



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

SUBJECT	DEPOSITING CASH RECEIPTS	Policy No:	301.6
		Supersedes:	January 1, 1994
		Revision No:	2
		Page:	1 of 1

POLICY: The Finance Department is responsible for depositing all cash receipts in a proper and timely manner.

Cash receipts mean any cash, checks, or money orders received during the normal course of business.

The Cashier is to ensure that the deposits will be done according to Financial Practice #530.07 and the County Fiscal Manual, Chapter 1 - Cash (see attached County Fiscal Manual Cash).

Per Fiscal Manual 1.3.7.1, collections of \$500 or more should be deposited daily.

Collections of less than \$500 per day may, at the discretion of the department, be held and deposited when the total reaches \$500, provided that deposits are made at least weekly.

(SEE ATTACHED)

EFFECTIVE DATE: July 1, 1994

APPROVED BY:

Reviewed: October, 2004
Revised: August, 2006

Chapter 1 – Cash

1.1.1 CASH

1.1.2 Description of Cash

Cash includes the following:

- Coin and currency (paper money), and cash equivalents (bank drafts, credit card sales, money orders, government warrants, travelers' and cashiers' checks).
- Checks on hand (personal checks received over the counter, mail, etc.).
- Expendable cash funds - change funds, petty cash, revolving funds, cash aid funds, special purpose funds, etc.
- Other liquid assets such as postage (stamps), parking validation stamps and bus tokens.

1.1.3 Objectives of Internal Control over Cash

Cash is the most liquid of assets and as such can easily be converted, temporarily or permanently, to personal use. The highly liquid nature of cash requires that strict controls be established over all phases of cash handling operations to limit access to cash such that an individual cannot convert funds for personal use without immediate detection and to provide accurate cash balances for financial reporting and monitoring cash flow and liquidity.

1.1.4 Internal Controls over Cash

The following internal controls must be followed to maintain the integrity of cash operations.

- Employee duties within the cash functions must be separated to ensure that no one individual controls all key aspects (receiving, receipting, depositing, disbursing, reconciling and recording) of a cash transaction.
- Procedures and controls must be established to ensure that timely, accurate and complete records are maintained of all cash transactions.
- Cash; check signing machines; signature dies; and blank, partially prepared, mutilated and voided checks must be safeguarded from unauthorized use.

- The functions of receiving and receipting of cash should be centralized to the extent possible. This will limit cash handling functions to as few employees as possible and will centralize activity in the hands of specially designated cashiers.
- Funds in temporary accounts should be controlled centrally. When funds are deposited by branches in temporary bank (collection) accounts, transfers from these accounts should be made only by a department's central cashiering unit or by someone independent of deposit preparation and verification functions or via the Treasurer and Tax Collector's deposit consolidation service (i.e., Sweep Account). All accounts must have Treasurer-Tax Collector's Cash Management Section's approval prior to establishment.
- Other liquid assets (i.e., postage stamps, parking validation stamps and bus tokens) should be monitored centrally. Departments need to adopt policies to ensure accountability and restrict usage for County business only while, at the same time, meeting their program needs. For example, departments should maintain logs to control and document the use of postage stamps (bus tokens, parking validation stamps, etc.). Such logs should document the current inventory balance on hand of the asset (stamps, tokens, etc.), the date of usage, amounts issued and the name and signature of the user.

Unavoidable deviations from the above controls usually due to limited staffing in smaller units must be carefully scrutinized by management and compensating alternate checks and balances established to ensure the continuous integrity of the department's cash operations. The Auditor-Controller should be consulted if any such deviations from the above controls are made in units that receive large amounts of cash.

1.1.5 Safekeeping of Cash (safe controls)

The following internal controls must be followed to safeguard cash and other negotiable instruments from theft:

- Adequate physical security must be maintained at all times over locations where cash is stored and processed. Access to cashiering areas, including cash registers, cash drawers, and safes, must be restricted to as few authorized individuals as necessary.
- Cash and other negotiable instruments should be secured in a safe at a location preferably away from public view or access.
- Safes should be used to store cash and other negotiable instruments. Safes should be kept clear of personal belongings, artifacts, and other non-County valuables, etc.
- Safes should be inventoried every six months and purged of non-negotiable items, etc.

- Safe combinations should be restricted to key personnel and secured in a safe place. Combinations should never be kept under a blotter, phone or taped on the bottom of a drawer where they could be found by an unauthorized individual.
- Safe combinations should be changed when an individual who has knowledge of the safe combination leaves County service; when a security breach occurs, or any other reason that warrants a safe combination change. Annually, departments should review their safe combinations to ensure no events have occurred that would require a change in the combination.
- Employees entrusted with a safe combination should use the utmost care in safeguarding it. The safe combination should not be written behind pictures, under desk objects, or placed anywhere near the safe. The combination should be memorized and a written copy of the number secured by a supervisor.
- All collections should be kept in a locked safe overnight, during the lunch hour or any other period of absence when cash is not safeguarded.

1.2.0 BANK ACCOUNTS

Bank accounts are used by departments to facilitate the collection and deposit of revenues and other funds, to disburse County funds to purchase needed goods and services and to disburse monies previously collected and held in trust for another party (e.g., a patient in a County hospital). County bank accounts are either collection accounts (into which revenues, fees and other monies received are deposited) or checking accounts (used to transfer monies to another agency; to disburse monies for minor goods and services received; to return a patient's funds upon the patient's discharge from a County hospital, etc

To establish a new bank account, a department must obtain approval from the Treasurer-Tax Collector's Cash Management Section. The Treasurer-Tax Collector will work with the Department to determine which bank to use. Before requesting a new bank account, a department should first determine if an existing bank account can reasonably be used to meet the department's needs.

Any questions concerning bank accounts should be directed to the Treasurer-Tax Collector's Cash Management Section.

1.2.1 Collection Accounts

Collection accounts are used to deposit funds collected daily by departments. Monies received may be payment for services provided, fees/taxes collected by a department, or in some cases, funds to be held in trust. Although there may be isolated exceptions, collection accounts should be zero balance accounts. This means the Treasurer-Tax Collector's deposit consolidation services (i.e., Sweep Account) must be used in conjunction with collection accounts. If a Sweep Account cannot be established, (as is the case of some revenue transfer accounts), and a checking account must be used to

deposit collections, then the payee should be pre-printed on the checks (e.g., Los Angeles County Treasurer and Tax Collector.)

Monies deposited each day are automatically "swept" nightly from departments' accounts into the Treasurer-Tax Collector's control account, without losing the identity of each depositing department. Nightly deposit consolidation provides the County greater access to funds for interest earning potential, improves cash flow, and consolidates the depositing of department collections. Section 1.2.2 discusses the use of regular checking accounts used in conjunction with revolving funds.

