Effective Date: March 1, 2007
Revision Dates(s):

I. PURPOSE:

This Administrative Directive (A.D.) defines and outlines policy with respect to receiving, handling, safeguarding, and depositing of City of San Antonio ("City") funds. Cash handling controls, as outlined in this Administrative Directive, have been adopted for uniform application in all departments. These controls address the decentralized nature of the receipting and depositing process while providing for standardized training and a periodic review of cash collected and reported.

II. POLICY:

All employees of the City, including uniformed employees, in positions designated by the Finance Department as having cash handling responsibilities shall conduct all cash handling activities in compliance with rules and guidelines set forth by this Administrative Directive and by their respective departmental cash handling procedures. An acknowledgement form is required to be completed/signed by each employee classified as a cash handler to ensure they have a full understanding of this policy (Attachment A)

All City departments having cash handling responsibilities shall maintain, review, and update respective departmental cash handling procedures to assure compliance with this Administrative Directive. Any deviation(s) from this Administrative Directive must be approved by the Finance Department and detailed in departmental cash handling procedures.

III. DEFINITIONS:

A. **Cash Equivalents:** Checks, money orders, traveler's checks, credit/debit cards, and event tickets.

B. **Cash Handler:** All full-time, part-time, seasonal or temporary employees whose job description includes responsibility for receiving, transmitting, safeguarding, and/or depositing of City funds.

C. **Cash Handling:** The receiving, transmitting, safeguarding, and depositing of all funds received by the City, whether coin, currency, checks, money orders, traveler's checks, gift certificates, coupons, credit cards, stamps, ticket stock, electronic funds transfer, and other cash equivalents.

D. **Cash Handling Database:** Database of City positions designated as cash handlers with assigned risk factors based on cash handling activity.

E. **Cash Handling Site:** Designated City location where funds are received, transmitted, safeguarded and/or deposited, whether coin, currency, checks, money orders, traveler's checks, credit/debit cards, stamps, ticket stock, electronic funds transfer, and/or other cash equivalents.

F. **Change Fund:** A sum of money set aside for the purpose of making change where cash is collected.

G. **Covert Cash Funds:** Funds established by the San Antonio Police Department used to pay confidential informants and for investigative operations such as narcotics vice.

H. **Custodian:** Caretaker; the person in charge.

I. **Escrowed Funds:** Money that has been put in the custody of others.

J. **Fiduciary:** An individual or organization that is trusted to hold valuable items of another person.

K. **Final Disposition:** Final deposit or distribution or payment.

L. **Flash Funds:** One time funds used in San Antonio Police Department operations to stage and negotiate large narcotic, vice or other transactions in order to secure indictments for illegal activities.

M. **Fraud:** Intentional deception to deprive another person of property or to injure that person in some other way.

N. **Imprest Fund**: A fund into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor distributions (i.e. change fund, petty cash fund, cash refund fund). The fund amount always remains constant.

O. **Internal Control:** System that assures assets that belong to the City are received when tendered, protected while in the custody of the City, and used only for City related purposes. The system of internal control consists of all measures employed by the City for the purpose of (1) safeguarding resources against waste, fraud and inefficiency; (2) promoting accuracy and reliability in accounting and operating data; (3) encouraging and measuring compliance with City policy; and (4) judging the efficiency of operations in all divisions of the City. Internal controls are not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur.

P. **Misappropriation:** Using property or money wrong/illegally.

Q. **Mitigating Control:** Compensating measure implemented to identify irregularities after-the-fact, as opposed to primary controls that are intended to prevent fraud or detect human error at the point of its origination (i.e. supervisor reviews a batch of cash receipts at the end of a shift versus approving each transaction as it occurs at the point of sale or cash intake).

R. **Mutilated:** Disfigured, bent, destroyed.

S. **Negotiable (financial instruments):** Money or money equivalents that is easily transferable from one person to another (such as cash, traveler's checks, etc.).

