



**CITY OF STANWOOD
FINANCE COMMITTEE
AGENDA STAFF REPORT**

ITEM NUMBER: 2

DATE: October 23, 2014

SUBJECT: Update on Audit Issues

CONTACT PERSON: Greg Thramer, Finance Director

ATTACHMENTS:

- A – Cash Receipting Follow-up Email Response from Finance Director dated October 2, 2014
- B –Response to State Auditor Comments Email Response from David Calechman, CPA dated October 7, 2014
- C – Third Party Receipting Memorandum from the State Auditor’s Office
- D – RCW 43.09.240 Regarding Deposit of Collections
- E – Proposed Ordinance to Amend RCW 3.16.110 – Petty cash fund – Distribution.
- F – Proposed Resolution to Allow Weekly Deposits by the Police Department and Merchant Card Services Provider

ISSUE

The city recently underwent its regular two-year audit (2012 and 2013) and some issues were raised by the State Auditor in the area of cash handling. The last cash handling audit was performed in late 2012. How should these issues be addressed by the city?

STAFF RECOMMENDATION

1. Staff should prepare and present an ordinance to full council to amend SMC 3.16.110 Petty cash fund – Distribution for approval that would add an additional \$100 to the authorized change funds (currently \$390) in order to set up a second locked cash drawer at city hall (Attachment E).
2. Staff should prepare and present a resolution to full council to officially authorize the city’s merchant service card provider (Xpress Billpay/Chase Paymentech) to deposit cash receipts not to exceed weekly as allowed by RCW 43.09.240 (Attachment F).

3. Staff should prepare and present a resolution to full council to officially authorize the police department to deposit cash receipts not to exceed weekly as allowed by RCW 43.09.240 (Attachment F).

DISCUSSION

Following is a summary of the cash handling issues raised by the State Auditor, followed by the city's response in italics.

1. The City is under currently under contract with Chase Bank for on-line merchant card services. Chase is not identified as a qualified public depository.

City Response:

City staff was not aware of this fact at the time that the city contracted with Chase. To help address this issue, city staff contacted David Calechman, CPA and Senior Application Specialist with BIAS Software. His response is included in his email response to the city dated October 6, 2014 and restated below (Attachment B):

“...Here is the latest guidance from the state auditors (sic) office, which acknowledges that online payment services may not be using a PDCP bank. The fact that Chase is not a PDCP is mitigated by the fact that they are FDIC insured, the money is transferred within 24 hours and the amounts are immaterial. Xpress Billpay is PCI compliant and we will get you a statement to that effect from them. This really should not be an issue at this point and audit teams should know this.”

The State Auditor's Office has prepared a memo regarding the topic of third party receipting (Attachment C). In its own publication, the Auditor only recommends (but does not require) that merchant services providers settle funds directly into a Public Deposit Protection Commission approved bank account. On page 2 of the audit memo, it states:

***“Remittance of Proceeds** – It is recommended that the credit card processor/merchant services provider settle funds directly into the local government's Public Deposit Protection Commission (PDCP) approved bank account. (RCW 39.58.080). However, if funds are not deposited directly into the local government's PDCP approved account:*

- *The receipting provider or payment facilitator should remit the funds to the local government within twenty-four hours of receiving them through the card processing settlement procedure unless the treasurer has granted an exception of up to five days according to state law (RCW 43.09.240).*
- *The receipting provider or payment facilitator should remit the funds to the local government electronically rather than through the mail.*
- *Management should ensure the receipting provider contract includes sufficient safeguards to prevent the funds from loss.*
- *Contract terms should state that if the contract's primary purpose includes services in addition to receipting, such as a collection agency, funds are remitted at least monthly.”*

A copy of RCW 43.09.240 (Attachment D) has been provided, which states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

Staff Recommendation

The city has the ability to waive the twenty-four consecutive hour requirement in those cases where it is not administratively practical or feasible. In this particular case, staff recommends a council-adopted resolution that would allow additional time, up to one week, for the deposit of moneys received through its merchant card services account.

