Revolving Funds

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County Auditor-Controller

Definition:

A Revolving fund is an authorized amount of cash in the form of currency, a bank checking account or both. Revolving funds are established for specific operational needs to facilitate certain expenditure and cash transaction throughout the County departments.
Revolving Funds

Governed by:
- Government Code Section 29320-29334
- Board Resolution No. 74-156

SPM AR-1 FORM is used to:
- Establish, Increase, Decrease or Discontinue a Revolving Fund.
- Change a Custodian
Revolving Funds

SPM AR-1 FORM Requirements:

- On Form AR-1, if 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 (and the Custodian can not be a signor)
Revolving Funds

Internal Controls:
• Separation of Duties/Matrix

<table>
<thead>
<tr>
<th>TREASURER'S</th>
<th>REVOLVING</th>
<th>DEPARTMENT</th>
<th>BANK SIGNERS</th>
<th>DIVISION</th>
<th>FUND #</th>
<th>HEAD</th>
<th>CUSTODIAN</th>
<th>DEPOSIT AND</th>
<th>WITHDRAWL</th>
<th>TRANSACTIONS</th>
<th>DESCRIPTION</th>
<th>REVOLVING FUND</th>
<th>RECONCILED BY</th>
<th>APPROVED BY</th>
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<tbody>
<tr>
<td>ACO</td>
<td>6</td>
<td>Robert Byrd</td>
<td>Judy Green</td>
<td>Bernard</td>
<td>Edmonds</td>
<td>Judy Green</td>
<td>Petty cash</td>
<td>Judy Green</td>
<td>Bernard Edmonds</td>
<td></td>
<td></td>
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</table>

Revolving Funds

Internal Controls:
• One Custodian per Revolving Fund
  - Custodian is the person who is responsible for the money issued. Custodians can not be signers on the checking account as there must be a separation of duties.

• Any change in amount or custodian requires the department head signature
**Revolving Funds**

**Internal Controls:**

- Replenishment warrants will be made out to the Revolving Fund Bank Account Name (i.e. ACO Revolving Fund) rather than an individuals name (i.e. Judy Green)

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**Revolving Funds**

**Internal Controls:**

- The Auditor Controller’s Office will start reviewing Revolving Fund Vendor IDs and Request Departments to submit a new AP-7 Form with the Revolving Fund Bank Account Name.
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Replenishment Requirements:

- Voucher
- Original Receipts
- Copy of Checks (front and back)
- Justification
- Summary Sheet of all items being Replenished.
- Approved Voucher by Department Head

Cash Overage and Shortage:

- Daily Cash Overage and Shortage is Reported on SPM Form AR-3 (Overage/Shortage Daily Report).
**Revolving Funds**

**Monthly Requirements:**

- Monthly, at a minimum, the custodian should submit a voucher supported by proper evidence of authorized expenditures, for the amount to be reimbursed back into the revolving fund.

- To Replenish Shortages the Department will provide a Vendor Code, Warrant Payable To, and an Address (AR-4 Form).

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**Revolving Funds**

**Monthly Requirements:**

- Each disbursement from the Revolving Fund must be substantiated with a properly filled out, prenumbered, paid out disbursement receipt.

- Disbursement Receipts must be in duplicate with the original copy attached to the voucher requesting replenishment.
Revolving Funds

Cash Overage and Shortage:

- Monthly Cash Overage and Shortage is Reported on SPM Form AR-4 (Overage/Shortage Monthly Report).
- This is due two weeks after the close of the month and MUST be signed by a Department Head.

Revolving Funds

SPM Form AR-3 and AR-4 Requirements:

- Date, Fund, Department ID, Account Amount and Explanation.
- Detailed Backup Documentation
- Department Head Approval
Revolving Funds

SPM Form AR-3 and AR-4 Requirements:

**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.

(Major Area of Improvement)

- Departments with Shortages of $20 or more are required to notify the Auditor-Controller’s Internal Audits Division (Section 3 Policy #3).
Revolving Funds

SPM Form AR-3 and AR-4 Requirements:

• 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 the County voucher process guidelines

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SPM Form AR-3 and AR-4 Requirements:

• Departments cannot use the Revolving Fund to replenish a Shortage in other funds. By doing so they are commingling the funds (Internal Control Handbook).
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SPM Form AR-3 and AR-4 Requirements:

- 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

Revolving Funds

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.
Revolving Funds

Year End:

- When checking accounts are held outside the County Treasury a Schedule P, reconciliation and a signature card must be completed at the end of each fiscal year.

Revolving Funds

Year End:

- Schedule W Identifies:
  - Fund and Department ID
  - Treasury Number
  - Revolving Fund Amount
  - Location
  - Custodian
Revolving Funds

Year End:

- Treasurer’s Office List:
  - Contains
    - Treasury Number
    - Department Name
    - Revolving Fund Amount
    - Custodian
  - Treasurer’s Office List is compared with Schedule W.

A Form 11 is submitted to for Approval to the Board of Supervisors. (California Government Code Section 29321.1)
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
- 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 to close out the account in the PeopleSoft, General Ledger Module

Revolving Funds

Contact Information:

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