



ARLINGTON
VIRGINIA

DEPARTMENT OF MANAGEMENT AND FINANCE

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FUNDS HANDLING POLICY

Policy No: DMF-ARC-1

Effective Date: November 1, 2017

Supersedes Policy No: N/A

Superseded Policy Date: December 2015

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1. BACKGROUND AND PURPOSE

Strong internal controls for funds collection are necessary to prevent mishandling of County funds and are designed to safeguard and protect the County and its employees. A well-balanced system for cash collections and accounting of cash should withstand the test of good cash handling procedures for timeliness, propriety, accuracy, safety and documentation. Strong controls minimize risk and protect both, cash and the person(s) involved in handling cash as well as ensure appropriate revenue recognition and reporting. Departments must ensure tight and clear written procedures exist and managers and employees are aware of policies and have appropriate training, especially during transitions. Annual refresher training for employees involved with funds handling is highly encouraged. Documentation must be established, to ensure appropriate segregation of duties exist amongst personnel who handle funds, record, approve and reconcile cash transactions. Cash receipts and all funds received must be deposited and recorded correctly, in a timely manner, in accordance with this policy and against the correct account code segments to ensure correct revenue recognition.

This policy establishes uniform procedures to be followed for the collection, custody, reporting and deposit of funds for all departments in Arlington County.

- 1.1. All departments handling funds in the County should adhere to this Policy and may have a written funds handling policy specific to their department in alignment with the County's Funds Handling Policy, regardless of the amount of funds handled. The specific language in this policy or reference to this policy should be incorporated into the department's funds handling policy, which should reflect the operating needs of the department and may be more restrictive, but not less restrictive.
- 1.2. In reference to this policy, "Funds" include cash and cash equivalents e.g., coins, currency, check, cashier's check, travelers check, money order, and credit/debit card transactions. "Funds" may include taxes, fees, fines, reimbursements, charges, intergovernmental revenues, donations, etc., or deposits related to any County-



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sponsored activity or activities and may include instances where employees are custodian of funds that do not specifically belong to the County.

- 1.3. Whenever possible, please encourage the use of credit/debit cards or on-line portals to minimize the amount of cash being handled.

2. OUTSIDE CHECKING OR OTHER BANK ACCOUNTS

The opening of checking or other bank accounts by County personnel for transacting County funds is strictly prohibited, unless approved by the Treasurer's office. Requests for opening and closing bank accounts should be directed to the Treasurer's office for approval, with a copy to the Comptroller. Trustee related bank account initiation will be handled by an authorized designee within the Department of Management and Finance and must be approved by the Comptroller or Director of Finance. The Treasurer's office has signatory authority to open and close County bank accounts. All bank account reconciliations will be handled by the Treasurer's office.

- 2.1. For special situations where funds are collected and expended for a County function that is not related to the normal operations of the day-to-day business of the department, setting up a Trust and Agency fund/account may be appropriate. Agency funds, account for those assets that are held in custodial capacity for individuals, private organizations, or other governments. Trust funds account for governmental external investment pools, pension trusts held under fiduciary capacity, where the assets and income is to be used for the benefit of specific individuals, private organizations, and other governments. This includes situations where County employees are accepting donations for non-County sponsored events (employee is custodian of funds) and the vendor is remitting donations/funds via ACH, checks or other means. For ACH transactions, departments must contact the Treasurer for wiring instructions. Contact the Comptroller and Budget Director for further guidance on setting up the Trust and Agency funds/accounts.

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3. EMPLOYEES HANDLING FUNDS

Only employees of Arlington County have the authority to handle funds as defined above. Employees handling funds are required to read and understand the requirements of this policy and their department's funds handling policy (if applicable). Employees must be authorized prior to handling funds and electronically complete the *Authorization to Handle Funds Form* available on the Accounting, Reporting and Control (ARC) Division intranet page at [ACommons/Finance/Accounting, Reporting and Control](#)). Managers/Supervisors should ensure that the form is completed by all new employees handling County funds or when personnel changes occur. The completed *Authorization to Handle Funds Form* should be signed by the employee and approved by the supervisor as well as the Department Director. Signed forms will be routed to the County Comptroller. Step by step instructions for submitting the form is available on the Accounting, Reporting and Control Division (ARC) intranet page.

