

**Taking Care of Business
Cash Management Do's and Don'ts**



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Two Principles of Cash Management

*speed up receipts by
converting the receipt into
cash as quickly as possible*



*control disbursements;
keeping cash invested as
long as possible, but still
being able to meet all the
municipality's obligations*



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T.C.A 9-2-103

The simplest, though not necessarily the most efficient, method of collection is by cash or check. A receipt **must** be prepared for every payment received, whether paid by cash or check, through the mail or in person. The law requires each municipal official who collects payments to issue a receipt to the paying party and keep one copy on file for municipal records

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HANDLING PAYMENTS



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Does Cash = Coins?

- **True or False:**
- *“Feel free to walk into any courthouse or treasury office and pay a parking ticket in pennies, pay your property taxes in coins and small bills, and dump a truck bed full of nickels in front of the ...building. It is all legal payment and must be accepted by officials.”*



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Cash is Legal Tender

- **Public Debts:**
- “United States **coins and currency** are legal tender **for all debts, public charges, taxes, and dues.**” That includes coins, small bills, etc.
- *Coinage Act of 1965, Section 31 U.S.C. 5103*

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CASH

Know Your Money

2014 style Federal Reserve notes (FRNs) incorporate background colors and large, boldface portrait images.

Paper: U.S. currency paper consists of 25% linen and 75% cotton and contains small security embedded red and blue security fibers embedded throughout the paper.

Portrait: The 2014 style FRNs have an enlarged and off-center portrait without a frame.

Watermark: The 2014 style FRNs have a watermark that is visible from either side when held to light.

Color Shifting Ink: The 2014 style \$10, \$20, \$50 and \$100 FRNs have color-shifting ink. And \$100 bills have copper to green on the note to show the change. The 2014 style \$100 FRN has a color-shifting "34" in the lower left. The \$1 FRN does not have color-shifting ink.

Security Thread: All genuine FRNs, except the \$1 and \$5, have a clear thread embedded vertically in the paper. The thread is marked with the denomination of the note and is visible only when held to light. Light transmission has a unique purple color and glows a different color when held to ultraviolet (UV) light.

U.S. Security Ribbon: The 2014 style \$100 FRN features a blue ribbon woven into the paper. When you tilt the note back and forth, the blue and "100" wave side to side. If you tilt the note side to side, they move up and down.

Serial Numbers: The first letter of the serial number on FRNs is always one of the following: A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Bank Indicators:

- Serial Number:** The first letter of the serial number on FRNs is always one of the following: A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.
- Check Letter/Quarter Number**
- Face Plate Number**
- Series Year**
- Block Plate Number** (This should be found on the bottom right-hand corner of the back of the note.)

CASH—Forgery

- **How To Detect Counterfeit Money**
- **Look at the money you receive. Compare a suspect note with a genuine note of the same denomination and series, paying attention to the quality of printing and paper characteristics. Look for differences, not similarities.**

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CASH—Forgery

Portrait

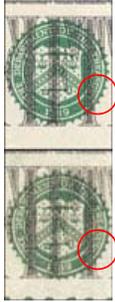
The genuine portrait appears lifelike and stands out distinctly from the background. The counterfeit portrait is usually lifeless and flat. Details merge into the background which is often too dark or mottled.

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CASH—Forgery

Federal Reserve and Treasury Seals

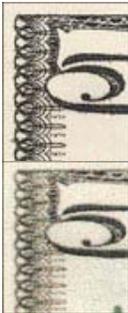
On a genuine bill, the saw-tooth points of the Federal Reserve and Treasury seals are clear, distinct, and sharp. The counterfeit seals may have uneven, blunt, or broken saw-tooth points.



CASH—Forgery

Border

The fine lines in the border of a genuine bill are clear and unbroken. On the counterfeit, the lines in the outer margin and scrollwork may be blurred and indistinct.



CASH—Forgery

Serial Numbers

Genuine serial numbers have a distinctive style and are evenly spaced. The serial numbers are printed in the same ink color as the Treasury Seal. On a counterfeit, the serial numbers may differ in color or shade of ink from the Treasury seal. The numbers may not be uniformly spaced or aligned.



CASH—Forgery

Paper

Genuine currency paper has **tiny red and blue fibers embedded** throughout. Often counterfeiters try to simulate these fibers by printing tiny red and blue lines on their paper. Close inspection reveals, however, that on the **counterfeit note the lines are printed on the surface, not embedded in the paper.** It is illegal to reproduce the distinctive paper used in the manufacturing of US currency.



