



## **CITY OF PITTSBURG, KANSAS CASH MANAGEMENT POLICY**

### **INTRODUCTION**

All aspects of financial management benefit significantly from strong internal controls, but none more than revenues and cash. Effectively managing cash helps create a sustainable financial position.

The Government Finance Officers Association (GFOA) recommends that sustainability be considered a core value when setting organizational goals, policies, and business practices in all areas of public finance. Sustainability addresses establishing practices that meet present needs without impairing the organization's ability to meet its future needs by depleting resources through current economic consumption.

Likewise, financial sustainability can be defined as, "...a government's ability to manage its finances so it can meet its spending commitments, both now and in the future,... ensuring that future generations do not face an unmanageable bill for government services provided to the next generation."

A cash management policy helps ensure sound financial practices.

### **PURPOSE**

The purpose of the Cash Management Policy is to establish a framework from which the City Commission, City Manager, and all city departments may work to maintain effective revenue controls and cash management practices, including compliance with federal, state and local requirements and industry standards.

### **SCOPE**

This policy will address elements of cash management as follows:

- Segregation of cash related duties
- Timely receipts and deposits
- Scheduling disbursements
- Investing idle cash
- Reducing the need to borrow by building reserves

- Determining the timeliness of debt issuance to ensure available cash for capital improvements
- Periodic independent verification through internal audits and an annual audit performed by external auditors
- Periodic review and updates to policies and procedures as needed to meet changes in federal, state, or local regulations, industry standards, and specific City circumstances that require changes in processes.
- Timely reporting to City Commission, City Manager, and others as necessary
- Bonding the City Treasurer in accordance with Kansas Statutes

## **CASH MANAGEMENT POLICY STATEMENT**

The City of Pittsburg is committed to:

- Cash receipting and depositing:
  - The City will systematically gather, record, maintain, and report cash and investment information in a timely and accurate manner in accordance with federal and state regulations, generally accepted accounting principles, and other industry standards.
  - The City will ensure that cash and investments are properly deposited, reconciled, and insured against loss and placed with City Commission authorized depositories in an accurate and timely manner.
  - The City will receipt monies using pre-numbered receipts or receipt numbering established automatically by the City financial system and deposit daily in a City Commission authorized depository.
  - Receipts will be updated to the general ledger daily. All monies received must be accounted for by fund, account, and source.
  - The City will ensure that employees who handle cash will be skilled, and fully trained; department directors will ensure employee segregation of duties in order to reduce the risk of misappropriation.
  - The City will review shortages of significant amounts of money, or consistent shortages of small amounts, which may arise from misappropriation, and implement disciplinary action up to and including termination, as needed.
  - The City will make a reasonable effort to determine the cause of the shortage or overage and correct it. Significant overages will be investigated carefully and employees experiencing high amounts or frequent overages or shortages will be relieved of cashier duties.
  - The City will make every attempt to recover significant amounts of shortages that may arise from misappropriation.
  - The City will appropriately record overages or shortages in the daily cash collection report as an overage or shortage.
  - The City will secure cash, checks, money orders, and other forms of tender in a secure location until such time as it is delivered to the Finance office and/or bank. The City will avoid using bank night drop boxes.
  - The City will not exchange cash for checks, nor will the City accept a third party check (a check made payable to someone other than the City) in payment of a debt owed to the City. In addition, the City will not accept checks for overpayment when the intent is to refund cash back to the customer.