- 3.1. Employees, as part of their job responsibilities, should not be handling funds that are intended for a group or individual other than the County (e.g., as a custodian or agent), unless approved for specific business/justifiable reasons by the County Comptroller.
- 3.2. Volunteers and Contracted staff do not have the authority to handle funds due to or belonging to the County.
- 3.3. Any outside vendor receiving funds on behalf of the County must be approved by Comptroller or in some cases, applicable to the Treasurer or designee (for vendors used specifically by the Treasurer's office).

4. FUNDS COLLECTION POINTS

Funds handling operations are spread throughout the County and range from locations that handle a high volume of funds to locations that handle occasional funds.

- 4.1. County departments are required to report all funds collection point information to the Comptroller through the information required on the *Authorization to Handle*



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Funds Form. Departments must ensure that cash collection point and authorization forms are kept current. Authorizations to collect funds must be approved before the individual is assigned the responsibility. The Department of Management & Finance (DMF) will maintain a list of all cash collection points across the County where funds are collected and the list will be available to view on the Accounting, Reporting and Control (ARC) Division, intranet page, at [ACommons/Finance/Accounting, Reporting and Control](#).

- 4.2. The Comptroller must be notified when departments setup new funds collection points through the *Authorization to Handle Funds Form*. All new funds collection points must be approved by the Comptroller in DMF. The Treasurer or designee for Accounting and Treasury Management must approve all new funds collection points applicable to the Treasurer's office before collection begins.

5. PHYSICAL SAFEGUARDS AND ACCESS TO FUNDS

- 5.1. Funds received at each location must be adequately safeguarded at all times. All locations receiving funds must have a drop safe available. The drop safe must be placed in a secure location with access only to limited and appropriate personnel.
- 5.2. During business hours, all funds received that day must be kept in locked drawers, cash registers or the safe.
- 5.3. Funds totaling more than \$250 in a given day kept in locked drawers or a cash register, must be moved to the safe. All funds kept overnight must be moved into a drop safe and locked. Funds collected at separate cash collection points (if applicable) must be remitted to the central department/division responsible for depositing, no later than the business day following the collection of funds or initial receipt by the County, when applicable. The department/division is responsible to route the funds at the earliest for deposit to the bank. All funds must be ultimately deposited in the bank within 5 working days of initial receipt by the County. If funds are being sent to the Treasurer's office, please give enough time for the treasurer's office to deposit the funds.

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- 5.4. Procedures must be in place for documenting the amount of funds and the person handling the funds that are placed into and taken out of the safe. Funds should be placed into a sealable bag, with relevant documentation that includes date, amount, name of employee and purpose of funds each time an employee places funds into the safe and an employee removes funds from the safe. A second copy of this documentation should be maintained in a log that is kept external to the safe.
- 5.5. The number of individuals with access to the combination to any particular safe will be kept to the absolute minimum necessary to ensure proper handling of funds. A list of staff who have access to the combination to each safe will be maintained by one employee in the department who does not handle funds, as designated by the Department Director.
- 5.6. Safe combinations will be changed each time an individual who had access to the combination no longer needs access (such as job changes or termination of employment).
- 5.7. Where feasible, deposits to the bank or the Treasurer's office should be made daily or at the earliest opportunity but funds must be deposited in the bank no later than 5 working days after initial receipt by the County ([Refer to Section 9 - Deposit Process](#)). There must be a cash count, documentation and sign-off by the parties involved when funds transfer hands and prior to the funds being deposited.
- 5.8. Two staff persons should be present when funds are counted and/or transferred from one staff person to another and both should sign a document indicating the amount of funds counted and/or transferred. For situations when only one staff person is at the site where funds are handled, safeguards such as a drop safe and controls applicable to the operations must in place and appropriate documentation and sign-off must be completed to ensure accountability.

6. CHECKS OR MONEY ORDERS RECEIVED

- 6.1. All checks must be endorsed immediately with a restrictive endorsement stamp indicating "For Deposit Only, Treasurer Arlington County", and the receiving



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department's name unless, remote deposit functionality (check scanners with endorsement functionality) is being used by the recipient department. When check scanners are used, checks must be retained in a secure location for 30 days from the date of deposit and verified to ensure the funds received have posted to the general ledger, before destruction.

