

## General Guidelines for Cash Handling Procedures

5.3.7

### PURPOSE

Managing and controlling the inflows and outflows of payments ~~to and from plan assets of the Federated City Employees Retirement Plan (“Federated Plan”) and the Police & Fire Department Retirement Plan (“P&F Plan”)~~ is ~~are~~ an important responsibility ~~iesy~~ of the ~~Finance Department, Treasury Division~~ Office of Retirement Services (ORS).

Ensuring the existence of policies and procedures governing all types of payments allows for ~~the~~ ORS’ effective management of ~~the City’s liquidity plan assets of the Federated Plan and the P&F Plan,~~ and its ability to meet all obligations, and aids in the defense against fraud.

### AUTHORITIES

26 U.S.C. § 401(a) – Tax Qualified Status of Retirement Plans

Requirements for qualification. A trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall constitute a qualified trust under this section—

(1) if contributions are made to the trust by such employer, or employees, or both. . . for the purpose of distributing to such employees or their beneficiaries the corpus and income of the fund accumulated by the trust in accordance with such plan[.]

Cal. Const., Art. XVI § 17(a) – Retirement Boards’ Independent Control over Plan Assets

The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

San Jose Municipal Code Section 2.04.2020A.1 and 2.04.2020A.5

The Director of Finance shall administer and enforce all ordinances and regulations relating to the collection of City taxes. Administer and supervise the risk management function of the City.

### SCOPE OF APPLICATION

This policy applies to ~~all City employees~~ ORS staff handling City funds plan assets of the Federated Plan and the P&F Plan. ORS only handles checks, and wire transfers, and cashier checks issued from the City Cashier’s Office.

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### POLICY

All persons engaging in any activity related to payments to and from the ~~City Federated Plan or the P&F Plan~~ must adhere to a system of internal controls that safeguard ~~City funds plan assets~~. Controls must promote accuracy and reliability in accounting and operating records, promote the efficiency of operations, and allow for the segregation of duties to ensure no one person performs all tasks. In addition, internal controls are in place to utilize procedural controls which govern the flow of transactions through a system.

Effective ~~cash-payment~~ handling management principles employ the use of industry approved best practices, as well as the implementation of sound internal controls. Utilization of the following will aid in the achievement of this common goal:

1. The organization's structure should provide for the segregation of functional responsibilities such as invoicing, receipt of payments, and record keeping.
2. The work environment must be conducive to safeguarding money. This includes proper office layout with ~~counters, safes, cash boxes, cash registers/terminals, camera and video monitors, alarm buttons, etc.~~
3. Employees must be qualified and trained in proper ~~cash-payment~~ handling techniques.
4. There must be sufficient staff to permit segregation of functions.
5. Limited access should be given to persons handling ~~cashpayments~~.
6. Sound practices and procedures must be established and followed at all times in the performance of ~~Department-ORS~~ functions.
7. Where a work unit is not large enough to allow for proper segregation of functions, or if the work environment does not permit the optimal physical facilities, management oversight must be increased commensurately.

### PROCEDURES

#### Establishment of Receivables:

~~City of San Jose invoices with an invoice number must be issued when it is determined that an amount is due and payable to the City.~~

~~Adjustments to the original invoice must originate in the initiating Department according to their internal procedures.~~

#### Collection of ~~Revenue~~ Payments to Plan Assets:

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Payments can be made in a variety of ways including check, credit card, debit card, wire transfer and cash. Individuals that wish to make credit card, debit card or cash payments are sent to the City's Cashier's Office to make these payments. The City's Cashier's Office must then provide ORS with a deposit receipt.

1. Cash payments ~~must~~ may only be made in person at the City's Cashier's Office.
- ~~2. Cash transactions must be reconciled and balanced each day. Cash on hand must be equal to the total cash receipts issued or cash register totals, less any change fund.~~
- ~~3.2. Check payments can be made in person or mailed. , and ORS shall put checks received in ORS' safe and record the check into the Financial Management System ("FMS") at least once a week. Once recorded into FMS, ORS shall then send the checks to the City Cashier's Office. If there is no designated lockbox to receive mailed payments, they should be sent to the Finance Department, Payment Processing. Any variance from this procedure must be approved in writing by the ORS Accounting Division Manager.~~
- ~~4.3. Credit card payments may only be made in person at the City's Cashier's Office. should be made through online payment platforms, mailed to a designated lockbox, made in person, or called in to a payment processor or other authorized person.~~
- ~~5. Information collected for credit card payments must be done in a Payment Card Industry (PCI) compliant manner. Information can only be written down temporarily until it can be entered into a secure payment environment. Once entered, the temporary document must be securely destroyed. All personnel have the responsibility to safeguard this information.~~
- ~~6. Departments have the responsibility to make sure their expected collection is received by the Finance Department~~
- ~~7. Delinquent payments for invoiced receivables must be pursued by the Finance Department, Revenue Management Division staff through delinquency notices, delinquency fees, small claims court, collection agencies, and/or legal action.~~
- ~~8. For on the spot transactions taken at the counter or in the field, numbered and controlled receipts must be issued when receiving payments.~~
- ~~9. Revenue collected in the field must be turned in daily to the Department's collection point.~~
- ~~10. Revenue collected in the field or remote locations must be reconciled on a daily basis.~~
- ~~11. Revenue collected at individual sites and not immediately deposited must be kept in an alarmed facility with a stationary, locked safe.~~
- 12.4. Each employee with the responsibility for collecting payments must be accountable for his/her transactions. Employees handling a variety of payments types (cash, checks or

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~~credit cards) must have their own locked cash drawer and change bag. Any variance from this procedure must be approved in writing by the Director of Finance.~~

~~13.5.~~ All overages and shortages must be reported immediately according to the procedures described in City Policy Manual Section 5.3.5, Cash Overages and Shortages.