Penalty for Forgery

Violations (manufacturing, possession with fraudulent intent) are punishable by a **fine** or imprisonment for up to **15 years, or both.**

Forging, altering, or trafficking in US Government checks, bonds or other obligations is punishable by a **fine** or imprisonment for up to **10 years, or both.**

Title 18, Section 474 of the United States Code

If You Receive a Counterfeit

1. Do not return it to the passer. Delay the passer if possible.
2. Observe the passer's description, as well as that of any companions, and the license plate numbers of any vehicles used.
3. Contact your local police department or [United States Secret Service field office](#). These numbers can be found on the inside front page of your local telephone directory.

If You Receive a Counterfeit

4. Write your initials and the date in the white border areas of the suspect note.
5. Limit the handling of the note. Carefully place it in a protective covering, such as an envelope.
6. Surrender the note or coin only to a properly identified police officer or a U.S. Secret Service special agent.



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If You Receive a Counterfeit

- [Counterfeit Note Report](http://www.secretservice.gov/forms/ssf1604.pdf) <http://www.secretservice.gov/forms/ssf1604.pdf>

DEPARTMENT OF HOMELAND SECURITY
United States Secret Service
COUNTERFEIT NOTE REPORT

INSTRUCTIONS TO BANK:

1. Prepare and submit one copy of this completed form with each suspected counterfeit note to your local SECRET SERVICE OFFICE.
2. If a bank or financial institution has been advised by your branch.
3. Unless advised otherwise, the suspect note submitted to the Secret Service should be considered counterfeit.
4. The Secret Service **WILL NOT** return copies of this form.

NAME OF BANK: _____ Do not print in this area

BANK BRANCH NUMBER: _____

POINT OF CONTACT: _____

POINT OF CONTACT'S TITLE: _____ (If different from above)

POINT OF CONTACT'S TELEPHONE NUMBER: _____ (Include area code)

POINT OF CONTACT'S FAX NUMBER: _____ (Include area code)

MAILING ADDRESS OF BANK: _____ (Include ZIP Code)

IMPORTANT NOTICE

Bank notes and coins containing the text above have been reported and may be the only copy left in circulation. If you cannot verify the authenticity of the note, please contact your local Secret Service Office. If you have any questions, please contact the Secret Service at 1-800-368-5848. Do not attempt to return the note to the bank or financial institution. (Form SSF-1604)

DESCRIPTION OF COUNTERFEIT NOTE OR SUSPECT NOTE: _____ (Do not exceed two (2) page number words)

ISSUE DATE: _____ **ISSUE TYPE:** _____ **ISSUE VALUE:** _____

ISSUE TYPE: _____ **ISSUE VALUE:** _____ **ISSUE TYPE:** _____

COUNTERFEIT NOTE RECEIVED FROM: _____ **DATE OF ACTIVITY OR SUSPICION:** _____

NAME: _____ **ADDRESS:** _____ **CITY:** _____ **STATE:** _____ **ZIP:** _____

NAME OF PERSON SUBMITTING AND RETURNING NOTE: _____ **NAME OF TELLER RECEIVING AND RETURNING NOTE:** _____

INFORMATION ABOUT COUNTERFEIT NOTE:

Does the counterfeit note bear any resemblance to the design of the counterfeits? Yes No

Has there any suspicious activity? Yes No

Is there a note counterfeit? Yes No

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Checks

Cities have authority to accept personal checks.

It is lawful for any municipal, county or state officer to receive, in payment of any public taxes, licenses, fines, fees or other moneys collected, **checks or money orders** made payable to the appropriate municipal official..... If a check or money order so received is not duly paid, the person by whom such check or money order has been tendered shall remain liable for the payment of the tax, license, fee or other obligation, and for all legal penalties and/or interest, to the same extent as if such check or money order had not been tendered.

TCA § 9-1-108(a)



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Checks

Worthless Check:
 (a)(1) A person commits an offense who, with fraudulent intent or knowingly:

(A) Issues or passes a check or similar sight order for the payment of money for the purpose of **paying any fee, fine, tax, license or obligation to any governmental entity.....** knowing at the time there are not sufficient funds in or on deposit with the bank as all other checks or orders outstanding at the time of issuance; or

(B) **Stops payment on a check...**

(2) This subsection (a) shall not apply to a **post-dated check ...**



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Checks

- **Worthless Check: (2 statutes)**
- A Class A misdemeanor if the value of the property or services obtained \$500 or less
TCA § 39-14-121(f)
- Punishable as a Class A misdemeanor if the value of the property or services obtained is \$500 or less (determined by what is written on face of check)
TCA § 39-14-105(a)(1)



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Checks

Two statutes give courts the authority to accept credit cards.