To establish a collection account, a department must submit a written request, signed by the department head or designee, to the Treasurer-Tax Collector's Cash Management Section. The following information must be included with the request:

- The reason(s) why a collection account is needed.
- The Department's business address and the address of the departmental location using the account, if applicable.
- The name of the bank where the account will be maintained.
- Bank account number (if an existing account is to be used).
- The CAPS account codes that are to be credited, (i.e., trust fund number, organization code and account number where funds are swept or transferred into).
- Anticipated average number of "deposits" (daily, weekly, monthly).
- Anticipated average dollar amount of each deposit.
- Number of department locations depositing.
- Name and phone number of person responsible for the bank account.
- The address where bank statements should be mailed.

Upon receiving the written request, the Cash Management Section will contact the department's designee to explain the basic procedures of deposit consolidation services.

1.2.2 Checking Accounts

Checking accounts are used in conjunction with revolving funds to speed up and simplify the process of disbursing funds to authorized parties. Treasurer-Tax Collector and Auditor-Controller approval are required before a checking account can be opened. Departments should submit the following information to the Auditor-Controller's Audit Division.

- The reason(s) the department needs a checking account.
- The Department's business address and the address of the departmental location using the account, if applicable.
- The expected frequency and monthly average dollar amount of deposits.
- The anticipated monthly average number and total dollar amount of checks to be written on the account.
- The name(s) and titles of department manager(s) authorized to sign checks.
- The address where bank statements should be mailed.

Audit Division staff will review the department's request for a new checking account. If the request appears valid, the Auditor-Controller will notify the Treasurer-Tax Collector who prepares a letter to the designated bank authorizing the bank to open the account. This authorization also notifies the bank that the Treasurer-Tax Collector will, at all times, have final authority over the account. The Treasurer-Tax Collector will send a copy of the bank letter to the Auditor-Controller's Audit Division and the requesting Department advising them that the account has been approved.

1.2.3 Internal Controls Over Bank Accounts

Departments with bank accounts must institute the following controls over the accounts:

- A formal (written) reconciliation must be performed monthly for each bank account by an individual with no deposit or check writing responsibilities. The person reconciling the account(s) must receive the bank statement directly from the bank and prepare the reconciliation in a timely manner. A suggested reconciliation format is presented in Section 1.2.5.
- Reconciling items must be reviewed and researched immediately. Bank errors must be reported in writing to the bank immediately following the reconciliation. All reconciling items should be resolved within the next bank statement period. If the item cannot be resolved within the next bank statement period, it will continue to be a reconciling item and must be monitored until resolved. The Treasurer should be notified of difficulties with banks clearing banking errors.
- Monthly reconciliations must be reviewed and approved by an appropriate level supervisor (evidenced by the signature of the supervisor on the reconciliation). The review should include an investigation of non-check and unusual reconciling items such as unexplained debits/credits.
- ***Revolving fund checking accounts must not be used to deposit departmental collections.***

- Changes to bank accounts, such as branch locations, mailing addresses of bank statements, etc., must be approved by the Treasurer-Tax Collector in advance.
- All cancelled checks, bank statements, and monthly reconciliations must be retained for five years.
- Blank check stock must be stored in a secured (locked) area with access restricted to authorized individuals.
- ***The signing of blank checks and checks made payable to cash are strictly prohibited.***
- Checks must be pre-numbered and a check register used to record each check written.
- Electronic Fund Transfers and Automated Clearing House (ACH) debits/credits are prohibited for departmental bank checking accounts. If such transactions occur, the Treasurer-Tax Collector's Cash Management Section must immediately be notified.
- Bank overdrafts are prohibited for departmental bank accounts. The bank will return checks issued to the payee for "Not Sufficient Funds" (NSF).
- Bank irregularities such as forged or counterfeit checks identified by staff and/or notified by any agency (County department, law enforcement agency, etc.) are to be immediately reported to the Treasurer-Tax Collector's Internal Control Section.

1.2.4 Closing Accounts

To close a bank account, the following procedures should be followed.

- The Department must notify the Treasurer-Tax Collector in writing of the need to close the bank account. The department should discontinue using the account and reconcile the account, and ensure the account balance is zero prior to notifying the Treasurer-Tax Collector of the need to close the account. All outstanding and reconciling items must be resolved within the next 90 days.
- The Department must certify that the bank account was reconciled and that the account balance is zero and submit the request, along with the last bank statement, to the Treasurer-Tax Collector's Cash Management Section. Treasurer-Tax Collector will prepare a letter to the bank to notify the bank to close the account. Treasurer-Tax Collector will also send a copy of the letter to the department.
- In some cases, the Treasurer-Tax Collector may direct a department to close an account. If the department disagrees, the department must respond, in writing, to the Treasurer-Tax Collector, within ten (10) working days. The bank will be

instructed by the Treasurer-Tax Collector to close the account if the department does not respond within the ten day time frame.

- Any changes to the opening or closing instructions to a bank account, (e.g., signature authorization updates) must be made through the Treasurer-Tax Collector's Cash Management Section in writing. The Department Head or his/her designee must sign requests for such changes. Signature authorization updates should be forwarded to the Treasurer-Tax Collector's Internal Controls Section.
- Any unused check stock from a closed bank account must be accounted for and shredded or destroyed. Departments must document with a written memo to the file that they accounted for the unused checks, retaining a copy of the first and last check, marked void, as a receipt and that the stock was destroyed.

1.2.5 Suggested Bank Reconciliation Format

Department Name			
Bank and Account#			
For the Month Ended June 30, 200X			
Balance per bank statement		\$	35,000.00
Add:	Deposit in transit		4,000.00
	Bank service charge (erroneously posted--to be reversed next month)		20.00 [1]
Less:	Outstanding checks		
	#781	\$ 1,000.00	
	#782	500.00	
	#783	<u>500.00</u>	\$ (2,000.00)
	Bank posting error (to be reversed next month)		<u>(\$120.00) [1]</u>
Adjusted bank balance		\$	<u>36,900.00</u>
<hr/>			
Balance per book		\$	36,950.00
Less:	Check printing charges	40.00	
	Posting error	10.00	(50.00) [1]
Adjusted book balance		\$	36,900.00
Prepared by	_____	Date	_____
Reviewed by	_____	Date	_____
[1] Reconciling items.			

1.3.1 COLLECTIONS - RECEIPTING AND DEPOSITING

1.3.2 Collections

Collections are funds received by departments as payment for services provided, fees charged (revenue) or monies to be held in trust. Collections can be received over the counter, through the mail, or transferred via electronic wire transfer or Automatic Clearing House (ACH) to the receiving entity. Collections ordinarily include:

- Cash and cash equivalents (e.g., personal and cashiers checks, money orders, traveler's checks, and credit card payments under approved conditions. See Section 1.1.1).
- Incoming wire transfers (see Chapter 8, Revenue, Section 8.1.4).
- Automated Clearing House (ACH) repetitive electronic payments which require approval by Treasurer-Tax Collector (see Chapter 8, Revenue, Section 8.1.4).

