



ACCOUNTING & INTERNAL CONTROL POLICY MANUAL

Guideline C-03-1: Guidelines for Outside Bank Accounts
Issued by: Auditor-Controller's Office
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These guidelines supplement the Policy for Outside Bank Accounts and are established to provide a framework for how to request, and manage such accounts, including procedures. These Guidelines must be followed to comply with the Policy for Outside Bank Accounts.

I. Outside Bank Account Establishment

The following steps must be taken to set up an outside bank account:

- To request an outside bank account, the Department will complete written procedures over the internal controls of the account. A sample internal control checklist is provided in Section IV of this document. These procedures along with completed form "Request for Authorization of Outside Bank Account" with detailed justification of the need for the outside bank account must be provided to the Auditor-Controller's Office, General Accounting Division (ACO-GA)
- The ACO-GA will review the department's request. If the request is adequately justified, and the written procedures with adequate internal controls are established by the requesting department then the ACO-GA will notify the department and forward the approval notification by signing the ACO approval section on the request form to the County Treasurer for review
- The Treasurer's Office will evaluate the request and if approved will sign the Treasury approval section on the request form and will send a copy to the Department and the ACO
- Upon approval of the account, the Department will provide ACO-GA with a copy of the bank signature card reflecting authorized signers and signatures. The department must provide an updated card to the ACO-GA within five business days upon changes in the authorized signers

II. Outside Bank Account Reconciliations

Reconciliations of outside bank accounts must be performed at least monthly. This activity must be recorded/updated in the County's financial system at least monthly with a journal entry that includes the gross (not net) impact to all applicable accounts, which will update the balance in the appropriate Cash or Cash with Fiscal Agent account.

The monthly bank reconciliation must be submitted to ACO-GA by the 20th day of the following month.

The June 30 year end reconciliation, supporting bank statement and the completed "Outside Bank Accounts Year-end Questionnaire" must be submitted to the ACO-GA by August 1.

III. Closing Accounts

To close a bank account, the following procedures must be followed:

- The department must notify the ACO-GA and the County Treasury in writing of the need to close the bank account
- The department will discontinue the use and reconcile the account ensuring the account balance is zero
- The department must certify to the ACO-GA that the bank account was reconciled and that the account balance is zero and submit the request, along with the last bank statement
- Upon ACO-GA review and approval that the final reconciliation is adequate, the Treasurer will proceed with closing the account
- Any unused check stock from a closed bank account must be shredded or destroyed. Departments must document with a written memo to file that they accounted for the unused checks, retaining as receipts a voided copy of the first and last checks, and that the stock was destroyed

IV. Internal Controls over Outside Bank Accounts Sample Checklist

Refer to the Policy for Cash Handling Controls, C-01, for comprehensive information on internal controls. Departments with bank accounts must institute internal controls over the accounts. Examples of such controls include, but are not limited to the following:

- Segregation of duties must be established. For example, the person reconciling the account(s) must not have depositing or check writing responsibilities and must receive the bank statement directly from the bank
- Controls and segregation duties over online banking access must be established
- A formal (written) reconciliation must be performed monthly for each bank account
- Reconciling items must be reviewed and researched immediately. Bank errors must be reported in writing to the bank immediately following the reconciliation process. All reconciling items should be resolved within the next bank statement period. If the item cannot be resolved within the next bank statement period, it will continue to be a reconciling item and must be monitored until resolved. The Treasurer's Office should be notified of difficulties with banks clearing banking errors
- Monthly reconciliations must be reviewed and approved by an appropriate level supervisor (evidenced by a signature of the supervisor on the reconciliation). The review should include an investigation of unusual reconciling items such as unexplained debits/credits
- Changes to bank accounts, such as branch locations, mailing addresses of bank statements, etc., must be approved by the Auditor-Controller and the Treasurer-Tax Collector in advance
- All cancelled checks, bank statements, and monthly reconciliations must be retained for five years
- Blank check stock must be stored in a secured (locked) area with access restricted to a minimum number of authorized individuals
- Check signers are responsible for the accuracy and propriety of the check
- Signing blank checks and checks made payable to cash are strictly prohibited
- Checks must be pre-numbered or should have control number
- Electronic Fund Transfers (EFT) and Automated Clearing House (ACH) debits/credits are prohibited for outside (departmental) bank checking accounts. If such transactions occur, the Auditor-Controller's and the Treasurer-Tax Collector's Offices must be notified immediately
- Negative cash balances are prohibited for departmental bank accounts. Banking irregularities such as forged or counterfeit checks identified by staff and/or by any County agency are to be immediately reported to the Auditor-Controller's and the Treasurer Tax Collector's Offices