



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

POLICY C-03: Policy for Outside Bank Accounts
Issued by: Auditor-Controller's Office
Issued/Revised: February 01, 2022

I. PURPOSE

The purpose of this policy is to establish minimum procedural requirements and internal controls related to outside bank accounts. This policy is applicable to all County departments, agencies, and districts under the Board of Supervisors.

This policy outlines the minimum requirements and is not meant to be a detailed procedural guide. Guidelines for Outside Bank Accounts supplement this policy and provide departments, agencies, and districts with guidelines for establishing, documenting, managing outside bank accounts. The Guidelines for Outside Bank Accounts, along with related forms, can be obtained from the Auditor-Controller's SharePoint site.

II. POLICY

An outside bank account can only be established with the approval of both the Auditor-Controller and the Treasurer. There are a few unique instances where California Law allows county money to be deposited outside the Treasury. In those limited cases, the Auditor-Controller and Treasurer must pre-approve the request and suitability of the proposed banking relationship and the financial institution.

Every County department, agency, or program that intends to utilize outside bank accounts must also review and comply with requirements of the County's "Bank Account and Merchant Card Services Policy" issued by the County Treasury.

An outside bank account may be allowed for the following purposes:

- Depository suspense account when a department is not conveniently located to make frequent cash deposits to the Treasury, i.e., remote locations. A depository suspense account is used as a clearing account only and its use to disburse funds (expenditures) is prohibited
- Revolving account when a department must regularly make expenditures where timing and department specific criteria/conditions are critical to County operations. Control procedures for checks on hand and issued must be established. A revolving account is only used for expenditure disbursement and its use to deposit revenue is prohibited
- Trust account to hold funds by a County department on behalf of outside agencies or individuals
- Other purpose deemed necessary based on justifiable business need or regulatory requirement

Bank accounts must be used for official County business and only for the specific purposes for which they were established. All banking changes must be coordinated through the County Treasurer. Any unauthorized account or unauthorized change in the use of the account may result in immediate closure of the account.

Each department is responsible for developing and maintaining written internal control procedures for their outside bank account prior to the approval and establishment of such account. These procedures and the accounts are subject to review and audit by the Auditor-Controller.

Outside Bank Account Establishment and Management

Departments must follow the procedure outlined in the Auditor-Controller's Guidelines for Outside Bank Accounts in requesting to establish new outside bank accounts, as well as managing the approved accounts.

Outside Bank Account Reconciliations

Reconciliations of outside bank accounts must be performed at least monthly and submitted to the Auditor-Controller. Unreconciled bank accounts are subject to closure by the Auditor-Controller.

Closing Accounts

Departments must follow the procedure outlined in the Auditor-Controller's Guidelines for Outside Bank Accounts to close out previously approved outside bank accounts.

III. RESPONSIBILITIES

County Departments, Agencies, and Districts

- Comply with the Auditor-Controller's Outside Bank Accounts Policy and its related guidelines in conjunction with the Cash Handling Controls Policy, C-01, as well as the Treasurer-Tax Collector's Bank Account & Merchant Card Services Policy in establishing and maintaining outside bank accounts
- Establish and maintain internal controls for the outside bank accounts
- Monthly reconcile the bank account with bank and submit a copy to the Auditor-Controller's Office, General Accounting Division (ACO-GA)
- Ensure the County's financial system is updated for activity in outside bank accounts at least monthly
- Submit June 30 (Year-End) bank reconciliations and supporting bank statements along with the completed "Outside Bank Account Year-End Questionnaire" to ACO-GA annually

Auditor-Controller:

- Approve or deny outside bank account
- Maintain a record of all outside bank accounts along with the justification for the account
- Maintain records of authorized signers and signatures
- Review monthly and annual (June 30) bank reconciliations for all outside bank accounts and confirm reconciliations balance to County's financial system
- Review established internal controls over outside bank accounts as deemed necessary

Treasurer-Tax Collector

- Approve or deny outside bank account
- Work with the Department, Agency, or District to open the bank account, as necessary
- Establish and manage agreements and relationships with banks and non-bank financial services providers