1.3.3 Objectives of Internal Control over Collections

- To safeguard collections such that an individual is not able to convert collections to personal use without timely detection.
- To ensure that all funds are promptly and properly recorded and deposited into the County treasury.

1.3.4 Receipting of Over-the-Counter Collections - Internal Controls

Cash registers should be used to receipt for collections, when practical (i.e., when the volume of receipts warrants a cash register). Where the use of a cash register is not practical, pre-numbered handwritten Departmental Receipts must be used. To adequately account for all collections, the following controls must be implemented:

1.3.3.1 General Controls over Collections:

- All collections must be receipted for promptly, through the use of a cash register (preferably electronic), pre-numbered receipt, credit card receipts, etc.
- Upon receipt, all checks should immediately be restrictively endorsed: **"For Deposit Only, County of Los Angeles."**
- Persons receiving collections should not have access to accounting records.

- An individual independent of the cash receipting or depositing functions should reconcile the receipts to the deposits to verify that all collections are properly accounted for and deposited. This reconciliation should be performed as soon as possible, but not more than five days after receipts are deposited to ensure timely detection of shortages.
- When cash collections are transferred from one employee to a second employee, accountability should be assigned to one employee; typically the employee receiving the cash. This transfer of cash should be evidenced by reconciliation, receipts, reports, or similar documentary evidence with appropriate signatures of transferring and receiving employees.

1.3.3.2 Controls over Cash Registers:

- Cashiers should receipt each collection at the time of the transaction by entering the transaction into a cash register.
- Cashiers should verify that the amount rung-up on the cash register matches the amount received at the end of a transaction.
- Cashiers should not tear, cut, destroy or discard any portion of the detail (journal) tape. Each cashier is responsible for all transactions receipted under his or her cashier number.
- Only one cashier should be assigned to a cash register at a time.
- Cashiers should only have access to their assigned cash register operation keys. ***Access to supervisory and programming keys should be limited to managers and cashier supervisors who do not have cashiering duties or cash handling responsibilities.***
- *Cashier "sign-on" codes on assigned cash registers should be unique and not shared or transferred from one cashier to another.*
- Cashiers are responsible for requesting that management change "sign-on" codes or register keys when the codes or key may have been compromised.
- Whenever a cashier is relieved, the relief cashier must use a separate cash drawer to ensure that the collections of the two cashiers are not commingled. Cash register tape totals should be run off the main cashier's collections (before the relief cashier enters any transactions) and the collections kept separate and secured.
- The cashier should obtain supervisor approval for any voided receipt rung on the cash register.
- Cashiers' supervisors should void all incorrect or inaccurate transactions using their access key on the register. The cashier should print "VOID" on the original cash register receipt (the copy normally given to the customer). A supervisor

should review and approve the voided transaction (by annotating the tape) immediately after the void takes place. In no case shall supervisors leave their access key in the register.

- When receipting payments by mail, cashiers should validate the receipt of payment through either the preparation of a listing of mail receipts; issuance of a receipt attached to a case file; return of the receipt (mailed) to the customer; or by forwarding one of the multiple part receipt copies to their departmental business office.

1.3.3.3 Controls over Departmental Receipts:

- Departmental Receipts must be procured, controlled, and accounted for by individual departments.
- The supply of unused receipts must be locked, with access limited to those responsible for controlling receipt books. Before issuing a new book of receipts to a location or individual, the individual issuing the book should verify that no receipts are missing.
- Receipts should be written and signed in the presence of the payer. *Receipts must not be signed in advance.* When completed, the original receipt should be given to the payer, one copy retained at the location, and a second copy retained (attached) in the receipt book. When the entire book is used it should be returned to the department's business office.
- Signs should be posted requesting the payer to ask the cashier for a receipt and, if possible, the sign should include a sample of the appropriate receipt.
- Control logs for receipt books must be maintained centrally, and at all locations using receipts, for books received and issued. Departmental Receipts should be recorded in the control log when received by the department and when issued to an individual, unit or office responsible for cash collections. Departments that use receipts at multiple locations should log out the receipt books to each location. Two or more books should be issued to each location initially, except where there is minimal use. A new book(s) should not be issued to a location until a used book(s) is returned, with all receipts accounted for. The following information should be recorded in the control log.
 - a) the date the receipt book was received.
 - b) receipt numbers.
 - c) name of employee assigned custody of the book.
 - d) date used book was returned to the business office.
- Receipt books and receipts in a book must be used sequentially. Each day, the location supervisor must ensure that receipts are used in sequential order and that all receipts are accounted for (including verifying that the first receipt issued each day numerically follows the last receipt issued the prior day).

- Receipts with alterations or erasures must be marked "void" and a new receipt issued. Voided receipts should be initialed by a supervisor, with a note as to why the receipt was voided. All voided receipts (originals and all copies except anchor copy which should be left in the receipt book) should be immediately forwarded to the department's business office.
- Used receipt books, with the anchor copies of the receipts, should be returned to the department's business office for storage.
- The department's business office should account for all receipts to ensure that:
 - a) receipts were issued consecutively.
 - b) voided receipts were properly initialed by the supervisor and the reason for voiding the receipt indicated.
 - c) receipts with alterations or erasures which are not marked "void" are investigated.
- Departmental Receipt copies (the second and succeeding copies of a multi-part form) must be carbon copies of the original. They must not be completed in pencil or ink.
- Missing, stolen, or defaced (damaged) receipts should be investigated immediately and reported to appropriate departmental management.
- An inventory of all used, unused, and voided receipts (including partially used receipt books) must be performed at least annually (using the log books) and documented. Receipt books issued to a specific location should be reconciled to the records of the issuing unit.
- Used receipt books may be destroyed after five (5) years or when audited by the Auditor-Controller.
- Individuals who maintain and control receipt books should not have cash handling responsibilities.
- When an employee terminates, the department should ensure that all receipt books issued to the terminating individual are returned and accounted for.

1.3.4 Procedures for Acceptance of Checks Over-the-Counter

The following guidelines have been established for acceptance of checks:

- Checks should only be accepted for the amount owed to the County and the payer should be requested to furnish valid identification. Checks received over-the-counter and drawn on an out-of-state bank should be accepted with valid identification and, if possible, a verification of available funds be made with the out-of-state bank.

