

Revolving Funds



Paul Angulo, CPA, MA
County Auditor-Controller



Revolving Funds

Governed by:

- Government Code Section 29320-29334
- Board Resolution No. 74-156
- Standard Practice Manual # III E-1-2.1
(Policy 708)



Revolving Funds

What is a Revolving Fund?

An authorized amount of cash in the form of currency, a bank checking account or both.



Revolving Funds

Why Do We Use Revolving Funds?

- Expedited Purchases
 - Outside normal A/P processing
- Change Drawers
 - Parking Garage
- Travel Advances
 - Prior approval by Department Head



Revolving Funds

Do We Use Revolving Funds For Services?

NO! The revolving fund should not be used to pay for services, (e.g., medical, repairs, pest control), unless it is an absolute emergency.



Revolving Funds

IRS Income Tax Regulation Section 6041

The Auditor-Controller Office is required by law to issue 1099s for services over \$600 in a calendar year.



Revolving Funds

How is a Revolving Fund Established?

An AR-1 Form is submitted to the Auditor-Controller's Office for approval.



Revolving Funds

AR-1 Form

REVOLVING FUND REQUEST ORDER & CHANGE FORM (Invoice Cash)
OFFICE OF THE AUDITOR-CONTROLLER
Pursuant to Government Code Section 26202, et seq. and the Board of Supervisor's Resolution No. 74-158, complete and submit to the Auditor-Controller's Office for approval.

SPM FORM AR-1
Invoice Cash
Page 1 of 2
(Revised 01/09/07)

Fund No. Dept. ID Agency/Department/Special District Name Effective Date

Warrant Made Payable To: Custodian's Name

Departments/Agencies/Special Districts - Indicate the type of request:

Establish New Fund Increase Amount Reduce Amount Change Custodian Discontinue Fund

1 Purpose - Explain the reason for establishing/changing/discontinuing the fund.

2 Establishing a Fund - Please answer the question below:

Will there be a checking account needed to deposit the revolving fund check? Yes No

NOTE: If a checking account is needed, a copy of an approved Request to Establish Checking Account (SPM Form AP-5) must accompany this request before the revolving fund can be established.

3 Revolving Fund Details - Complete the areas that apply to your request.

A Present Amount Requested Change Amount New Requested Amount

B Issue a check drawn against the treasurer's cash Deposit check to treasurer's cash

C Add Remove Print Custodian Name Custodian's Signature

D Discontinue Revolving Fund

Prepared By (Print Name) Phone Date
Department Head or ex-officio signature Date

Print Name of Official (Resolution and Code requirement) Official's Title (Resolution and Code requirement)
Revised: Jan 2002 (Revised: 01/09/07)



Revolving Funds

Where is the AR-1 Form Located?

Auditor-Controller's Office Website:

<http://www.auditorcontroller.org/opencms/index.html>

* Under Std. Practice Manual/SPM Forms



Revolving Funds

What is an AR-1 Form?

An AR-1 Form is a formal request to establish, increase, decrease or discontinue a revolving fund.



Revolving Funds

AR-1 Form Requires:

An Officer from the department to state the need or reason for the request, the amount and the name of the custodian.



11

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Who is an Officer?

An “officer of the county” includes any elective or appointive officer of the county, and any person in charge of any office, department, service or institution of the county.



12

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Who is a Custodian?

A custodian is designated by an officer of the county and is responsible for maintaining control over the revolving fund.



Revolving Funds

Who Approves Disbursements?

- Purchases from a revolving fund must be approved by an authorized person.
- The authorized person cannot be a custodian, check signer, or have any reconciliation duties.



Revolving Funds

Revolving Fund Supporting Documentation

Before reimbursing an employee for purchases, the custodian is to refer to the D-1 Policy and examine all supporting documents for appropriateness.



Revolving Funds

What is the D-1 Policy?

The D-1 policy establishes procedures and standards for reimbursements related to travel, and other actual and necessary expenses incurred by county officers, employees, and other authorized persons.



Revolving Funds

Do We Use the Revolving Fund to Reimburse Employee Expense?

- **NO!** Lodging, transportation, meals, and mileage should apply to the D-1 policy.
 - Employee reimbursements should go through the normal A/P process.



17

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Replenishment Requirements:

- Revolving fund replenishment voucher
- Original receipts with date
- Justification
- Employee expense report if travel advance is issued (Refer to D-1 Policy).
- Summary sheet of all items being replenished.
- Approved voucher by Department Head.