- 6.2. No check or money order will be accepted from a customer if the date on the check or money order is more than 30 calendar days prior to the date of initial receipt or if the check/money order is undated. Checks and money orders that do not meet the specifications outlined in this policy must be returned to the customer with a request for a compliant check, money order or other acceptable form of payment.
- 6.3. No check or money order will be accepted from a customer if the date on the check or money order has a future date (a "post-dated" check). Checks and money orders not in compliance with this requirement will be returned to the customer with a request for a compliant check, money order or other acceptable form of payment.
- 6.4. Checks should be made payable to "Treasurer, Arlington County", although reasonable variations such as "Arlington County" or "Arlington County, Virginia" or "Arlington County Government" or "Arlington County Department of {department name}" may be accepted. Under no circumstances should anyone accept checks made out to third parties and endorsed over to the County.
- 6.5. If checks or money orders are presented without a signature, the recipient department should make immediate arrangements to return the check to the original owner and request signature or a replacement check.
- 6.6. If the check is presented and there is a conflict between the "written amount" and the "numeric amount", the "written amount" is considered the legal and controlling value. If that value does not satisfy the payment of the transaction(s) intended, the recipient department should make immediate arrangements to return the check to the original owner and request a replacement check. If checks or money orders that don't meet the requirements were erroneously received and deposited,

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arrangement should be made to notify the owner immediately of the discrepancy and the payment in full or partial refund should be made.

7. FUNDS RECEIVED IN PERSON

- 7.1. Receipts should be created and issued for all funds received in person. If the customer does not accept the receipt, proof of receipt generation must exist. At a minimum, receipts must include the date, mode of payment (cash, check or credit card), and the identification of the department and the employee issuing the receipt. Pre-numbered receipts are required. Receipts may be generated either through a receipt book or a County established receipting system.
- 7.2. When possible, cash received in person must be counted with two staff persons present and documented. Documentation should include the date, amount of cash received and signatures of the employees counting and verifying the cash received.
- 7.3. All voided receipts should be approved by the employee's supervisor.

8. FUNDS RECEIVED THROUGH THE MAIL

- 8.1. When possible, mail that contains funds should be opened with two staff persons present.
- 8.2. Payees should be informed that payment by mailing in cash is not permitted. If cash is received in the mail, two staff persons should be present and document the receipt of the cash.
- 8.3. A mechanism should be in place for documentation or tracking of funds received through the mail and should include the date, amount of cash received and signatures of the employees counting and verifying the cash received. A copy of the receipt generated from an official County system or pre-numbered receipt book, as applicable should be maintained upon entering the payment and, in the case of checks received, a copy of the check should be maintained in a secure location, as required with all sensitive or confidential information.
- 8.4. All payments received by mail should be recorded in a transmittal log which should accompany the deposit. The transmittal log should include the date, amount of



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funds received by type (cash, checks, debit/credit) and purpose. This log should be audited by the supervisor quarterly during the year, at a minimum, to ensure it is getting completed correctly.

9. DEPOSIT PROCESS

- 9.1. Funds received for deposit must reach the Treasurer’s Office or be directly-deposited to the designated bank as soon as feasible, but deposits to the bank must be made no later than 5 working days after initial receipt by or on behalf of the County, as applicable. There may be times when deposits cannot be made 5 working days after receipt, but these situations should be rare. In those instances, requests for exceptions should be sent to the Comptroller via email with justification as to why the deposit could not be made within 5 working days, and state a date when the funds will be deposited in the bank. Exceptions will only be approved for rare and justifiable situations. Under no exception, should the requested deposit date exceed 10 working days.
- 9.2. Supporting documentation for deposits made directly to the bank must be submitted to the Treasurer’s Office within 24 hours of each deposit. The documentation will include a Cash Receipt Input Form (CRIF), unless a different system generated mechanism is approved by the Comptroller. This may be hardcopies or automated forms, as applicable) and must include complete and correct accounting distribution(s).

10. CREDIT CARD SYSTEMS

- 10.1. All credit cards systems used to receive payments for County goods or services must be approved by the Treasurer and processed through a County approved vendor.

11. BALANCING AND RECONCILIATION

- 11.1. All funds received must be reconciled to the amount recorded in the County’s Financial System (PRISM) monthly, before the general ledger closes for the month (please refer to the *Close Calendar* posted on the intranet at



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[ACommons/Finance/Accounting Reporting and Control](#)). If a department utilizes another system of record (stand-alone system) for operational purposes, such as for receipting, tracking of funds, revenue, receivables, etc. the system information must be accurate and financial information must be reconciled with the general ledger on a monthly basis.