T. **Outage:** Cash shortage or overage. A cash handler has a shortage when a collection error is made such as not obtaining physical custody of money or a change-making error. A cash handler has an overage when excess money is collected and the excess cannot immediately be returned to the customer.

U. **Overridden:** When controls are manually or electronically turned off or bypassed.

V. **Petty Cash Fund:** A fund used within an office to make small office purchases, which are $100.00 or less. Petty cash purchases are usually quick or to meet an emergency need.

W. **Post-dated Check:** Future dated check submitted in payment for City services and/or goods.

X. **Risk Factors:** Assigned to cash handlers based on cash handling activity.

a. High: deals with cash on a daily basis

b. Medium: deals with cash equivalents

c. Low: Infrequent users of small amounts of cash

d. (See A.D. 8.2 Criminal History Background Checks for Cash-Handling Positions, Section V, Subsection A.1. for added detail on risk factors)

Y. **Two-Party Check:** A check originally issued to another party ("payee") that is now offered in payment for City goods and/or services.

IV. POLICY GUIDELINES:

A. Background Checks

A background check with satisfactory results is a condition of employment for the City of San Antonio. Pursuant to A.D. 8.2, Criminal History Background Check for Cash Handling Positions, a criminal history background check will be conducted on all new hires, transfers, demotions, promotions and reclassifications into cash handling positions designated by the Finance Department. Interval background checks will be conducted on an on-going basis for those employees in cash handling positions, with timing determined by an assigned risk factor for the position.

B. Training

All employees in designated cash handling positions will have to successfully complete two (2) four (4) hour courses on cash handling policies. Successful completion of this course is defined as achieving a least a seventy percent (70%) passing grade on a test administered upon completion of each four hour course.

Upon successful completion of both courses, employees shall receive a cash handling certificate of completion. Cash handling employees not successfully completing these courses will have an opportunity to re-study and re-test a second time. Employees who fail to successfully complete required cash handling training are subject to termination, transfer and/or other employment action.

Departmental specialized and advance cash handling training may also be required (as identified by the department, while consulting with the Finance Department). Such training will be coordinated by the Finance Department and conducted by the Finance Department and Human Resources Department.

C. Performance Expectations/Standards

All cash handling departments will establish performance standards and success measures for all cash handling positions. When establishing standards, the cash handling environment, the average number of cash handling transactions, and the average amount of dollars collected shall be taken into consideration.

D. Discipline

1. **Civilian Employees**

   Failure to comply with this Administrative Directive may result in disciplinary action in accordance with the Municipal Civil Service Rules of the City of San Antonio, Rule XVII, Section 2. Discipline will be evaluated and based upon the number of violations and severity of the incident. The Human Resources Department must be consulted by a department when assessing the appropriate level of disciplinary action.

2. **Uniformed Employees**

   Failure to comply with this Administrative Directive may result in disciplinary action in accordance with Collective Bargaining Agreements between the City and uniformed personnel. Internal procedures adopted for uniformed personnel of the Police and Fire Departments must conform to the provisions of this Directive

3. Individuals engaged in fraud (i.e. theft) will be subject to immediate dismissal and possible legal action.

E. Applicable Federal, State and Local Laws and Regulations

State law requires that cash collection sites retain original records pertaining to cash handling. Consult the Texas Administrative Code Title 13, Chapter 6, "Records Retention Scheduling Rules" for the current retention requirements regarding cash related records (See website **http://www.tsl.state.tx.us/slrm/recordspubs/gr.html**).

V. RESPONSIBILITIES:

A. City Manager's Office

1. Establish an adequate internal control system over City cash and cash equivalents.
2. Direct the Office of Municipal Integrity to conduct cash handling investigations as deemed necessary.

B. Finance Department

1. Safeguard the City' financial assets and manage its financial resources in accordance with the goals of the City Council, City Manager and in compliance with applicable laws and generally accepted accounting and financial principals. Establish and update this Administrative Directive as necessary.