TCA §8-21-107
 TCA §9-1-108



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CREDIT CARDS

Cities may accept payments for taxes, licenses, fines, fees, and other charges by credit or debit card.

The municipality is permitted to collect a fee for processing credit or debit card payments; ideally this fee is either the same amount as that charged by the card company or a standard processing fee.

Municipalities are **not required** to charge a processing fee **if** the governing body gives approval.

T.C.A. §9-1-108(c)

CREDIT CARDS

NOT HONORED/DECLINED--Rare

1. Municipality may collect a service charge from the payer.
 - a) Amount of service charge must be the same amount as the fee charged for the collection of an NSF (insufficient funds) check.
 - b) However, no service charge may be assessed if the card and cardholder are present when the transaction is processed and electronic device notifies clerk card has been declined.
2. If nonpayment occurs, the municipality may still collect its credit/debit card processing fee.

Deposits

Funds collected during a specific period of time **must** deposited together and only in designated depositories.

Internal Control and Compliance Manual for Tennessee Municipalities, Title 5, Chapter 14, Section 9

Intact means that collections are deposited in the form and amount in which they are collected.

No collections should be withheld from the deposit for any reason.

Deposits

Checks should be listed on the deposit slip or on an attached list itemizing the name of each payor and the amount paid.

The Internal Control and Compliance Manual for Tennessee Municipalities, Title 5, Chapter 14, Section 7

- T.C.A. §6-56-111 requires that all funds received by the city be deposited in the bank as soon as practical, but **no later than three working days** after receipt of the funds.

Daily Collection Reports

1. Each day
2. Summarize all cash collections by source on a daily collection report,
 - clearly indicating the amount to be deposited,
 - the amount retained for change, and
 - the amount of cash over or short.
3. Date it and the corresponding deposit slip.
4. Check that the total on the corresponding deposit slip as well as the total of all applicable pre-numbered receipts agree with the total collections recorded on the daily collection report.

• The Internal Control and Compliance Manual for Tennessee Municipalities, Title 5, Chapter 14, Section 6

Internal Control

- Separate duties of employees so that no one person has control over a complete transaction from beginning to end.
- Work flow should be established so that one employee's work is automatically verified by another employee working independently.

Internal Control

Different people should be responsible for the opening mail and entering information, authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion.

(See GSIC Checklist for Internal Controls Handout)

Internal Control

Critical documents to review:

1. bank statements
2. cash receipts, and
3. cash disbursements summaries
 - as well as the related supporting documentation and
4. monthly reports.

PROBLEMS?

If you suspect **fraud, waste or abuse** of public money in Tennessee, call the Comptroller's toll-free **hotline** at 1-800-232-5454 or file a **report** online at:

<http://www.comptroller.tn.gov/shared/safwa.asp>

Bank Reconciliations

“Failure to reconcile bank statements monthly will ultimately result in hanging or death by firing squad”

-Ben Franklin

Ok... that’s a lie. But... “if you do not reconcile your bank statements regularly, you are digging yourself a hole you may not can get out of”.

-Brad Harris

Disbursements

- Check
- ACH
- Direct Deposit (payroll)
- Purchasing Cards



Check

- use only high-quality check stock with safety features like watermarks or unique colors and background designs
- kept in a secure location with limited access by only the employees authorized to print checks
- If a check-signing machine (or stamp) is used, it must be secured at all times when not in use
- At least 2 sigs on check

ACH

What does this stand for?

1. All checks handled
2. Another crazy heeby jeeby
3. Automated clearinghouse
4. Advance cash for Hardee's
5. Against check handling

ACH

- save time and money by establishing an ACH exchange with repetitive vendors
 - Utilities, federal and state governments, taxes
- reduces the float for the vendor and the payer
- auditors like ACH transactions because they are *fraud resistant*
- they leave an electronic trail on both systems

Direct Deposit

- efficiency, security, and convenience
- Savings in check processing charges
- Reduced staff time involved in preparing checks and replacing lost or damaged checks
- Reduced staff time in making arrangements for check pick-up for absent employees

Direct Deposit

- Reduced account reconciliation time
- Less storage costs for canceled checks
- Elimination of stolen checks

Purchasing Cards

- Purchasing cards are not credit cards
- controls, such as merchant category codes (MCC), can be used
- can be authorized for purchases from certain types of MCC vendors only
- restricted to those employees who have regular and legitimate needs to make certain types of purchases

Emerging technologies

- Paperless
- Bitcoin
- Online
- Check scanning
- Photos sent to bank
- Others????

Thank you for your kind attention!
If I can be of service to you in any way please let
me know...

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