18

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

How Often Should the Department Submit a Voucher to ACO for Replenishment?

- At least once in a quarterly basis.
- Preferably monthly if there is a lot of activity.
- Do not wait until the end of the year.



Revolving Funds

- On Form AR-1, if the you check YES on question #2 that there will be a checking account, you will also be required to complete SPM Form AP-5 “Request to Establish a Checking Account”
- The checking account should have at least two signors (Custodian can not be a signor)

2 Establishing a Fund – Please answer the question below.

Will there be a checking account needed to deposit the revolving fund check? Yes No

NOTE: If a checking account is needed, a copy of an approved Request to Establish Checking Account (SPM Form AP-5) must accompany this request before the revolving fund can be established.



Revolving Funds

Checking Account Reconciliation

- Should be reconciled monthly.
- Should be reconciled by a independent person with no revolving fund duties.
- Should include check number, payee, date and amount.
- An inspection of cancelled checks for signature and proper endorsement is necessary.



Revolving Funds

Checking Account Reconciliation

- Unusual reconciling items should be brought to the attention of management.
- Reconciliation should be initialed and dated by preparer and reviewer.



Revolving Funds

Revolving Fund Reconciliation

- Should be reconciled in a monthly basis.
- Should be reconciled by a independent person with no revolving fund duties.
- The same person reconciling the checking account can reconcile the revolving fund.
- The revolving fund should reconcile to the checking account balance.



Revolving Funds

Revolving Fund Reconciliation

- Unusual reconciling items should be brought to the attention of management.
- Reconciliation should be initialed and dated by preparer and reviewer.



Revolving Funds

Cash Overages and Shortages:

If a department is missing a receipt or has an overage or shortage in their revolving fund they are to notify the Auditor-Controller's Office by using the following forms:

- SPM Form AR-3 Daily Cash Overage and Shortage
- SPM Form AR-4 Monthly Cash Overage and Shortage



Revolving Funds

SPM Form AR-3 Cash Overage/Shortage Daily Report



Revolving Funds

SPM Form AR-4 Cash Overage/Shortage Monthly Report

The image shows a sample of SPM Form AR-4, titled 'CASH OVERAGE/SHORTAGE MONTHLY REPORT FOR DEPARTMENT HEADS'. It includes fields for 'Month Ending', 'Dept. ID', and 'Agency/Department/Section/ District Name'. The main body of the form is a table with columns for 'DATE', 'FUND', 'DEPTID', 'ACCOUNT', 'AMOUNT', 'Overage', 'Shortage', and 'EXPLANATION (Include Reversing Entry if Applicable)'. Below the table are sections for 'TOTALS' (Overage, Shortage), 'VENDOR CODE', 'WARRANT MADE PAYABLE TO', and 'ADDRESS'. There are also signature lines for 'Prepared by (Print Name)', 'Department Head or authorized designee's signature', and 'Title'.



Revolving Funds

Where are the Cash Overage and Shortage Forms Located?

Auditor-Controller's Office Website:

<http://www.auditorcontroller.org/opencms/index.html>

* Under Std. Practice Manual/SPM Forms



Revolving Funds

SPM Form AR-3 and AR-4 Requirements:

- The SPM Form AR-3 and AR-4 are due two weeks after the close of the month and **MUST** be signed by a Department Head. (Refer to Policy #710)



29

Revolving Funds

SPM Form AR-3 and AR-4 Requirements:

- Department will list the date, fund, department id, account, amount and explanation for the overage and/or shortage.



30

Revolving Funds

SPM Form AR-3 and AR-4 Requirement:

- Departments cannot use the Revolving Fund to replenish a Shortage in other funds. By doing so they are commingling the funds (Internal Control Handbook).



Revolving Funds

SPM Form AR-3 and AR-4 Requirement:

- Quarterly, departments will be reimbursed for shortages. A Form 11 is prepared and taken to the board within 60 days from the end of the quarter.



Revolving Funds

SPM Form AR-3 and AR-4 Requirement:

- Shortages will be handled as follows:
 - To replenish shortages the department will provide a vendor code, warrant payable to, and an address on SPM Form AR-4.
 - Departments with Shortages of \$20 or more are required to notify the Auditor-Controller's Internal Audit Division (Refer to Section III Policy# 3)



33

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

SPM Form AR-3 and AR-4 Requirement:

- Shortages will be handled as follows:
 - Issued from the General Fund
 - ACO will issue a warrant to reimburse the departments.
 - Issued from other Funds
 - Departments will reimburse themselves according to the County voucher process guidelines.