- 11.2. Cash must be reconciled separately from checks, debit/credit cards and money orders by comparing actual cash received to the sum of the cash received on the receipts.
- 11.3. Reconciliations must include adequate supporting documentation that must be attached to the CRIF. Reconciliations should include a date, clearly printed name and signature of the preparer and the reviewer.

12. SEGREGATION OF DUTIES

- 12.1. The staff at the funds collection points must maintain clear separation of duties. An individual should not have responsibility for more than one of the following cash handling components: collecting, depositing, disbursement, and reconciling. If staffing is not sufficient to allow separation of duties, there should be regular oversight by another employee or a review and approval process must occur. At a minimum, reconciliations must be done by an independent individual not involved with collecting, depositing and disbursements.
- 12.2. Departments must ensure there is a system of checks and balances in place so that no one employee is allowed to complete related steps in a process from beginning to end.
- 12.3. In locations that use cash drawers, controls need to be in place to maintain safeguards and accountability for the funds in the drawer. When possible, avoid the use of the same cash drawer concurrently by multiple employees, and require drawer counts and documentation at shift changes.

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13. CASH OVER/SHORT

- 13.1. Employees who handle cash are expected to be careful, accurate and to settle their funds each day without overages or shortages. However, there is the possibility that differences may occur from time-to-time and any overages and shortages must be documented.
- 13.2. A cash overage or cash shortage occurs when the cash received is more than the amount recorded by the receipts (“over”) or less than the amount recorded by the receipts (“short”).
- 13.3. Over/short amounts must be investigated and resolved to the extent possible.
- 13.4. All documentation of cash overages or shortages must be signed by the employee’s supervisor.
- 13.5. Any single variance, positive or negative, of \$100 or more must be reported to the County Comptroller, via email immediately with reasons behind the variance and the steps taken to correct and mitigate such situations.
- 13.6. Employees with a pattern of cash overages/shortages may be subject to discipline under Administrative Regulation 2.7, Chapter 18 §2.3.4. Failure to comply with departmental policies or procedures.

14. RECORDS RETENTION

- 14.1. County related documentation must be maintained on the County’s network. County documentation should not be maintained on local drives as it runs the risk of not being retained if an employee terminates employment or is lost if the system is compromised.
- 14.2. All cash receipts and related supporting documents must be maintained for audit purposes and as required in accordance with Code of Virginia § 42.1-85, the Library of Virginia (LVA) Record Retention and Disposition Schedules. The LVA guidelines are subject to change and could be different depending on the type of supporting information or document.



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14.3. If you have any questions about records retention, please review the guidelines at http://www.lva.virginia.gov/agencies/records/sched_local/index.htm or contact the Chief Records Management Office (records@arlingtonva.us) for advice.

15. PROHIBITED TRANSACTIONS

- 15.1. Under no circumstances should disbursements be made from cash receipts. Cash collected at sites may not be used to pay for vendors, staff, instructors, umpires, referees, contractors, reimbursements, petty cash or other expenses of any kind to include the cashing of third party checks.
- 15.2. Checks or credit card transactions cannot be written or received for more than the amount of the purchase.

16. REPORTING THEFT, ROBBERY

- 16.1. In the event of robbery of any kind, staff should not attempt to physically interrupt or otherwise resist the perpetrator. The employee's health and safety are more important than the funds lost.
- 16.2. Immediately following a robbery attempt, staff must notify the Police Department, immediate supervisor and the department director. The department director must then immediately notify the County Comptroller and the County Manager. Written notice of all details of the theft shall be given to the Police Department and the County Comptroller and the County Manager's Office no later than twenty-four hours after discovery.

17. EXCEPTIONS TO THE POLICY AND POLICY QUESTIONS

- 17.1. Exceptions may only be granted if approved by the Comptroller, for rare situations with justifiable business reasons routed through the Department/Division head.
- 17.2. Policy related questions or clarifications must be routed through the Department/Division head to the Comptroller.

ADDENDUM: FUNDS HANDLING POLICY

This Addendum is incorporated into and made part of the Funds Handling Policy as of December 15, 2020.

1. The limit of 5 working days for depositing checks after initial receipt found under paragraphs 5.3, 5.7 and 9.1 is extended to 10 working days.
2. The exception provided under paragraph 9.1 is extended to 15 working days.
3. This Addendum will remain effective until the County Board terminates the continuity of operations ordinance.