fund to have a high volume of disbursements, which would be adversely affected by delays in processing such disbursements, may also consider requesting establishment of a revolving cash trust fund checking account to expedite the disbursements. (See Section 2.5.0)

2.1.6 Departmental Records

Trust fund cash balances reported on CAPS must be supported by detailed departmental records. Departments must maintain records that identify each subsidiary payee and a control total of the subsidiary payee(s). Each deposit and disbursement must be posted to the subsidiary and control record.

2.2.0 Trust Fund Deposits and Disbursements

2.2.1 Deposits

Trust monies collected must be promptly receipted for and deposited into the County Treasury and credited to the appropriate trust fund. If a collection account (see Cash Section 1.2.1) has been established for trust fund collections, monies deposited to the account should be swept and recorded in the appropriate CAPS trust fund. This process is coordinated with the Treasurer-Tax Collector.

2.2.2 Disbursements

Disbursements from trust funds are normally made to disburse funds to the rightful owner or to disburse funds of a non-budgeted entity or jurisdiction for which the County is acting as trustee/agent. ***Trust funds should never be used to circumvent the County's budgetary process (i.e., County expenditures should never be disbursed from trust funds).***

Disbursements out of trust are, ***except in unusual pre-approved instances***, made using a "Requisition for Trust Warrant". "Requisition for Trust Warrant" forms can be downloaded from the Auditor-Controller's Web site. The following procedures must be adhered to by County departments, courts, commissions, and special districts when completing and submitting a "Requisition for Trust Warrant" to the Auditor-Controller's General Claims Section for payment.

Note: If a department, court, commission, or special district has a special need and justification for making a disbursement by wire transfer, the disbursing entity must first contact the Auditor-Controller's General Claims Section for detailed procedures regarding the submission and approval process. The department, court, commission, or special district should not make any commitment to disburse funds by wire transfer until it has obtained the necessary prior approvals.

Warrant Requisition Process:

- Complete all information blocks on each requisition submitted for disbursement. The number of warrants requested on a single requisition must not exceed 150.
- If more than one page is required for a single requisition, type the additional information on a white "8 1/2" x "11" sheet of paper (supplemental page). Head all supplemental pages with location code, memo/requisition numbers, and the date as typed on the requisition. Type only on one side of the paper.
- Assemble each requisition packet with the original (blue copy) of the requisition form and the original copy of any supplemental pages of each requisition (each packet may contain only one requisition number).
- Affix required authorization signatures on each page and send the completed packets to:

Auditor-Controller, Disbursements Division
General Claims Section - Room 502
Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

- Retain the pink copy and a copy of each supplemental page of the requisition for departmental records.
- A "Paid Requisition Report" will be returned as the advice of payment.

Note: A location code must be entered on each requisition and all supplemental pages. This code is necessary to designate where the advice of payment document is to be forwarded upon payment. If a location code changes, the department must submit a "Location Code Change Form" to the Auditor-Controller's General Claims Section. Questions and requests for copies of Location Code Change Forms should be directed to the Auditor-Controller's General Claims Section, Trust Unit.

Warrants Requiring Special Handling:

If warrants are required to be processed outside the "normal" processing procedures, a special handling request must be made on the payment document (Requisition for Trust Warrant). Departments may use special handling requests to expedite payments and to distribute warrants rather than having warrants mailed out by the Auditor-Controller. Warrants prepared manually for the same day or next day pick-up and warrants that require special handling are placed at the General Claims Section's reception desk daily for distribution to departments' messengers or other staff members authorized to pick-up warrants.

The following are internal controls/procedures for warrants requiring special handling:

- Departments must notify the Auditor-Controller's General Claims Section that a warrant requires special handling by indicating the due date and delivery requirements on the payment document (i.e., Requisition for Trust Warrant, Memorandum of Special Warrant, etc.).
- Departments must notify General Claims Section two days in advance of the due date for all warrants requested for one million dollars or more.
- Departments must ensure that the person picking up and processing the warrant for mailing or delivery is a different person than the one involved in the preparation, approval and reconciliation processes. The warrants must not be returned to the preparer.
- Departments must ensure that the person picking up and processing the warrant for mailing or delivery does not have access to trust records.
- Departments should ensure that the person picking up the warrants has an appropriate ID and/or a letter of introduction, signed by the department's chief financial officer, attesting that the individual is authorized to pick up the warrants.