- The maker's valid California Driver License should be requested to accept a check. The Driver License number and the expiration date should be written on the face (preferably) of the check. **EXPIRED IDENTIFICATION SHOULD NOT BE ACCEPTED.** If a Driver License is not available, some other type of identification, preferably with a picture of the payer, indicating the name and address (DMV ID card, employer ID card, or other picture identification, including out-of-state Driver License if the payee is same) should be requested.
- Checks received must be payable to the County, be without a second party endorsement, be in an amount not exceeding the amount due the County and must not be postdated or stale dated.
- Bank cashier's check or money order must be drawn on a banking institution located in the United States and in an amount not exceeding the amount of the payment; a traveler's check can be accepted if the payer shows satisfactory identification."
- If a department requests a person's social security number in connection with payment by check, the department should provide a written disclosure statement that would read as follows:

"The (County Department) has requested you to supply your social security account number in connection with payment by check. Production of your social security number is voluntary; no law or regulation requires that it be produced. The social security number, if produced will be used as an aid in identifying you, should it be necessary to pursue collection of any unpaid amount, including using it if necessary to identify you in a tax intercept program by which the amount owing would be offset against the tax refund due."
- An identifying in-house number (e.g., case file number, parcel number, account number, etc.) and the initials of the cashier accepting the check should be written on the face of the check. This latter information will help facilitate follow-up if the check is subsequently returned due to "Not Sufficient Funds (NSF)."
- Checks must be made payable to a County department or Los Angeles County. If the payer's name, address, and telephone number are not pre-printed on the check, this information should be obtained from the payer and written on the front of the check. The payer's name and address should be substantiated by picture identification.
- If a check is made payable to an employee and the payer is available, have the check rewritten. If the payer is not available, restrictively endorse the check and deposit it.
- Checks presented to a County department for payment of services and/or for fees, fines, collections, etc, by someone other than the maker of the check should be accepted and if possible, the maker's address and telephone number obtained.

- All checks should be restrictively endorsed as soon as accepted with an endorsement similar to the one below. **DO NOT WAIT TO RESTRICT/VEL Y ENDORSE CHECKS UNTIL THE DEPOSIT IS PREPARED OR MADE.**

SAMPLE ONLY

MODIFY AS INSTRUCTED

LINE#

For Deposit Only	1
Pay to the Order of	2
YOUR BANK	3
Deposit to the Credit of	4
COUNTY OF LOS ANGELES	5
(YOUR DEPARTMENT'S NAME)	6
(YOUR DIVISION, SECTION, etc.)	7
Absence of all Prior endorsements	8
guaranteed	9

Line #3 should be changed to the name of your department's depository bank or Los Angeles County Treasurer, as appropriate for your use. Line #6 and 7 should be changed to your department's/organization's name.

Note: On September 1, 1988, the Federal Reserve adopted Regulation CC which establishes a standard for endorsing checks. When endorsing checks the endorsement stamp should be restricted to the left 3" or right 1%" of the back of the check. Any questions or concerns with regard to Regulation CC should be directed to the Treasurer-Tax Collector's Cash Management Section.

- Two party checks (i.e., the payee is other than a County department or Los Angeles County) should **NOT** be accepted.
- Postdated checks should not be accepted unless received in the mail. These checks should be deposited with the daily collections.

1.3.5 Credit Card Receipts

Credit card programs are a means for payment of services and to increase the cash flow to the County. Government Code Section 6159 cites authority for credit card acceptance by courts, cities, and/or other public agencies. Civil Code Sections 1747.02 and 1748.1 provide additional definitions and explain surcharges and violations.

1.3.5.1 Objectives of Internal Control over Credit Cards

The objective of internal control over credit cards is to ensure:

- Electronic credit card transactions are properly recorded through a secured point of sale terminal that approves the transaction, and initiates a transfer of funds from the cardholder's account to the Treasurer-Tax Collector's designated bank account.

- A cost effective County-wide credit card acceptance program which minimizes the expense to the customer and preserves the County's revenue.

1.3.5.2 Internal Controls over Credit Card Receipts

With the potential for greater acceptance of credit cards by departments within the County, controls over the use of credit cards need to be established. The following internal controls must be established for the acceptance of credit cards:

- All credit card programs must be approved by the Treasurer-Tax Collector's Cash Management Section and the Auditor-Controller's Audit Division prior to implementation.
- All credit card transactions must be authorized and captured through the credit card processing terminal. Sales slips of captured transactions should not be taken to the bank. These transactions are automatically deposited through the credit card terminal.
- A current listing of authorized employees to process credit cards (i.e., log on numbers) must be available and controlled by a responsible party at the processing location.
- Controls must be established to safeguard and secure credit card sales slips. Sales slips should be retained in the order that sales occur.
- Voids should be matched with the original sales slip. Controls must be established over the use of operator personal identification codes.
- Proper identification must be requested from the cardholder prior to processing the transaction. Cardholder shall mean the person whose name is embossed on a bank card, or whose name appears on a bank card as authorized user. Approved identification includes a California Driver License or DMV approved identification. Out-of-State identification is acceptable if it meets the above criteria; Driver License (out-of-state with picture) or some form of picture identification.
- Controls must be established to minimize the occurrence of chargeback transactions and to research and process the chargeback in accordance with the time-frame set forth in the Merchant Agreement when they occur. A chargeback is a processed credit card transaction that is reversed (i.e., charged back to the County) because either the customer or customer's bank determines something is wrong with the transaction.
- Operators (i.e., Department staff processing credit card transactions) are not allowed to process credit returns or chargebacks.
- Credit card transactions must not be split so as to process separate transactions to meet the credit card limit. Cash or checks may be accepted to cover amounts beyond the presenter's credit card limit, but only to satisfy the amount owed.

- Operators will not retain any documents bearing a credit card number and expiration date.
- Operators must verify the effective date of the credit card and determine that the card is not expired. The card can be accepted only if the transaction date falls on or in between the two dates on the card. If the card is not valid, or has expired, the card must be returned and another form of payment requested.
- Credit cards must be reviewed for the required trademarks and/or holograms. If the card does not have the required trademark and/or holograms, the authorization clerk must call the authorization center for further assistance, in accordance with the Merchant Agreement.
- Operators must ensure that the signature panel on the reverse side of the card has been signed and that the card has a magnetic stripe.
- Department operators must compare the signature on the credit card slip with the signature on the card.
- Departments must ensure that operators are knowledgeable of the terms and conditions of the Merchant Agreement and the laws and regulations governing credit card usage. These include the Federal Consumer Credit Protection Act, and all related regulations and any other laws, rules, regulations or judicial decisions of the United States or any state or local government or agency, or of any foreign country if that law is deemed to apply.
- Department operators must balance their credit card terminal before the bank's cut off time. The cut off time in Southern California is specified in the applicable Merchant Agreement. A separate individual (i.e., other than the operator) should run a machine tape total, excluding voids, of the day's transactions and compare that total to the terminal total.
- Department operators must not take credit cards to cover bad checks.
- Department operators must not process cash advances to cardholders. Payments must be the exact amount of the transaction.