34

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

SPM Form AR-3 and AR-4 Requirement:

- Overages will be handled as follows:
 - All overages must be returned to the fund that initially established the revolving fund.
 - The Treasurer Cash Receipt (TCR) number must be notated on the SPM Form AR-4.



35

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

What is a Matrix?

The matrix ensures that internal controls are in place. It allows the department to separate certain duties from the custodian, and makes certain the funds are being handled appropriately.



36

County of Riverside ■ Office of the Auditor-Controller

Matrix

- 1) Determines revolving fund amount.
- 2) Custodian of revolving fund.
- 3) Authorizes RF usage.
- 4) Signs RF checks.
- 5) Prepares RF replenishments.
- 6) Creates RF replenishment voucher.
- 7) Approves RF replenishment voucher.
- 8) Reconciles RF to the authorized amount.
- 9) Reconciles RF to the bank statement.
- 10) Reviews reconciliations.

| Employee Name | | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|-----|
| A | B | C | D | E | F | G | H |
| | | | | | x | | |
| x | | | | | | | |
| | x | | | | | | |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| x | | | | | | | |
| | | x | | | | | |
| | x | | | | | | |
| | | | x | | | | |
| | | | x | | | | |
| | | | | x | | | |

| Legend for Segregation of Duties Matrix (Employee Name/Title) | | | |
|---|--------------------------|----------|---------------------------|
| A | ACO Custodian | E | ACO Accountant Supervisor |
| B | ACO Custodian Supervisor | F | ACO Department Head |
| C | ACO Accounting Tech | G | |
| D | ACO Accountant | H | |



Revolving Funds

Internal Controls:

- For internal controls we recommend departments to **Review their Vendor ID** and make sure that the replenishment warrant is made out the department name not the custodian name
- SPM Form AP-7 is used when establishing a new vendor id.



Revolving Funds

Internal Controls:

- The Auditor Controller's Office will be reviewing each revolving fund account individually to determine if the funds are being utilized.
- The Auditor Controller's office has the authority to increase, decrease, or discontinue a revolving fund. (Government Code 29321.1)



39

Revolving Funds

What is Required at Year End?

California Government Code Section 29321.1 requires the Auditor-Controller to render a written report to the Board of Supervisors at the end of each fiscal year identifying the revolving funds in existence during the fiscal year, the amount of such fund, and the officer using the fund.



40

Revolving Funds

Board of Supervisor's Written Report Requirement:

- Schedule W
- Treasurer's Office List
- A Form 11



41

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Schedule W

- Identifies:
 - Fund and department
 - Treasury number
 - Revolving fund amount
 - Location
 - Custodian

| County of Riverside Revolving Funds As of June 30, 2011 Due August 4, 2011 | |
|--|--|
| <small>SCHEDULE W (Refer to prior-end Closing Manual, Chapter 14)</small> | |
| Agency/Department/ Special District Name: _____ | |
| Fund ID: _____ | Dept ID: _____ |
| Contact Name: _____ | Contact Phone Number: _____ |
| 1) Revolving Fund Treasury Num. _____ | |
| 2) This Revolving Fund: <input type="checkbox"/> (a) Had NO bank account during the fiscal year. | |
| <input type="checkbox"/> (b) Had _____ bank accounts during the fiscal year. (Prepare a separate Schedule P for each bank acc. | |
| 3) Amount of Revolving F. _____ | |
| 4) Location of Money: | |
| <input type="checkbox"/> (a) Lockbox | Amount: _____ Address: _____ |
| <input type="checkbox"/> (b) Bank Institution | Amount: _____ Bank Name: _____ Account Number: _____ Address: _____ |
| <input type="checkbox"/> (c) Other (Please Explain Below) | _____ _____ _____ |
| 5) Custodian Name: _____ | |
| Department Head Name: _____ | |
| Department Head Title: _____ | |
| Prepared By: _____ | Phone Num. _____ |
| Department Approved By: _____ | Date: _____ |