2.2.3 Replacement Warrants

An original warrant that is determined lost or missing and has not been cashed can be replaced within two years from the issue date. To request a replacement warrant, the department that requested the original warrant must send a written request, signed by an authorized signatory, to the Auditor-Controller's General Claims Section's Warrant Accounting Unit.

The Warrant Accounting Unit will prepare and mail an "Affidavit of Lost or Missing Warrant" to the payee on the warrant or to the department that requested the original warrant. Departments should send a "Replacement Warrant Requisition" to the Warrant Accounting Unit with the Affidavit of Lost or Missing Warrant to expedite the processing of a replacement warrant. Requests for Replacement Warrant Requisitions can be obtained from the Auditor-Controller's General Claims Section.

2.2.4 Trust Warrant Cancellations

At times, a department may need to cancel a trust warrant because it was inappropriately issued. If this happens, the requesting department must submit a written request signed by the Department Head to the Auditor-Controller's General Claims Section to cancel the warrant. The word "cancelled" must be written across the warrant.

Note: The original trust warrant must accompany the request for cancellation to the General Claims Section. If the original warrant is not available, (i.e., cannot be located) then the Department must contact the Auditor-Controller's General Claims Section for instructions.

2.2.5 1099 Reporting

The General Claims Section is responsible for issuing IRS mandated 1099-Miscellaneous Income (1099-Misc.) Forms when payments to non-County workers (e.g., consultants, independent contractors, etc.) exceed \$600 in a calendar year. Failure to issue, or issuing an incorrect 1099-Misc. Form may result in an IRS fine of \$50 for each occurrence. These fines are charged back to the department who failed to report, or reported the information incorrectly.

To ensure 1099 reportable payments are correctly captured in the General Claims Section's 1099 system, the following procedures apply.

- Requisition for Trust Warrants used to generate payments to consultants and independent contractors must include the payees' Social Security Number (SSN) or Tax Identification Number (TIN).
- A Payee's legal name (no nicknames) must be used to generate payments. For example, payments to Robert Smith may not be issued to Bobby Smith.
- When TINs are used, the payee name must agree with the name issued the TIN. For example if a consultant, Janet Brown obtained a TIN for her consulting practice and she wants the payment to be issued to her practice, Janet Brown Consulting, the TIN for her practice must be included on the Requisition for Trust Warrant.
- Abbreviations are not permitted for payments to corporation names. In the example, above, the payment must be issued to Janet Brown Consulting, not JB Consulting, J. Brown Consulting, etc.

If a department determines they failed to include, or incorrectly reported a SSN or TIN after a payment was generated, they must provide General Claims staff with the corrected information as soon as possible, but not later than December 31⁵¹ of the calendar year the payment was made. Questions regarding the reporting of payments should be directed to the Auditor-Controller's General Claims Section.

2.2.6 Special Warrant Writing System

The Auditor-Controller's Special Warrant Writing System was created to expedite the processing and disbursing of various Trust Fund and Special Warrant (Memorandums of Special Warrants) payments. The process is performed through data entry or the acceptance of automated files received from departments for input and final processing. (However, transactions of \$10 million or more can only be processed manually by the Auditor-Controller's General Claims Section.)

The Auditor-Controller uses the Special Warrant Writing System to process departmental payments from trust and special funds (e.g., Workers' Compensation, California Children's Services, Superior Court's Professional Appointee Court Expenditures, etc.). Some of the Special Warrant Writing System's benefits and enhanced processing capabilities include:

- The system's ability to accept disk files for input and processing.
- The creation of daily turnaround files on the mainframe system.
- The expedited processing and distribution of warrants to the client.
- The system's ability to provide the bank with reconciliation data, to report IRS 1099 data, and the interface of financial information into CAPS.
- The system's ability to check the availability of funds as reported in CAPS to ensure that the fund has sufficient cash to cover the requested payments prior to warrant issuance.
- The inclusion of warrant stubs with the warrants.