2. Perform cashiering functions in designated locations.
3. Approve additions and deletions of citywide personnel classified as cash handlers (i.e. custodians of petty cash and change funds). Approve the updating of the cash handling database for all cash handling positions, which includes department, job class, position and risk factor. (See A.D. 8.2 Criminal History Background Checks for Cash-Handling Positions, Section V, Subsection A.1.)
4. Approve the establishment of petty cash and change funds, including related amount of the fund.
5. Coordinate with the Human Resources Department to provide basic and specialized Cash Handling training.
6. Contact the San Antonio Police Department and/or Office of Municipal Integrity when a department has communicated a suspicion of theft or dishonest act by a City employee (i.e. missing or stolen funds). This determination will be dependent upon the dollar amount involved and the need for further investigation and/or law enforcement follow up.
7. Approve others authorized to inspect/review citywide cash handling operations.

C. Departmental Directors

1. Ensure the safeguarding of City funds.
2. Maintain clearly written and approved procedures for all areas of their department's cash handling operations.
3. Ensure procedures are in place to comply with this Administrative Directive and assume accountability for exceptions and deviations from this policy.
4. Provide the Finance Department a *"Cash Handing Database Change Form"* (See A.D. 8.2 Criminal History Background Checks for Cash Handling Positions for copy of database change form) requesting changes to existing departmental information, which is maintained in the cash handling database. The City Auditor's Office and the Office of Municipal Integrity will be given access to the updated database.
5. Ensure all employees hired, transferred, demoted, promoted and reclassified into designated cash handling positions are enrolled in cash handling training.

D. Cash Handler

1. Use due diligence in handling City assets so that reasonable protection is provided to those assets at all times.
2. Report to their Department Director, who should in turn alert the Finance Department, of any instance where a City employee has knowledge or suspicion of a theft or dishonest act by another City employee.

E. Office of Municipal Integrity

1. Coordinate and collaborate with the San Antonio Police Department on cash handling investigations, where appropriate.
2. Provide written reports of internal investigations to the City Manager's Office, Finance Department, and the City Attorney's Office.

F. City Auditor's Office

1. Perform announced or unannounced cash audits annually to determine compliance with this Administrative Directive.
2. Review Departmental procedures and guidelines and provide appropriate feedback to the City Manager, Finance Department, Human Resources Department, and other departments.

G. Human Resources Department

1. Maintain the cash handling database utilized for training and interval background checks.
2. Assist employees and departments with interpretation of this Administrative Directive.
3. Coordinate basic and specialized cash handling training.

VI. CASH HANDLING CONTROLS:

A. General Cash Controls

1. All employees with access to cash funds shall be covered under the City's Commercial Crime or Employee Dishonesty Insurance Policy as prescribed by the City's Risk Manager.
2. Cash handling sites shall have an individual designated by the Department Director as custodian with specific responsibility for cash handling at the respective location(s) during all shifts.
3. The number of employees with access to cash shall be limited for internal control purposes. Efforts shall be made for the physical separation of duties and responsibilities between the cash custodian and that of the individual or individuals that perform the accounting and recordkeeping function pertaining to cash.
4. Where the separation of responsibility is precluded due to limited available personnel, the supervisor shall perform specific verification steps for sound cash handling controls. This supervisor shall not be involved in the original transaction steps that are to be verified. Departments should confer with the Finance Department to establish other mitigating controls where separation of responsibility is precluded.
5. At least two people per cash handling site shall be involved in the cash handling process unless otherwise authorized by the Finance Department.

6. Where possible, cash handling duties shall be rotated on a periodic basis. This can help to prevent departments from becoming dependent upon one person for a particular function and can make it easier to identify and correct procedural weaknesses and breaches.

7. When practicable, cash handling sites will have alarm devices, videotaped surveillance, and/or electronic microphone recording installed.