- The City will explore all available options in the collections of insufficient checks and other forms of uncollected receivables.
- The number of checking accounts will be kept to a minimum in order to reduce the complexity of cash management, but will be in accordance with statutory and other requirements.
- The City will encourage the use of wire, ACH, direct deposits, and other electronic forms of receipts, deposits, and payments whenever possible to reduce the risk of error, reduce the opportunity for misappropriation, reduce the level of returned checks, and ensure more rapid turn-around time on receivables.
- The City will establish segregation of duties so that no one employee has responsibility for every phase of cash receipting and depositing, disbursement, reconciliation, and reporting of cash transactions.
- The City will integrate receipting and accounting systems whenever possible.
- The City will provide fraud reporting procedures. Any suspicion of fraud will be reported to appropriate personnel in a timely manner for further investigation.
- Suspicion of non-compliance with internal control procedures will be reported to the appropriate personnel for further review in a timely manner.
- The City Finance office will serve as primary recipient for all revenue collections sites and will ensure that deposits are transported to the City Commission authorized depository. The City currently does not utilize remote deposit capture for processing checks, but may consider doing so in the future.
- Cash collection points will be established at each location where customer services are provided and documented internal controls will be established at each collection point. Each collection point will document receipts and provide secured cash and checks (i.e., in locked bank bags) along with receipt reports to the City Finance Office daily.
- Billings initiated by the City or on the City's behalf by a contracted third party will be generated in a timely manner.
- For monies received in advance of revenue recognition criteria or for monies which are expected to be refunded to a payee upon completion of performance measures (i.e., water deposits), the funds shall be deposited into a restricted account or trust fund, or appropriately identified in the appropriate fund as a liability. Any interest accrued on these funds will be paid back to the individual in accordance with Kansas State statutes.
- Once the payee has met the performance requirements, monies will be refunded in a timely manner. Or once the City has met the requirements of revenue recognition, those restricted monies will be recognized and revenue and transferred to the appropriate fund in a timely manner.
- Departments generating revenues will have oversight and input in determining applicable and appropriate levels for developing the budget. Monitoring budgeted revenue collections will be performed in a timely manner throughout the year.
- At the end of each fiscal year, all revenues earned but not received will be recognized as a receivable to that fiscal year, in accordance with generally accepted accounting principles (GAAP).

- Returned payment processing:
  - The City's definition of giving a worthless payment is "the making, drawing, issuing, delivering, or causing or directing the making, drawing, issuing or delivering of any payment, order, or draft on any bank, credit union, savings and loan association or depository for the payment of money or its equivalent with intent to defraud **and** knowing at the time of the making, drawing, issuing or delivering of such payment, order, or draft, that the maker or drawer has no deposit in or credits with the financial institution for such payment, order, or draft in full upon its presentation."
    - Based on the above definition, the City will assess a service charge for each returned payment.
    - If the returned payment was for a past due utility account, the service will be terminated and a termination fee will also be added to the account.
  - Notification of Returned Payment:
    - The city will notify the person in writing of the returned payment. The written notification will include the date of the payment, payee, amount of the payment, bank the payment was drawn on, person authorizing the payment, and bank marking, i.e., insufficient funds or account closed.
    - The notification will also include the deadline for redeeming the returned payment and the amount due, including the face amount of the payment and the service charge. If the person writing the payment does not redeem the returned payment within 7 days of notification, the city will prosecute or turn the payment to a collection agency. If further action is necessary, the person authorizing the bad payment will be responsible for any additional fees associated with collection, i.e., prosecutor fees, collection fees, etc.
  - Repetition of returned payments:
    - If any person has three (3) returned payments, the city may refuse to accept any payments other than cash for any city service.
  
- Cash Disbursements:
  - The City will systematically gather, record, maintain, and report cash and investment information in a timely and accurate manner in accordance with federal and state regulations, generally accepted accounting principles, and other industry standards, to ensure the availability of cash for disbursement purposes.
  - The City will ensure that all disbursements are made in accordance with applicable federal, state, and local laws, city disbursement policies and procedures, and industry standards.
  - The City will report detailed disbursement information to City Commission. Disbursement information will be reported in an accurate and timely manner.
  - The City will ensure that employees who handle disbursements are skilled, and fully trained; ensure segregation of duties so that no one who writes checks creates vendors, signs checks, or reconciles bank statements.
  - The City will ensure that all disbursements are properly classified by fund, department, and account and that all charges are legal and for authorized purposes. All disbursements must be allowable and allocable.
  - The City will ensure that all disbursements will be made in an accurate and timely manner.
  - The City will disburse all payments through the Finance Office with proper documentation. At no time is it acceptable to issue payments from a cash register.

- The City will schedule disbursements in such a manner that sufficient cash will be on hand to avoid overdrafts.
- There will be two signatories on all checking accounts, City Manager and Finance Director or designee. The City currently does not use electronic signatures for disbursements, but may consider doing so in the future.
- No member of staff has authority to approve their own reimbursements.
- Likewise, managers shall review and approve time cards, and /or payroll changes for their staff but will not prepare payroll checks or other transactions.
- Staff preparing payroll transactions shall not have approval authority for initiating payroll changes or increasing or decreasing staffing levels.
- The City will encourage direct deposit, wire transfers, ACH, or other forms of electronic transactions as much as possible. This reduces the risk of error and opportunity for misappropriation, ensures more rapid turn-around time thus enabling the City to hold onto funds as long as possible without causing a penalty for late payment.
- At the end of each fiscal year, all incurred, unpaid expenditures will be recorded as a liability to that fiscal year, in accordance with GAAP.