Departments should contact the Treasurer-Tax Collector's Cash Management Section for additional information on credit card processing and procedures.

1.3.6 Collections Received by Mail - Internal Controls

- Where there is a large volume of checks received by mail, two employees should be assigned to open the mail and record receipts. The assigned employees should:

- a) open and sort the mail.
- b) prepare a listing of checks received (if the volume of mail is too large, an adding machine tape may be prepared in lieu of listing each receipt).
- c) cross-reference each check with the supporting documents (e.g., case file, patient record, etc.).
- d) ***restrictively endorse all checks immediately.***
- e) reconcile the listing of mail receipts to checks and supporting documents to ensure that all receipts have been accounted for.
- f) forward a copy of the mail receipts listing to the person responsible for reconciling collections to deposits.
- g) forward the checks, supporting documents, and mail receipts listing to the cashier for immediate entry on the cash register or issuance of a receipt or recording of the receipt.

Note: Out-of-state checks received through the mail should be accepted and deposited immediately.

- An individual independent of the cash handling function should investigate questionable items (e.g., unidentifiable payments, wrong payee, etc.).
- Supervisory personnel should approve (in writing) all adjustments to the listing of mail receipts.

1.3.7 Deposits

To ensure that the County's cash records are updated timely and to safeguard assets, deposits must be made promptly. Deposits can be made directly with the Treasurer-Tax Collector or into a local bank account (i.e., collection account). Departments located within five (5) miles of the Hall of Administration must deposit collections directly with the Treasurer-Tax Collector. The frequency of deposits will be determined by the amount of funds received by a depositing office.

The following controls must be implemented to safeguard assets and ensure that deposits are made promptly:

1.3.7.1 General Controls Over Deposits:

- Collections must be deposited promptly and intact. No disbursement should be made from collections prior to deposit.
- Deposit integrity must be maintained at all times by ensuring that amounts deposited in cash and checks are accurately recorded on the deposit slip. An independent verification of the amount to be deposited to receipts and reports must be made by a supervisor.

- Departments making deposits using an Armored Transport Service must prepare separate deposits (i.e., split deposits using multiple bags), one deposit for cash and coin and one deposit for checks.
- Collections of \$500 or more should be deposited daily.
- Collections of less than \$500 per day may, at the discretion of the department, be held and deposited when the total reaches \$500, provided that deposits are made at least weekly, (i.e., close of business on Friday or end of the scheduled work week) regardless of the amount collected.

1.3.7.2 Deposits with the Treasurer-Tax Collector:

- A Deposit Permit must be used to deposit collections with the County Treasurer, to adjust a deposit, or to reverse a deposit. Deposit Permits should be prepared in accordance with procedures described in the CAPS User Guide.
- The total amount of receipts issued for collections should be reconciled daily to the corresponding "Deposit Permit" amount.
- Deposits with the Treasurer need to conform with Treasurer-Tax Collector cash strapping (bundling) procedures. Contact the Treasurer-Tax Collector's Banking and Remittance Processing Division for instructions on bundling of deposits.
- Collections of \$500,000 or more should be reported to the Treasurer-Tax Collector's Cash Management Section on the morning of the deposit to facilitate investment of the funds.

1.3.7.3 Bank Deposits:

- If monies collected are deposited into a local bank account, the funds must be transferred to the Treasurer-Tax Collector each night using a Sweep Account (deposit consolidation service). Contact the Treasurer-Tax Collector's Cash Management Section to arrange for a Sweep Account or to discuss alternate methods (e.g. Armored Transport Service, lock box).
- Bank deposit information (duplicate deposit slips) should be received directly from the bank by a person independent of the deposit function. **Not Sufficient Funds** checks should also be reported by the bank to the same independent person.

1.4.0 Cash Shortages and Overages

Cash shortages and overages may occur as a result of daily cashiering operations. In addition, cash shortages may result from burglary, robbery, misappropriation, or other circumstances. On November 12, 1996, the Board of Supervisors approved the discontinuance of Cash Difference and Cash Overage Funds. Departments are required to internally monitor cashiering shortages of \$100 or less. Daily cash shortages of more

than \$100 must immediately be reported, by telephone, to the Auditor-Controller's Special Investigations Unit at (213) 974-9797. See Section 13.1.2 for shortages of more than \$100.

1.4.1 Internal Controls

- Departments (except the Treasurer-Tax Collector) are responsible for identifying cash shortages and overages, if any, on a daily basis.
- All shortages and overages must be separately accounted for and reported. *Shortages and overages must not be offset against each other.*
- Branch locations should notify their departmental business office of all overages and shortages.

1.4.2 Cash Shortages-\$100 or Less

Effective November 12, 1996, the Board of Supervisors approved eliminating the Cash Difference and Cash Overage Funds. Discontinuance of these funds eliminates significant amounts of paperwork and accounting entries to keep track of nominal shortages and overages. With this change, departments do not have to report shortages of less than \$100 to the Auditor-Controller. Similarly, departments will not be reimbursed by the Auditor-Controller for shortages of \$100 or less. Departments still have to closely monitor and investigate all shortages.

Note: For shortages that affect trust funds (see Trust Accounts Section 2.3.1), departments must reimburse the trust fund from their departmental budgets.

- Departments must prepare a Cash Difference or Overage Report (see the sample of Cash Difference or Overage Report in Section 1.4.4). All information requested should be entered on the form and the circumstances that led to the shortage documented in the NOTES section on the form.

Note: The Cash Difference or Overage Report should be completed and maintained internally by departments to account for cash shortages of \$100 or less. For shortages of or more than \$100 the Report must be completed and submitted to the Auditor-Controller's Special Investigations Unit.

- Cash Difference or Overage Reports are to be numbered and signed by the department's accounting or business manager, and filed by fiscal year by the department. Unless otherwise audited, departments must retain Cash Difference or Overage Reports, including supporting documentation, for a minimum of three years.
- The deposit slip (permit) should be prepared for the amount of the actual deposit made (do not include the cash shortage amount).

- Departments should have available a summary report of all cash shortages for the fiscal year-end for review by the Auditor-Controller's Audit Division.
- ***Deposits should not be withheld or delayed because of an overage or shortage unless there is an overriding justification.***
- Departmental chief fiscal managers should closely monitor cash shortages to identify trends or unusual occurrences of cash shortages and should follow-up on instances where shortages appear frequently. The Auditor-Controller's Special Investigations Unit should be contacted when shortages occur with regularity in any area.
- If any shortage is the result of a suspected theft or intentional misappropriation, the responsible law enforcement agency should be contacted. A copy of the resultant law enforcement agency's report should be kept on file in the department's business office. The Auditor-Controller's Special Investigations Unit should also be notified of the incident.
- A Shortages resulting from counterfeit bills received by the department should be reported in accordance with procedures discussed in Section 1.7.0 (Counterfeit Currency) of this chapter.
- Shortages that occur on deposits unrelated to departmental revenues, such as money held in trust on behalf of others, should continue to be reimbursed by departments. Departments should prepare a journal voucher to reimburse trust fund shortages as follows:

**Expense-Departmental Budget (acct. no. 3184)
Cash-General Fund (or other applicable fund)**

**Cash-Trust Fund
Trust Accounts Payable**

The specific shortage reports that are being reimbursed should be referenced in the journal voucher explanation section.