2.2.7 Internal Controls

In addition to the general internal controls discussed in Section 2.1.3, Departments must comply with all County trust and expenditure accounting policies and with specific trust and expenditure procedures provided by the General Claims Section.

2.3.1 Trust Fund Reconciliations

To ensure the integrity of trust fund activity, the following controls must be established.

- For each trust account, the department must maintain detailed (internal) subsidiary records and a control account. Monthly, the subsidiary records should be reconciled to the control account.
- The department's internal trust records must also be reconciled monthly to the CAPS "Trust/MAR Account Detail Report" (the MTA1 report is generated monthly

by the Auditor-Controller's Accounting Division), and the daily "Paid Requisition Report". The MTA1 provides General Claims a confirmation of checks issued and recorded against the Trust Account. Funds having low dollar amounts in trust (less than \$5,000) and low activity (less than five transactions per month) may be reconciled quarterly.

- The monthly trust fund reconciliation must be reviewed and approved by the department's chief fiscal officer or accounting officer. The review/approval should be documented with the approver's signature on the reconciliation.
- Trust fund reconciliations must identify all reconciling items that are outstanding (not resolved at the time of the reconciliation). All reconciling items must be followed up and resolved promptly. (See the sample Trust Fund Reconciliation in Section 2.3.2.)
- Trust monies held in bank accounts must be reconciled monthly. (If only a portion of trust monies is held in a bank account, it is important that the entire fund be reconciled, not just the bank account). All reconciling items must be investigated and resolved promptly.

2.3.1 Shortages in Trust Accounts

County officers and employees are responsible for receiving and paying out money in the capacity of a fund custodian. Shortages in accounts occur when the County, as an agent or a custodian of funds deposited into trust, disburses more money than deposited for the intended recipient, deposits trust funds into the wrong fund or incorrectly posts a transaction in CAPS. Shortages may also occur because of bank errors, voided or NSF checks, inappropriate bank charges, etc. Shortages should be identified during the trust account reconciliation.

County officers and employees acting in the capacity of a fund custodian may obtain relief for shortages in the associated trust account(s) *where there is no proof of fraud or gross negligence in connection with the shortage and where the loss is not covered by insurance.* Government Code Section 29390 provides that County officers and employees may be relieved from the liability by a resolution of the Board of Supervisors incorporating appropriate limitations and safeguards.

Following are the procedures for applying for relief from shortages in accounts:

- Requests for relief from shortages in account(s) are to be made by letter describing in detail the circumstances of each shortage, including the name and identification number of the shorted fund(s)/account(s). This letter must be prepared in duplicate and signed by the Department Head or Chief Deputy and forwarded to the Auditor-Controller.
- The Auditor-Controller's Audit Division will conduct an investigation to determine whether evidence of fraud or gross negligence exists and to determine whether the shortage is covered by insurance.

- If there is no evidence of fraud or gross negligence and the shortage is less than \$10,000, the Auditor-Controller's Accounting Division will initiate a transfer of funds reimbursing the trust fund and charging the department's Services and Supplies appropriation for the shortage. (In 1990, the Board of Supervisors delegated the authority to relieve shortages less than \$10,000 to the Auditor-Controller. Shortages of \$10,000 or more, where there is no evidence of fraud or gross negligence, require Board resolution to effect relief from the shortage.) A copy of the Journal Voucher affecting the transfer will be forwarded to the Department.

Should the Audit Division's review indicate possible fraud or gross negligence, shortages of any amount will immediately be referred to the District Attorney for further investigation.

Questions regarding shortages in accounts should be directed to the Auditor-Controller's Audit Division.