### Deposit of ~~Revenue~~ Payments Made to Plan Assets:

1. Each City site that collects payments for deposit into plan assets must prepare the deposit of these funds to the Federated Plan or P&F Plan account in the City's bank. Deposits may be ~~made daily once a week, or less often, depending on the average amount collected.~~ All receipts being deposited must be placed in an sealed bank bag envelope along with the deposit slip and /or information required by the bank summary page. Copies of the deposit slip must be provided to the Plan's custodian, the Finance Department, Accounting Division.
- ~~2. The City employs an armored courier service to pick up deposits at the various sites according to a predetermined schedule and deliver the deposits to the bank. If operations do not permit armored courier pickup, two employees must transfer the deposit either to the bank or City Hall. Changes to the armored courier schedule must be arranged through the Finance Department, Treasury Division.~~
- ~~3. Revenue not deposited on the day of receipt must be placed in a stationary safe in an alarmed building. A Department may keep non-deposited receipts in an issued, sealed bag overnight in the Finance Department, Treasury Division vault. Any variance to this procedure must be approved by the Director of Finance.~~
- ~~4. Some remote sites and City Departments (with large volumes of checks) may deposit checks digitally. Users must print an electronic deposit slip to keep for their files and make a copy for the Finance Department, Accounting Division. The actual checks should be stamped, endorsed, and filed securely for thirty (30) days. After thirty (30) days, the checks must be destroyed. Images of the checks are available through the online banking website. For more information, refer to City Policy Manual Section 5.3.2, Check Processing.~~
- ~~5.2.~~ Departments issuing invoices should strive to have check payments sent to a bank lockbox. This is the most efficient means for receiving payments. The bank will provide a file to the City that can be uploaded to the various systems to book the payments to the customer's accounts.
- ~~6. A collecting Department must prepare a revenue voucher in order to book the receipt of funds into the City's accounting system. A copy of the revenue voucher should be kept with all supporting documents and retained in the collecting Department's files.~~

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- ~~7. A supervisor must review and sign approval of all revenue vouchers except where alternative procedures are approved by the Director of Finance.~~
- ~~8. Deposits received by cashiering staff in the Finance Department, Treasury Division before the courier pickup will be deposited that day. Deposits received after that time will be locked in the vault overnight and sent to the bank the next day.~~
- ~~9. Treasury Division cashiers must reconcile their daily total cash receipts with the total revenue vouchers. Once reconciled, receipts must be placed into a sealed bag and placed in the vault overnight.~~

### Accounting for ~~Revenue~~ Payments Made to Plan Assets:

1. ~~Each Department~~ ORS must maintain with the Finance Department, Accounting Division, an up-to-date Signature Authority Schedule, identifying by name and title the employees authorized to sign for issuance of financial forms and to sign documents for approval. This list must be approved by the Director of Finance.
2. ~~When the day's revenue receipts and deposit information is received from the Departments, the Finance Department,~~ ORS Accounting Division must verify dates, account coding, ~~authorized approval signatures,~~ proper supporting documentation, and bank deposit totals. ~~Any missing information must be accounted for by the responsible Department.~~
3. ~~The Finance Department,~~ ORS Accounting Division must enter ~~revenue~~ payment information into the Citywide Financial Management System, prepare financial reports, and retain supporting documents in such a manner to provide an audit trail for verifying the accuracy and completeness of accounting for revenue.
- ~~4. Daily reports with backup documents must be prepared in sufficient detail to allow verification of revenue account distribution.~~
- ~~5. Department procedures must provide for periodic audits of all cash handling locations and field collections. An employee in the Department's administrative fiscal unit could perform such an audit. The results of these audits must be reported to the Department Director. Major exceptions must be reported to the Director of Finance and the City Auditor.~~

### Non-Revenue Cash Handling Procedures

#### Petty Cash and Change Funds:

- ~~1. A Department must obtain approval from the Director of Finance to establish a fund or to change the amount of an established petty cash and/or change fund.~~
- ~~2. Petty cash and change funds must have a designated custodian and alternate.~~

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- ~~3. Only the designated or alternate custodian is to have access to petty cash or change funds.~~
- ~~4. A petty cash transaction may not exceed \$100.00 including sales tax, shipping and handling.~~
- ~~5. A Department must maintain a petty cash log of expenditures which includes signature of employee receiving reimbursement. All variances to this procedure must be approved by the Director of Finance.~~
- ~~6. Petty cash expenditures must be documented for fund reimbursement, which includes signatures of both the employee requesting reimbursement and the employee authorizing expenditure.~~
- ~~7. A petty cash or change fund must be stored in a locked box, in a locked desk drawer, or other secured location. Restricted access to the drawer or location must be maintained.~~
- ~~8. A Department must maintain an adequate balance in a change fund.~~
- ~~9. The Department Director or designee must sign the reimbursement voucher to certify the validity and receipt of items purchased with petty cash.~~

### Special Checking Accounts:

1. The City no longer allows special checking accounts. ~~Departments who have~~If ORS has a need to write manual checks, it must contact the Finance Department, Accounts Payable staff. For more information, refer to City Administrative Policy Manual Section 5.3.2, Check Processing.