8. If billing invoices are used, the cashier cannot make adjustments to an invoice. The supervisor/administrator shall make any necessary corrections, changes or adjustments.

9. Physical protection of cash through the use of bank facilities, armored vehicles, vaults, and locked cash boxes, locked cash bags, or locked drawers shall be practiced at all times. Armored car service will be made available to those cash handling sites that require such service. Departments, in conjunction with the Finance Department, shall assess the reasonableness, practicality, and security in determining the use of armored car service.

10. In general, collections in the field are prohibited unless specifically authorized by the Director of Finance.

11. Cash on the premises will be held to a minimum to reduce the amount of idle cash that is available, as well as for cash control purposes. Deposits shall be made within twenty-four hours. Departments, in conjunction with Finance, shall assess the reasonableness, practicality, and security in determining the timing for deposits, especially when deposits exceed the twenty-four hour time requirement noted above.

    Careful consideration shall be given the risk involved in holding idle cash and/or cash equivalents in the department versus the cost to make more frequent deposits.

12. Authorized personnel within the department who do not have custodial, accounting or recording duties and responsibilities, shall conduct periodic examination, count, or other review of cash.

    The Finance Department and the City Auditor's Office will also conduct random unannounced reviews and/or audits. The Office of Municipal Integrity will conduct investigations as directed by the City Manager's Office.

13. City departments, with assistance from the Finance Department, shall publish and update as necessary written cash handling instructions and procedures that will serve as procedural and training documentation for departmental cash handlers.

B. Receipting of Payments

1. Checks, traveler's checks, money orders and other negotiable financial instruments shall be endorsed as they are received.

2. All employees charged with the receipting of cash at the point of sale shall be provided by the department with a copy of the current fee and rate schedule as

well as the appropriate general ledger account codes. Fees and rates shall be posted in a clear and visible site for the general public's advisement. Posted information shall also include a contact telephone number for a customer to call if a transaction receipt is not provided to the customer when cash and/or cash equivalents are paid.

3. All handwritten receipts shall be pre-numbered to account for lapses in sequence.
4. All checks shall be made payable to the City of San Antonio and shall be accepted only in the amount of the sale or transaction. Checks may not be written for more than the amount due to the City
5. When accepting a personal check for amounts due the City, the cash handler shall capture the following payer's information and note same at the top of the check: 1) address, 2) telephone number, and 3) driver's license number. No temporary checks are to be accepted by cash handlers.
6. Post-dated or two-party checks will not be accepted.
7. Cash utilized for change ("Change Funds") and undeposited receipts shall not be used for petty cash purchases, loans, advances, or check cashing (except for the Finance Department's change fund, where the practice includes cashing City employees' personal checks).
8. Change Funds are not to be commingled with any other monies.
9. With the exception of the Finance Department no checks shall be cashed from cash receipts.
10. All departments with cash operations shall maintain a permanent collection record, such as a cash register tape, that has the record of all transactions including voids, refunds or cancellations. All revenues collected shall have a receipt or other proof of sale issued to the customer at the point of sale or collection whether handwritten or electronically generated.

    There shall be a means of capturing and summarizing daily transactions, which will be reconciled to the amount deposited.

C. Deposits

1. The general operating standard for deposit of negotiable instruments and cash with the depository bank shall be within twenty-four hours of receipt. This includes the counting and balancing of cash receipts for each shift and depositing such receipts intact (i.e. a deposit for each shift). Departments, in conjunction with Finance, shall assess the reasonableness, practicality, and security in determining the timing for the deposits where deposits exceed the abovementioned twenty-four hour requirement. All amounts that are not deposited on a daily basis shall be secured in a safe, vault or locked drawer.
2. Discrepancies between deposited amounts when compared to written receipts, cash register, or computer system generated receipts, shall be recorded along

with documentation of the responsible cashier. The supervisor shall review, on a daily basis, such documentation and follow up with the appropriate corrective action, if needed. Department Directors have the ultimate responsibility to ensure discrepancies are identified and corrective measures are taken.