Note: This Section is only applicable to shortages in daily collections. It does not apply to shortages in accounts or revolving fund shortages. Shortages in accounts and revolving fund shortages occur after a cash deposit has been made and should be reported to the Auditor-Controller's Special Investigations Unit in accordance with procedures in Chapter 13 (Losses) and/or Chapter 14 (Employee Misconduct) of this manual.

1.4.3 Cash Overages-All Amounts

- Departments should prepare a Cash Difference or Overage Report for all overages by cashier (follow the same format used for reporting cash shortages).

One report may be used to document cash shortages/overages that occur on the same day.

- Cash overages which cannot be specifically identified and refunded to the payer should be receipted for and deposited. The deposit permit should include the cash overage, which should be recorded as revenue to the depositing department. Use revenue account code 9680, "cash overage."

1.4.4 Sample - Cash Difference or Overage Report

**COUNTY OF LOS ANGELES
CASH DIFFERENCE OR OVERAGE REPORT**

Report of:		Fund/Org.:		Account Number:	Date of Collection/Receipt:
Report prepared by:		Telephone No.:		Fiscal Year:	Report No.:
ACCOUNTABILITY				Amount	
				Detail	Total
DEPOSIT PERMITS BY FUNDS					
Fund/Org.	Account	Amount			
CASH DIFFERENCE AND CASHIER SHORT					
Name		Cashier No.		Amount	
CASH DIFFERENCE AND CASHIER OVER					
Name		Cashier No.	Receipt No.	Amount	
TOTAL					

Supervisor Name: _____ Signature: _____
 Title: _____

NOTES:

1.5.0 Not Sufficient Funds (NSF) Checks

1.5.1 Description and Authority

Government Code Section 6157 and County Code Section 5.02.010 authorize all County officers to accept negotiable instruments (checks) in payment of any license, permit, fee, fine or any obligation owed the County. County Code Section 4.10.010 (effective January 1, 2002) also requires County departments to impose a \$33 charge (or alternate approved rate by the Board of Supervisors) for all checks returned due to "Not Sufficient Funds" (NSF).

Section 1719 of the Civil Code provides that the maker of an NSF check is liable for treble damages (a minimum of \$100 to a maximum of \$1,500) in addition to the face value of the NSF check if payment plus the \$33 charge is not received within 30 days of notification of the NSF check. When a department receives a NSF check, the department must ensure that no services paid for with the NSF check are rendered if possible until the NSF check is made good. It is also the department's responsibility to send a written demand by Certified Mail to recover any funds connected with an NSF check. For further discussion regarding written demands, see Section 1.5.3.

1.5.2 Handling of NSF Checks

The following guidelines have been established for handling NSF checks:

- A \$33 charge should be assessed for all returned checks. Charges collected should be deposited as departmental revenue in sub-account #9738 - Service Charge for Returned Checks. The \$33 charge may be waived if the payer can show evidence that the NSF check was a result of a bank error (e.g., posting a deposit to someone else's account).
- A sign should be posted indicating that any check returned by the bank will have the above \$33 charge added to and become part of the total obligation due to the County.
- Procedures for checks returned NSF are as follows (See page 3-30 of the CAPS User Guide under "Red" Deposits for detailed accounting procedures):
 - a) If a department deposits its collections directly with a bank and a check is returned NSF, the department should immediately redeposit the check.
 - b) If a department deposits its collections directly with the Treasurer-Tax Collector or if a check deposited directly with a bank is returned a second time the following steps should be taken:

- 1) Establish a log of incoming NSF checks which will identify the checks, collection efforts, and status of the checks (e.g., paid, unpaid, referred to the Treasurer-Tax Collector, etc.)
 - 2) If applicable, immediately stop any services being provided. Flag the payer file to ensure that no future services are provided and that no other checks are accepted until the NSF check is made good.
 - 3) Immediately contact the payer with a written demand sent by Certified Mail and try to collect the funds. (Certified Mail Receipts - PS Form 3800 - can be obtained from the post office.) Be sure to record the Certified Mail Receipt number on the demand letter. Only accept cash, cashier's checks or money orders for payment on NSF checks. Wording which has been approved by County Counsel in the demand letter should be used (See Section 1.5.3).
- c) If the 30 day period in the demand letter expires without payment, the department should immediately refer the NSF check to the Treasurer-Tax Collector. Attach the original NSF check, a copy of the demand letter, and the original Certified Mail Receipt to the Collection Referral form.
 - d) The Treasurer-Tax Collector will notify departments when collections on referred NSF checks are made.
 - e) NSF check processing duties should be separated to the greatest extent possible to ensure that incompatible functions, such as pursuing collections is separate from dispositioning and accounting for collections. In no case should a person pursuing collection be authorized to adjust the amount due.

As a rule, timely collection action on a debt increases the possibility of collection. Allowing NSF check writers to purchase goods and services without an aggressive attempt to obtain repayment encourages them to write more NSF checks. Aggressive action tends to increase the likelihood of payment reducing the number of uncollectible NSF checks.

With the use of the demand letter, and with Section 1719 of the Civil Code in place notifying NSF check makers of liability of treble damages in addition to the amount of the NSF check, the collection effort will be strengthened. Any questions concerning NSF checks should be directed to the Auditor-Controller's Audit Division.

1.5.3 Sample- NSF Check Demand Letter

Date_____

CERTIFIED MAIL

RECEIPT NO.

Dear:

Your check in the amount of\$ _____ has been returned unpaid by your bank. You must submit a cashier's check or money order for the amount of your check plus a \$33 handling fee for a total amount of\$ _____ payable to this office within 30 days from the date of this letter.

Section 1719 of the California Civil Code provides that you will be liable for damages which total three times the amount of the check, with a minimum of \$100 and a maximum of \$1,500, in addition to the face value of the check for failure to pay the amount of a dishonored check plus the \$33 charge within 30 days from the date of this letter.

If you fail to redeem the returned check within 30 days from date of this letter, it will be referred to the Los Angeles County Department of Treasurer-Tax Collector for enforcement in accordance with this law.

Sincerely,

1.6.0 Revolving Funds

1.6.1 Authority and Description

A revolving fund, established in accordance with Government Code Section 29321.1, is a predetermined amount (fixed sum) of money maintained on an imprest (fixed) basis that is available for use by departments in carrying out official County business. A revolving fund can be used to make change (during regular collection activities) or to purchase goods and services which are legal and authorized charges against the County. Authority to spend revolving funds must be authorized in the Board approved budgetary process and operating funds must be encumbered prior to making expenditures.