2.3.2 Sample Trust Fund Reconciliation

**Trust Fund Reconciliation
For the Period Ending June 30, 2001**

	CAPS	Departmental <u>Records</u>
BALANCE PER:	\$ 24,936.01	\$ 10,815.78
ADD:		
Deposits in Transit (not yet recorded on CAPS)		
6/28/01	330.00	
6/29/01	210.01	
6/30/01 _____	<u>89.00</u>	629.01
Shortage in accounts to be reimbursed (due to over-reimbursement- see Section 2.3.1)		
		146.00
Transposition error on Departmental Records		
		27.00
DEDUCT:		
Outstanding Trust Warrant Requisitions (not yet paid or recorded on CAPS)		
# 130	1,533.00	
# 131	7,500.00	
# 134	5,500.00	(14,533.00)
Duplicate posting on CAPS -to be reversed _____		
	(43.24)	_____
ADJUSTED FUND BALANCE	\$ 10,988.78	\$ 10,988.78

Prepared by _____ Date _____

Reviewed by _____ Date _____

2.4.1 Donations and Donation Trust Funds

Government Code Section 25355 permits the County to accept donations or other gifts for any public purpose. A Donation Trust Fund may be required to temporarily account for donations pending their use. All donation amounts are subject to County budgetary guidelines and policies, i.e., donations must be recorded as departmental revenues when earned and amounts expended from donated funds must be charged to departmental appropriations.

Departments receive donations that are either **restricted** (i.e., the donor prescribes the lawful uses and purposes under the terms of the gift, bequest, or devise) or **unrestricted** (i.e., the donation is unaccompanied by limit on use of property received or income thereof and normally spent in the fiscal year received). Restricted Donations received that are to be spent or used by the department over a period encompassing two or more fiscal years should be deposited to a Donations Trust Fund. Donations (restricted or unrestricted) received by departments that are to be spent or used in the same fiscal year are deposited to the department's operating budget (crediting the department's Miscellaneous Revenue).

2.4.2 Establishing and Monitoring Donation Trust Funds

A donations trust fund may be established to temporarily account for donated funds pending their appropriation in a departmental budget. A department may also opt to temporarily account for donated funds in its departmental trust account. The volume and dollar value of donations should be considered in determining whether to establish a separate trust fund for donations. If there is need to establish a donations trust fund, a letter should be sent to the Auditor-Controller's Accounting Division in accordance with Section 2.1.4.

Donation revenues and expenditures from donations should be included in departmental budgets. (If unanticipated donations are received during a fiscal year, a budget adjustment should be processed.) When donated funds are to be spent, an encumbrance must be established in the department's operating budget and purchases must be made in accordance with County expenditure guidelines.

Departments should use existing petty cash or revolving funds that are used for departmental operations when applicable. If a new revolving fund is needed to facilitate spending donated funds, a request to establish a Donations Revolving fund should be made in accordance with Section 2.5.2. ***Under no circumstances should purchases be made directly from a Donations Trust Fund or departmental trust account.***

When donated funds have been expended, cash should be transferred from trust to the General Fund (or other operating fund) and departmental revenues should be credited. Departments are responsible for complying with any restrictions imposed by the donor that the County has agreed to. For example, funds may be designated for specific departmental programs or the use of the donated funds may be restricted to spending only the interest earnings with the principal remaining intact.

2.4.2 Donation Reporting Requirements

Section 25355 of the Government Code allows County Boards of Supervisors the option of delegating to any County officer or employee the authority to accept or reject any gift, bequest or devise made to or in favor of the County, provided that such person files with the Board each quarter a report that describes the source and value of each gift. The Los Angeles County Board of Supervisors delegated to County Department Heads the authority to accept or reject any gift, bequest or devise made to, or in favor of the County, the value of which does not exceed \$10,000, and instructed Department Heads to acknowledge such gifts. Any donation that exceeds \$10,000 must be placed on the Board agenda for the Board's consideration and acceptance.

In addition, Board policy requires each department to file a quarterly report, with the Executive Officer-Clerk of the Board of Supervisors, listing all gifts received, regardless of the amount. The report must include:

- Name of donor (unless donor wishes to remain anonymous).
- Address of donor.
- A description of the gift, whether in cash or non-monetary gifts of value.
- Amount of cash donation or the fair market value of the non-monetary gift donated.