3. All security and bid deposits received in negotiable form, as well as escrowed funds or other funds that require specialized handling, shall be deposited and held by the City Clerks Office until final disposition is made.
4. All performance bonds shall be forwarded to the Finance Department, General Ledger Section for safekeeping.
5. All deposits shall be made intact (i.e. a deposit for each shift) and sealed in deposit bag; departmental receipts shall not be used to create or replenish petty cash or other funds. Un-deposited receipts are not to be used for loans, advances, or check cashing.

D. Covert Cash Funds

1. Covert Cash Funds will be used to pay confidential informants and for investigative operations and will not be subject to the maximum dollar amount for purchases as defined under A.D. 8.5 Petty Cash Handling.
2. In order to maintain the confidentiality of cash transactions associated with covert and investigative operations, supporting documentation will be maintained by the San Antonio Police Department. The case number should be used when recording cash transactions in SAP.
3. Covert cash funds shall be established with the Finance Department's approval and controlled in the same manner as petty cash funds.
4. The San Antonio Police Department's Petty Cash Custodian will be responsible for the oversight and control of covert cash funds.

E. Flash Funds

1. One time funds used in San Antonio Police Department operations to stage and negotiate large narcotic, vice or other transactions in order to secure indictments for illegal activities and will not be subject to the maximum dollar amount for purchases as defined under A.D. 8.5 Petty Cash Handling.
2. The Chief of Police or designee will request in writing the disbursement of Flash Funds.
3. The Finance Director or designee will approve the distribution of flash funds and will also serve as the signatory for the disbursement.
4. Upon disbursement the San Antonio Police Department will be responsible for the oversight, control and safeguarding of flash funds.
5. Disbursement will be made payable to the Police Officer approved and designated by the Police Chief.

6. Flash Funds are to be returned to the San Antonio Police Department's Petty Cash custodian and deposited within two working days of disbursement.

F. Petty Cash

Petty cash funds shall be established pursuant to A.D. 8.5 Petty Cash Handling, and upon the approval from the Finance Department. Petty cash funds are public funds entrusted to the department for which the fund was established. Petty cash shall be used to purchase items or services on an emergency and infrequent basis, where it is not feasible or practical to submit a purchase requisition, request for payment, or use a procurement card.

G. Change Funds

1. Change funds shall be established with the Finance Department's approval and controlled in the same manner as petty cash funds; however, change funds are strictly revolving funds and require no replenishment. Change funds are established for the purpose of making change where cash is collected.
2. Petty cash or cash receipts shall not be commingled with change funds.
3. Change funds that are no longer needed to conduct the business for which they were established shall be deposited at the depository bank within 48 hours from the time it is determined that the funds are no longer required.
4. Funds established for postage shall be used for legal City correspondence and not for personal use.
5. No checks shall be cashed from a change fund (except for the Finance Department's change fund, where the practice includes cashing City employees' personal checks, as outlined below in Section F).

H. City Employee Check Cashing

1. City employee's personal checks in an amount not to exceed $100.00 may be cashed at the Finance Department, Collections Division. No more than one personal check may be cashed per day. No personal checks shall be cashed at any other departmental location without the advanced written approval of the Finance Department, Collections Division.
2. City employees will permanently be prohibited from cashing personal checks after a second personal check is returned due to non-sufficient funds.
3. Once a personal check is returned for non-sufficient funds, the employee's check must clear their bank within two (2) working days from the date of notification by the Finance Department, Collections Division.
4. No two-party or post-dated checks shall be accepted.
5. Rebate checks are not to be cashed.
6. The Finance Department, Collections Division, shall only cash City issued checks for the advance and reimbursement of travel expenses.