Departments may establish revolving funds for specific purposes such as Cash Aid disbursements and grants (Special Purpose funds). Revolving funds can consist of cash on hand and/or funds deposited in a checking account (approved by the Treasurer-Tax Collector). The fixed assigned amount of a revolving fund will vary depending on the purpose and the need (volume of activity, frequency of reimbursement, etc.).

A departmental revolving fund can be assigned or sub-assigned to various locations (sections, divisions, etc.) within a department. Departments should control each sub-assignment in the same manner as the regular fund assignment.

- Petty Cash (used for small departmental expenditures) is defined as an imprest cash fund of an assigned fixed amount. The imprest fund is restored to its original amount at frequent intervals by the issuance of a County warrant payable to the fund custodian of the petty cash fund. The replenishment warrant is equal in amount to the expenditures made from the fund supported by receipts. Uses of Petty Cash are discussed in greater detail in Section 4.4.0 - Expenditures, Revolving Fund Purchasing Authority.
- A change fund (see Section 1.6.5) is an imprest fund used to facilitate the collection of money from customers. The amount of the change fund is deducted from the total cash on hand at the close of the business each day to determine the daily cash collections. The remaining cash collections should be counted and reconciled to the cash register tape daily or handwritten receipts.
- Cash Aid Funds (See Section 1.6.8) are distributed to certain departments (Departments of Public Social Services, Health Services, and Children and Family Services) for the purpose of supplying emergency funds to welfare recipients, foster children and indigent patients. Such uses include bus tickets or other transportation needs, and work search funds for General Relief recipients.
- Special Purpose Revolving Funds may occasionally be established for a specific purpose such as the District Attorney's Witness Protection Fund. The usage and accountability of such funds will generally be governed by specific legislation, grant or program requirements, etc.

1.6.2 Objectives of Internal Control

- To ensure departments maintain proper accountability and security over all revolving fund monies used to purchase needed services or supplies and provide change to cashiers (i.e., change fund) to conduct daily operations.
- To ensure revolving funds are only used to for authorize purposes. (See Section 4.4.0. Revolving Fund Purchasing Authority)
- To ensure that monies used to purchase needed services and supplies are authorized through the Board approved budgetary process.

1.6.3 Internal Controls Over Revolving Funds

In addition to the general controls cited in Section 1.1.3, the following are controls and procedures that should be followed to ensure proper accountability and security over all revolving funds.

- Each fund must be maintained on an imprest basis (a fixed sum of money is assigned as the fund amount). The fund is cash-on-hand (or in a bank checking account), plus receipts/invoices for which reimbursement has not yet been requested and reimbursement requests in process but not received. These must total the fund's assigned amount at all times.
- A statement of responsibility, which specifies the amount of the assigned fund and which is signed by the current custodian of the fund, must be on file in the department's business office. A signed statement (see sample form in Section 1.6.7) of responsibility must be maintained for each sub-assignment (e.g., petty cash, change, cash aid, and special purpose).

Annually, or whenever the fund custodian changes, a department must complete a responsibility statement to account for its revolving fund(s), including all sub-assignments and the name of each custodian.

- Responsibility for each revolving fund assignment and sub-assignment must be vested in only one person. Someone else, however, should have controlled access to the fund in case of absence or emergency.
- There should be a separate custodian for each fund assignment/sub-assignment (i.e., change fund assignment or petty cash assignment at each departmental location with an assigned fund).
- The custodian of the fund must not have any other cash handling responsibilities (including the ability to sign checks or authorize revolving fund disbursements).
- Surprise cash counts of the revolving fund monies should be conducted at frequent intervals. The surprise cash count should be conducted by employees

not having cash handling responsibilities over the specific fund being counted. A record of the date and the amount counted should be maintained in the department's business office.

- The fund custodian should count and reconcile the revolving fund to the assigned amount each day that it is used.
- The fund must not be used to cash checks or loan money to employees (except advances for properly pre-authorized petty cash purchases).
- All revolving fund monies must be secured at all times in a locked safe, locked file cabinet, or locked cash drawer.
- Each revolving fund assignment must be maintained separately from all other assigned funds. Funds must not be commingled. For example, the change fund must not be used to replenish the petty cash fund and, likewise, the petty cash fund must not be used to make up any differences in the change fund.
- Revolving fund(s) must be kept clear of shortages and overages. Change fund shortages or overages resulting from daily cashing operations are to be reflected in the daily collections, not the revolving fund. (See Section 1.4.0)
- Refunds of revolving fund disbursements for which reimbursement has already been requested and/or received, must be deposited into the General Fund via a "Deposit Permit" crediting the appropriate expense account.
- Under no circumstances should daily collections be withheld (not deposited) and used to establish or increase a revolving fund.

1.6.4 Establishing or Changing the Amount of a Revolving Fund

If a department determines that a new revolving fund is needed or the amount of an existing revolving fund needs to be changed, the department must submit a letter to the Auditor-Controller's Audit Division requesting that a revolving fund be established, increased or decreased. The letter should document the following:

- a) The reason(s) for the request to establish a revolving fund or to change the amount of the revolving fund.
- b) The proposed use(s) and specific authorizing legislation, where applicable.
- c) The amount of the fund or increase/decrease needed. For petty cash funds, the amount of the fund should equal approximately one month's expenses (an estimate based on available data). For change funds, the amount needed will depend on the number and types of transactions to be made and the number of locations needing change funds.

NOTE: Departments must keep a current listing of all revolving fund assignments and sub-assignments. The listing should be routinely updated as changes in

assignment balances and fund custodians occur. The Auditor-Controller's Audit Division requires an accounting of all revolving fund assignment balances prior to approving increases/decreases to a fund assignment.

1.6.5 Change Funds

A portion of a departmental revolving fund can be used as a change fund. A change fund is only needed by departments having cash collections. It is to be used to make change during the normal course of business.

The change fund must always remain at its assigned (fixed/imprest) amount. For example, if a \$50 change fund is assigned, at the end of each day, \$50 should be counted out and set aside from the daily collections. Any overages or shortages as a result of daily cashing are to be reflected in the daily collections, not the change fund. All change fund sub-assignments should be kept using the imprest method of accounting.

