



Cash Management Policy County of Muskegon County

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SECTION 1: DEFINITION AND PURPOSE

This policy was developed to set forth the regulations and procedures regarding all cash management activities of Muskegon County, including:

- Bank Account Management
- Cash and Check Handling (Receipting)
 - Central
 - Off-site
- Cash Accounting and Bank Reconciliations
- On-line Banking
 - Administration/Authorization
 - Electronic Payments
 - Account Transfers
- Petty Cash

Policies covering the authorization of payments are documented through the Accounting Policies of Muskegon County and approved by the Muskegon County Board of Commissioners.

SECTION 2: BANK ACCOUNT MANAGEMENT

All bank accounts must be in the name of Muskegon County and established using the County's EIN. The opening of new bank accounts and appointment of signors must be initiated by the requesting department and approved by the Treasurer. Should a new bank account be required, the requesting department must contact the Treasurer. When establishing new accounts, both the Treasurer and County Clerk have to sign for those accounts to be established. Muskegon County participates in a dual authorization process to ensure internal checks and balances with bank account management.

Requests to close bank accounts must also be initiated by the requesting department and approved by the Treasurer.

All general purpose cash of Muskegon County is deposited into the general pool. Within the general pool, BS&A - the County's accounting software system provides electronic segregation of restricted funds. Restricted funds are maintained in a segregated pool through electronic control in BS&A and are

not available for use for general County operations. Any funds not needed immediately for operations are invested in accordance with the Muskegon County's Investment Policy.

SECTION 3: CASH AND CHECK HANDLING

Central

- All cash received at the Muskegon County Treasurers Office is processed by the cashiers in the Treasurer's Office.
- All receipts must be processed using BS&A.
- Checks are endorsed by the cashier when received.
- A receipt must be issued for each transaction
- Daily, all cashiers shall balance their cash drawers to the cash receipting system.
- The supervisor shall review the cashiers' reconciliations and prepare the deposit at the end of the day.
- Deposits shall be made daily and will be picked up by armored car.

It is Muskegon County policy that all remote deposit captures; images of checks are stored physically for 30 days until bank reconciliation can be made. Electronic versions of all deposit captures are stored with the Cash Manager electronically for up to 4 years. These records are maintained within the County Treasurer's Office.

Off-site

- All cash is to be secured at all times either in a locked drawer, cabinet, safe or vault. Locations that have a cash register with a cash drawer are to ensure that the cash is never left unattended.
- Checks shall be restrictively endorsed as soon as they are received.
- Daily, all cashiers shall balance their cash drawers to the cash receipting system.
- Cash drawers/boxes shall maintain a minimal amount in order to make change. This amount varies based on the operation. The drawers shall balance to this amount at the end of the day.
- To the extent practical, cash and checks collected at offsite locations shall be sent to the

Treasurer's office.

- If the amount of money collected each day at a given off-site location is insignificant, then weekly deposit is acceptable. If cash is not deposited daily, all cash and checks shall be secured in a locked vault/safe until they are forwarded to either the Treasurer's Office.
- Deposits shall be transported in a locked or sealed money bag or tamper proof envelope
- Vault/safe combinations and key locations (if applicable) shall be changed as soon as possible if a person with access to either no longer works in that location.
- Periodic audits of cash receipts takes place regularly, as a procedure of the Cash Manager, monitoring subsidiary ledgers for each department on a weekly basis.

SECTION 4: CASH ACCOUNTING AND BANK RECONCILIATIONS

Cash Accounting

The accounting and reconciling of cash activity is performed daily. The "daily work" has two main categories, 1) Recording of daily transactions 2) Reconciliation of the daily activity and the cash pool.

Recording of Daily Transactions

The banks are "polled" each day. – Polling consists of receiving an electronic file from the bank reporting the activity of the previous days, a Daily Transaction Report (DTR).

- Receipts/Bank credits – certain recurring receipts are coded in BS&A to automatically post. Items that are not set up to auto post appear on a Daily Exception Report. The Cash Manager identifies and manually inputs all accounting items.
- Withdrawals/Bank debits – all debits (with the exception of returned items) are supported by documentation which consists either of one of the following; Check/ACH Disbursement Authorization Form, Offline Wire Requests, and other support as deemed appropriate. The accounting treatment is indicated on the respective form and input into BS&A by Cash Manager.

Reconciliation of Daily Activity and Pool

After all transactions have been verified and entered, the Cash Manager must perform the following procedures:

- Confirm that the ending daily balances in BS&A agree with the bank balances reported at the bank.
- Confirm that all cash deposits prepared and sent to the bank by the Treasurer's office appear on the check and deposit reconciliation report, ran daily in BS&A.
- Confirm that the all debit entries that were processed for the day agree with the transactions that were processed through the banks.
- Confirm that all debit transactions on the daily transaction report are supported with the appropriate form as indicated above.
- Confirm that activity within the pool is in balance. Upon completion of the above reconciling routine, an extraction file is produced and forwarded to the accounting department for posting to the general ledger. Balancing and uploads are to be completed within five days of the work date.

Bank Reconciliations

Monthly, all bank accounts are reconciled between the general ledger in BS&A and the bank balance by the Cash Manager. Reconciliations are to be prepared by staff and reviewed and approved by the Deputy Treasurer. Account reconciliations must be approved by the end of the month. Any unusual differences should be researched and corrected as soon as possible.