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Treasurer's Office List

- Contains:
 - Treasury number
 - Department name
 - Revolving fund amount
 - Custodian
- The Treasurer's Office list is compared with Schedule W

| Account | Account Name | Balance |
|---------|---------------------------------------|---------|
| 1 | SHERIFF'S OFFICE RICHARD FIELD | 1888 |
| 2 | IDA NATIONAL BANK TRUST JAMES SANDON | 10900 |
| 3 | TOOK SE BY DIV SERVICE WELLSFARGO | 0 |
| 4 | ECONOMIC DEV AGENCY DELTA FRANKIE | 3500 |
| 5 | SEA ACQUISITION EXPENSE POST-CORRE | 1200 |
| 6 | AUDITOR CONTROLLER-JUDY SHANN | 400 |
| 7 | WELLSFARGO & SAVINGS BANK L. TERRELL | 0 |
| 8 | PACIFIC LIFE MANAGEMENT CORPORATION | 250 |
| 9 | PERKINS SERVICES DODD BALANCE | 250 |
| 10 | CO CLERK REVENUE CAROL WARD | 3000 |
| 11 | COUNTY COUNCIL PAMELA J. WALLE | 1600 |
| 12 | PUBLIC HEALTH DEPT CONCEY DUNE | 8000 |
| 13 | CO SERVICE AREA #51 STEVE N. JONES | 500 |
| 14 | ECONOMIC COM DEV WALTERA WOLFFMAN | 0 |
| 15 | SHERRILL DEAN WELDON-DEAN WELDON | 800 |
| 16 | WATSONIA JOHN FESTIVAL-JOHNIE METCAL | 1500 |
| 17 | WATSONIA JOHN FESTIVAL-JOHNIE METCAL | 1000 |
| 18 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 19 | WAD OF NORTH PAUL VERGAS | 900 |
| 20 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 21 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 22 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 23 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 24 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 25 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 26 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 27 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 28 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 29 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 30 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 31 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 32 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 33 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 34 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 35 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 36 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 37 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 38 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 39 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 40 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 41 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 42 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 43 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 44 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 45 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 46 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 47 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 48 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 49 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 50 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 51 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 52 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 53 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 54 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 55 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 56 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 57 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 58 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 59 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |
| 60 | WAD PATIENTS PROPERTY EUGENE D. COHEN | 0 |

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Form 11

- The Form 11 is submitted for approval to the Board of Supervisors.
 - California Government Code 29321.1

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

FROM: Auditor-Controller

SUBJECT: Revolving Fund Accounts for Fiscal Year 2009-2010

RECOMMENDED MOTION: Receive and file the attached Revolving Fund Report for period July 1, 2009 through June 30, 2010.

BACKGROUND: In accordance to Section 29321.1 of the Government Code, the County Auditor shall render a written report to the Board of Supervisors at the end of each fiscal year identifying the revolving funds in existence during the fiscal year, the amount of such funds, and the officer using the fund.

As of June 30, 2009, the total balance of revolving funds was \$1,841,897 compared to a June 30, 2010 balance of \$1,497,897. The difference of \$344,000 is due to the disbursement of the revolving fund for Riverside County Children and Families Contractors.

APPROVED: *Robert E. Byrd*
ROBERT E. BYRD
County Auditor-Controller

FINANCIAL DATA: Current F.Y. Total Cost: 0; Current F.Y. Net County Cost: 0; Annual Net County Cost: 0; In Current Year Budget: No; Budget Adjustment: No; Fair Fiscal Year: FY09/10

SOURCE OF FUNDS: Positions To Be Deleted Per A-26: ; Requires 45 Total:

C.E.O. RECOMMENDATION: APPROVE: *Karen L. Johnson*
BY: Karen L. Johnson
County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: December 7, 2010
By: *Karen L. Johnson*
Auditor: Deputy

Prev. Agn. Ref.: 2.3 10/20/09 | District: All | Agenda Number: 2.2

County of Riverside ■ Office of the Auditor-Controller

Revolving Funds

Discontinuance of a Revolving Fund

- The Custodian must request and obtain reimbursement for all unreimbursed expenditures.
- A check or cash must be returned to the Treasurer's Office.
- The Treasurer will sign the AR-1 Form approving the discontinuance of the fund.
- The signed AR-1 Form will then go to the Auditor-Controller's office to close out the account in the PeopleSoft, General Ledger Module.



Revolving Funds

Contact Information:

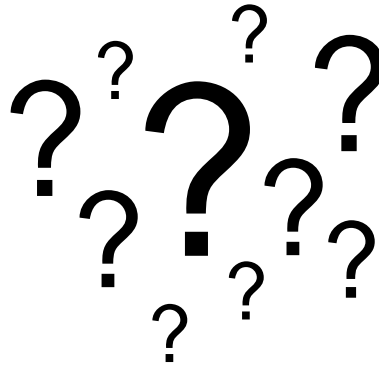
Heydee Koury at 951-955-9461

Or

Tanya Harris at 951-955-8375



Questions



The End