1.6.6 Replenishment of a Revolving Fund

A revolving fund may be replenished only via a County warrant issued by the Auditor-Controller's office and made payable to the department head; **NEVER** by withholding cash receipts. Once each month (or more often if the need arises), departments should request reimbursement of a revolving fund. The specific reimbursement procedures for revolving funds should be in accordance with each department's on-line vendor payment guidelines and Chapter 4 of the Fiscal Manual. The following guidelines apply:

- Departments must request reimbursement of the fund in the exact amount of the expenditures made from the fund. The total of monies on-hand (and/or in a checking account) and unreimbursed expenditures or reimbursements in process must always equal the fund assignment. All expenditures for which reimbursement is requested must be supported by properly approved invoices and receipts.
- Upon receipt of the warrant reimbursing the revolving fund, department staff should immediately cash the warrant and secure the funds with the revolving fund monies (or deposit the funds into the revolving fund checking account, as appropriate).
- At fiscal year end, the department should request reimbursement of the fund at an appropriate time to ensure that expenditures are reflected in the proper accounting period.
- If reimbursement of a Revolving Fund is not regularly needed on a monthly basis, it may be an indication that the fund assignment is excessive for the department's needs. In such a situation, department staff should reevaluate the amount of the fund assignment and excess funds should be returned (with an appropriate written explanation) to the Auditor-Controller's Accounting Division.

- Shortages in an assigned revolving fund (that is, a shortage that occurs after a daily cash deposit has been made and the fund fully accounted for) are to be reported to the Auditor-Controller's Special Investigations Unit in accordance with procedures in Chapter 13 (Losses) and/or Chapter 14 (Employee Misconduct) of this manual.

1.6.7 Sample "Statement of Responsibility" Form

Revolving Fund - Responsibility Statement

(Date)

County of Los Angeles- _____
 Department Name

I certify there is in my custody \$ _____ at _____
 (i.e., location) as of the above date, a portion of the Revolving Fund established for use by
 the (Department name), in accordance with the provisions of the Government Code.

I acknowledge responsibility for the \$ _____. This responsibility
 statement supersedes all previous acknowledgements. This fund is under the immediate
 supervision of _____ (i.e., print Supervisor's Name).

 Custodian name (type or Print name)

 Signature of Custodian

 Date

 Telephone Number

 Secondary Custodian Name
 (Type or print name)

Approved by:

 Supervisor's Signature

 Title

1.6.8 Cash Aid Funds --Authority and Description

Cash aid funds are distributed to certain departments (Departments of Public Social Services, Health Services, and Children and Family Services) for the purpose of issuing emergency funds to welfare recipients, foster children and indigent patients. Such uses include bus tickets or other transportation needs, and work search funds for General Relief recipients.

1.6.9 Internal Controls over Cash Aid Funds

In addition to the general controls cited in Section 1.1.3, the following are controls and procedures that should be followed to ensure proper accountability and security over Cash Aid Funds.

- Cash aid funds should be used only for those expenses authorized; not for expenses covered by the department's regular revolving fund.
- Cash aid funds must not be commingled with the department's regular revolving fund monies.
- All issuances of cash aid should be recorded on a cash aid disbursements log indicating the case name, case number, amount of issuance, recipient's signature, date of payment and any other necessary information. This information must be recorded legibly to assist in the reimbursement process.
- The recipient's signature must be obtained for all cash aid disbursements. The signature must be verified by comparison to the recipient's Department of Motor Vehicles Driver License or other valid picture identification. A visual comparison with the picture on the license or other identification card (e.g., DMV ID card, employer ID card, current passport) should also be made.
- Unannounced cash counts of the fund should be performed periodically by supervisory personnel.
- Only authorized personnel should have access to cash aid funds.
- All funds must be stored in a secure location (e.g., safe).
- Overages and shortages should be handled in accordance with the Reporting Losses and Investigating and Reporting Employee Misconduct section (Appendix D) of this manual.

1.6.10 Reimbursement of Cash Aid Funds

Once each month request reimbursement of the cash aid fund as follows:

- Submit a letter to the Auditor-Controller's Welfare Financial Services Division requesting reimbursement of the fund. The letter should identify total funds expended and the breakdown of expenditure types (e.g., cash, bus tickets, etc.). Reimbursement requests for the prior month cash aid expenses should be submitted no later than the 10th of each month.
- Facilities requesting reimbursements should maintain all supporting documents and corresponding reimbursement request letters in good order. Supporting documentation should be made available for review by Auditor-Controller representatives upon request.
- Upon receipt of the reimbursement, the warrant should be immediately cashed and the funds secured with the cash aid monies. Allow two weeks for receipt of the reimbursement warrant.

1.7.1 Counterfeit Currency

1.7.2 Description

The U.S. Secret Service of the Department of the Treasury is responsible for the control and suppression of counterfeit currency. County Departments must complete a United States Secret Service "Counterfeit Note Report" (Form SSF 1604) to be reimbursed for counterfeit currency. (See <http://www.treas.gov/usss/ssf1604.exe> for the "Counterfeit Note Report" Form SSF 1604.) This receipt can be obtained (upon surrender of the counterfeit currency) through the Los Angeles County Treasurer-Tax Collector, any local bank, or the U.S. Secret Service, depending on where a department's daily deposit is made and who discovers the counterfeit currency.

1.7.3 Internal Controls over Handling of Currency

The following internal controls must be followed in handling of currency:

- Cashiers should look at all currency they receive and compare any suspect bills with a genuine bill of the same denomination and series.
- Questions as to the authenticity of the currency should be directed to the County Treasurer-Tax Collector's Banking and Remittance Processing Division, U.S. Secret Service, bank, or the police department.
- Currency identified as being counterfeit should not be returned to the individual that passed the counterfeit bill.
- Cashiers taking in counterfeit currency should write their initials and date on the border of the bill prior to surrendering the counterfeit bill.
- Cashiers should limit as much as possible the handling of the bill to preserve any fingerprints and place it in a protective cover.

- Cashiers should surrender known counterfeit bills to the County Treasurer-Tax Collector Banking and Remittance Processing Division or the U.S. Secret Service. A Counterfeit Note Report (Form SSF 1604) should be obtained at the time of surrender of the counterfeit currency.

1.7.4 Counterfeit Currency Deposited with the Treasurer

The Treasurer-Tax Collector will notify departments if counterfeit currency was discovered as part of a department's current or prior deposit. The Treasurer-Tax Collector will:

- Notify the department that a "Red Deposit" (negative adjustment) was processed against the deposit.
- Complete and forward to the affected department a "Counterfeit Note Report" (Form SSF 1604) for the amount of the counterfeit currency.
- Adjust the cash collection record for the amount of loss.

1.7.5 Reporting of Counterfeit Currency

For all counterfeit currency, the department must:

- Submit a report to the Auditor-Controller's Audit Division describing the type of collection the counterfeit bill was located in and any other extenuating circumstances. Attach the third (yellow) or the fourth (pink) copy of the "Counterfeit Note Report" to the written report (A photocopy will not be acceptable).
- Upon approval by the Audit Division, a reimbursement warrant will be issued to the department.
- Upon receipt of the warrant, the department should immediately receipt for and deposit the warrant with the daily collections.