SECTION 5: ONLINE BANKING

Administration

Online banking access through the Pinnacle system is limited to two user operations, those who can view and those who can access and administer the bank accounts. The Cash Manager and Deputy Treasurer have administrator access to Pinnacle. All actions that take place within the online system through the County's accounting and cash management operations must be initiated by the Cash Manager, with review and approval level rights to the Deputy Treasurer. Administrators are the only users designated as Electronic

Transfer Officers (ETO). Any electronic transactions are initiated by the Cash Manager and approved by the Deputy Treasurer.

Electronic Payments

Wire transfers (wires) are electronic movements of money that take place the same day they are approved for payment. ACH (Automated Clearing House) payments are electronic movements of money that clear the day after the approval for payment.

- All disbursements of funds using an electronic transfer shall be conducted by the Treasurer's Office. All disbursements require supporting documentation detailing the goods or services purchased, the date of the purchase, the departments and activities serviced by the payments, the department head authorizing the purchase or contract authorizing the purchase.
- All electronic funds transfers must be entered through the general ledger and reviewed and approved by the Accounting Department, with the exception of transfers between accounts for funding purposes.
- All invoices being paid via electronic transfer shall be approved by the normal accounts payable review process.
- The following payments are not processed through accounts payable and do not follow the accounts payable review process, however – designated accounts are established for these exceptions and remain zero balance accounts:
 - Payroll
 - Federal and State withholdings
 - Investments, including payment of deferred compensation amounts to the appropriate institution
 - Certain employees benefit programs.
 - Other exceptions as defined by the Finance Director.

When the above payments are made to outside entities, a BS&A report must be prepared by the requestor and signed by the Cash Manager. Completed forms, along with supporting documentation will be forwarded to the Treasurer's Office for processing.

Account Transfers

Only maturing investments (bonds, CDs) are considered account transfers for the purposes of cash management. Transfers required for the purchase or maturity of investments are supported by applicable paperwork (trade tickets, copies of CDs, daily polling report for deposits from maturities, etc.) and the print out of the confirmation of the online transfer/wire. Each transfer is entered into the Muskegon County Investment Tracker System and forwarded to the Cash Manager for accounting input into BS&A.

SECTION 6: PETTY CASH

Muskegon County possesses a Petty Cash policy within the Accounting Departments Financial Policy, adopted by the Muskegon County Board of Commissioners. Beyond the general policy rules, the following procedural considerations are used with all Muskegon County Departments.

Upon request, the Finance Director authorizes cash advances to certain departments to establish Petty Cash Funds for incidental purchases of services and supply items which meet all of the following general criteria:

Expenses Allowed

- The item is considered essential to the operation of the requesting department.
- The supply item is not carried in the Stockroom.
- The item does not require prior written approval of an authority other than the requesting department.
- The item is allowable under Muskegon County policies.
- Other forms of payment are not possible.
- Coffee and food item purchases, if related to training and/or public consumption.
- Travel Expense Reimbursement

Expenses Disallowed

- Cash loans to employees.
- Purchasing items at a reduced rate or resale to employees.
- Cashing of paychecks, personal checks, government checks, travelers checks or money orders.
- Expenses such as: gifts, flowers, greeting cards, coffee, parking not related to county business, food items such as snacks, donuts, beverages, and lunches.
- Payment for items that are to be purchased through the purchasing system.
- Payments to independent contractors, consultants, awards, etc., to non-Muskegon County

employees. These should be processed through the Accounts payables payment process.

- Payments to employees for services, awards, bonuses, etc.

When requesting the establishment of a Petty Cash Fund or an increase in an existing Petty Cash Fund, the initiating department must complete a "Request for Petty Cash Fund" form. The initiating department must complete a voucher for the amount requested to establish or increase a Petty Cash Fund. The completed form and voucher must be submitted to the Finance Director for approval.

Security

Petty cash must be kept in vaults or locked files restricted to the custodian and the alternate custodian. Cash boxes with locks for additional security are also recommended.

Use of Petty Cash

Payments for services and supplies must be supported by a petty cash voucher along with an original receipt or invoice.

Replenishments

Replenishment of petty cash funds must be obtained by means of a voucher. The replenishment vouchers must summarize the Petty Cash Vouchers paid since the last replenishment, and include the original receipts or invoices for those transactions. The replenishment vouchers must be complete in all details (i.e., department, payee, fund, activity, line item, description and authorized signature). If the Accounting Manager determines that inappropriate payments were made, petty cash privileges may be revoked. Otherwise the Accounting Manager will sign the voucher and forward it to the Treasurer's Office for payment.

Annual Review of Petty Cash

Department heads shall review the status of their petty cash annually. If it is determined that the department has no further need for its cash advance or a part thereof, the unneeded cash advance should be returned to the Finance Director.

Petty Cash Audits

Petty cash may be audited (unannounced) at random times throughout the year. Any department found to be in violation of this policy may lose its petty cash privileges.

Loss of Petty Cash Advances

When a loss or shortage of petty cash is discovered due to theft or other causes, the department head will immediately notify the Finance Director, and confirm the notice with a written communication providing details of the loss or shortage, as known.