Also, at the conclusion of each fiscal year's operations, each department must file a "Statement of Donation Receipts and Expenditures" with the Auditor-Controller's Audit Division. The Statement must be filed within ninety days of the close of the fiscal year. It will be subject to audit for compliance with the terms of the gift, if any, and for accuracy.

2.4.3 Tax Deduction Guidelines for Gifts to Los Angeles County

Contributions or gifts to the County of Los Angeles or to any of its departments, such as the Departments of Health Services, Public Social Services, Children and Family Services, Parks and Recreation, Probation, Public Defender, etc., are tax deductible if they are for public purposes. Los Angeles County is a chartered county and, as defined by the California Government Code, Section 23000, is a political subdivision of the State of California. Subject to certain exceptions which are not applicable in this case, Section 17201 of the California Revenue and Taxation Code allows the same itemized deductions for California personal income tax purposes as are allowed under the Internal Revenue Code.

Sections 170(a) and 170(c) (1) of the Internal Revenue Code permit an itemized deduction for contributions and gifts to or for the use of a political subdivision of any state, if the contribution or gift is made for exclusively public purposes.

Los Angeles County's Federal Identification Number is 95-6000927, and its California Tax Identification Number is 800-9593.

2.4.4 Usage of Donated Funds

Unrestricted donations can be used for almost any purpose that directly benefits the receiving department's clients. However, unrestricted funds are never to be used for parties, awards, conferences or gifts for County employees. Such uses of donated funds are only allowable if the donor specifically designates (in writing, signed by the donor) that the funds are to be used for that specific purpose. Any time restricted donations are received, they can only be used for the purpose specified by the donor.

2.5.1 Revolving Cash Trust Funds

2.5.2 Definition

A revolving cash trust fund is an amount of cash requisitioned from trust and set aside (generally in a bank checking account) to expedite high volume refunds. Examples of Revolving Cash Trust Funds include the Hospitals' Patient Personal Belongings trust fund and the Court's Bail Refund trust account.

2.5.3 Establishment of a Revolving Cash Trust Fund

Government Code Section 24351 mandates that all trust monies be deposited with the County Treasurer. Therefore, the establishment or replenishment of a revolving cash trust fund can only be effected through the trust requisition process (see Section 2.2.2). ***Trust monies received are never to be deposited directly into a revolving cash trust fund.***

Prior to establishing a new revolving cash trust fund or changing the amount of an existing fund, Auditor-Controller approval must be obtained. A department must send a written request to the Auditor-Controller's Audit Division. The request must clearly state the purpose of the proposed fund, the amount of or changed amount of the fund, the name of the trust fund from which the revolving cash trust fund is to be withdrawn and the trust fund number. If the new or changed amount of the fund is approved, the Auditor-Controller Accounting Division will prepare a letter to the department authorizing preparation of a trust requisition and notifying the department of the CAPS account number to use on the trust requisition (i.e., to record the revolving cash trust fund asset on the County's accounting records).

When a revolving cash trust fund is established, it may be used to make cash refunds. However, in most cases, the amount of the revolving fund should be deposited into a checking account (see Section 1.2.2 for establishing a checking account).

2.5.4 Internal Controls

The following are internal controls over revolving cash trust funds:

- Revolving cash trust funds must not exceed the amount of the trust fund.
- Revolving cash trust funds must be used by the officer or department head for payments that are legally payable out of the deposits in the trust fund.
- Revolving cash trust funds must not be used to purchase or pay for departmental items or materials that require appropriations.
- Revolving cash trust funds must be maintained on an imprest basis and reimbursement must be supported by a record of payments.
- Revolving cash trust funds must be reconciled monthly by the fund custodian and reviewed/approved by an individual independent of the fund.
- The individual reviewing/approving the monthly reconciliation must sign and date the reconciliation sheet.
- If a revolving cash trust fund is established, department management must ensure compliance with internal controls over bank accounts and trust funds (Fiscal Manual Sections 1.2.3 and 2.1.3, respectively).