I. Returned Checks

1. Occasionally a deposited check may not clear the bank for one of several reasons: non-sufficient funds, account closed, stop payment, funds held, stolen checks, forgery, endorsement, or signature. Should a check be returned, the Finance Department, Accounts Receivable Section will notify the receipting department of the returned check.
2. The Finance Department will attempt to collect the funds for the returned check along with the City's returned check processing fee by mailing a demand letter to the writer of the returned check. Only cash, certified checks or money orders will accepted for payment of returned checks.
3. If collection efforts are unsuccessful after 10 days from the date of the demand letter the Finance Department, Collections Division will refer the returned check to the Bexar County District Attorney's Office for prosecution.

J. Refunds

1. Cash or credit card refunds are permitted only upon presentation of the receipt or other proof of purchase issued at the point of sale.
2. Departments authorized by the Finance Department to issue cash refunds will maintain a cash refund fund on an imprest basis.
3. Refunds shall be completed by charging the revenue General Ledger account that was originally credited.

K. Cash Storage and Safekeeping

1. Access to the cash drawer is limited to one person. The cash drawer shall be counted and balanced before another person takes possession of the cash drawer. Both parties involved in the cash drawer transfer shall be present when cash is counted, and a receipt shall be signed by the person accepting custody.
2. All areas around the cash handling sites shall be visible and without obstruction.
3. Access to departmental safes or other devices used to store cash on a temporary basis until deposited at the depository bank shall be restricted to a small number of employees. A safe's combination must be changed within two (2) business days after the departure of a person who has had access to the safe.
4. All funds shall be kept out of public view and shall be available for inspection by authorized representative(s) of the department, the Finance Department, the Office of Municipal Integrity, the City Auditor, or other authorized personnel as approved by the Finance Department. For money stored in a locked metal box or in a locked desk, the key shall be secured in another location of the office. Only certain assigned personnel shall have access to the key.

L. Foreign and Mutilated Coin

1. Foreign coin and currency shall not be accepted (except for international sites/offices). Only coins and currency issued by the United States Federal Reserve Board are legal tender. Traveler's checks must state "U.S. Dollars".
2. No bent or mutilated coins shall be accepted.

M. Other Guidelines

1. The Finance Department is responsible for creating and closing bank accounts.
2. Lost and found cash or its equivalent greater than $50 shall be deposited in compliance with Texas escheat laws after all reasonable attempts have been made to identify and return the lost and found money or its equivalent to the rightful owner. Amounts $50 or less shall be deposited to the appropriate fund based on the General Ledger coding identified by the Finance Department. If funds are properly claimed subsequently, these funds will be relinquished to the rightful owner through the standard accounts payable process.
3. Departmental controls shall include a practical means for employees to report instances where system controls are overridden that could be indicative of fraud (i.e. implement an effective "whistle blower's" program).
4. Cash handlers shall be watchful for counterfeit bills, checks, etc. Cash handling training shall be provided on this area of responsibility.
5. Senior staff shall monitor and reassess, on a periodic basis, any risk areas and adopt appropriate strategies to manage these functions and thereby minimize opportunities for loss. The preceding includes City departments conferring with the Finance Department on an as needed basis.

Effective Date: March 1, 2007
Revision Dates(s):

This directive supersedes all previous correspondence on this subject. Information and/or clarification may be obtained by contacting the Finance Department at 207-8620.

Recommended by:

Ben Gorzell Jr., CPA
Finance Director

1/23/07
Date

Approved by:

Pat DiGiovanni
Deputy City Manager

1/23/07
Date

Approved by:

Sheryl L. Sculley
City Manager

1-24-07
Date

CITY OF SAN ANTONIO

EMPLOYEE ACKNOWLEDGMENT FORM
FOR

ADMINISTRATIVE DIRECTIVE 8.1
Cash Handling

Employee:

I acknowledge that on _____, 20____, I received a copy of Administrative Directive 8.1, Cash Handling. I understand if I should have any questions I should contact my Human Resources Generalist.

_____	_____
Employee Name (Print)	Department
_____	_____
Employee Signature	SAP ID #