2. The City is under currently under contract with Chase Bank for on-line merchant card services. There is currently no language in the city's contract to ensure Payment Card Industry (PCI) data security standards, other safeguards or a surety bond.

City Response:

As stated above by David Calechman, CPA, Xpress Billpay, the city's third party provider, is PCI compliant. Xpress Billpay will provide the city with a written statement to that effect.

3. There should only be one change fund and one cash register per cashier.

City Response:

The city concurs. City staff has installed another cash drawer, so that we will have two change funds and two locked cash drawers. There will be one change fund and one locked drawer per cashier as recommended. The cash drawers shall be secured such that only the assigned cashier has access to his/her own locked cash drawer.

Staff Recommendation

Staff recommends increasing the city's authorized change fund by \$100, from \$390 to \$490, to accommodate the additional cash drawer in city hall. This would have to be approved by council in the form of a resolution.

4. During testing, it was found that the police department does not always make bank deposits within 24 hours of receipt as required by law.

City Response:

The police department front office is staffed by just two employees, each of whom does maintain a locked cash drawer. There are instances when there is only one staff in the office

due to vacation, sick, etc. During those times, the remaining police staff does not have access to the other drawer, which causes the bank deposit to wait until that employee is back in the office.

Staff Recommendation

The city has the ability to waive the twenty-four hour requirement in those cases where it is not administratively practical or feasible. In this particular case, staff recommends a council-adopted resolution that would allow additional time, up to one week, for the deposit of moneys received by the police department. This practice is allowed by law (RCW 43.09.240 – Attachment D) and has been successfully implemented at other cities. The dollar volumes at the police department are not sufficiently large to warrant a daily bank deposit requirement. A third master key should be kept secured at city hall that opens both drawers in the event that both police administrative staff are out of the office at the same time.

5. We were unable to see evidence of review over the daily deposits and reconciliations.

City Response:

Daily recounts and reconciliation reviews are currently being performed by staff on the following business day. City staff has enhanced this procedure as follows:

- *Daily cash is counted and the reconciliation is performed at the end of the business day by the staff accountant and secured in the safe.*
- *The following business day, the \$100 change fund and deposit is recounted by the supervisor (either finance director or senior accountant), matched to the reconciliation report and signed as approved.*
- *The supervisor puts the daily deposit cash and deposit slip in a sealed bank bag, which is then deposited that same day by the staff accountant.*
- *The bank deposit confirmation receipt is returned to the senior accountant, who matches the bank receipt amount with the expected amount per the bank reconciliation report.*

6. Adjustments to cash receipt transactions are being performed by the same person who input the transaction.

City Response:

City staff has changed its access security levels in BIAS so that only a supervisor (finance director or senior accountant) can make an adjustment or change to a cash receipts transaction.

FINANCIAL IMPACT

The financial impact of installing a second locked cash drawer is less than \$100 and is included in the Administrative Dept. small equipment budget.

STAFF RECOMMENDATION

1. Staff should prepare and present an ordinance to full council for approval to amend SMC 3.16.110 Petty cash fund – Distribution that would add an additional \$100 to the authorized change funds (currently \$390) in order to set up a second locked cash drawer at city hall (Attachment E).
2. Staff should prepare and present a resolution to full council to officially authorize the city's merchant card services provider (Xpress Billpay/Chase Paymentech) to deposit cash receipts not to exceed weekly as allowed by RCW 43.09.240 (Attachment F).
3. Staff should prepare and present a resolution to full council to officially authorize the police department to deposit cash receipts not to exceed weekly as allowed by RCW 43.09.240 (Attachment F).

RECOMMENDED MOTION

“I move to direct staff to prepare the necessary ordinance and resolution to present to full council for approval at a future city council meeting.”

Thramer, Gregory

From: Thramer, Gregory
Sent: Thursday, October 02, 2014 4:11 PM
To: 'Jennifer Albrecht'; Knight, Deborah
Cc: Courtney Amons; Kristina Baylor; Jerry Johnson; Kelley, Leonard; Johnson, Rob; Wennerberg, Arne; Randall, Richard; McCune, Matthew; Sather, Larry; Ryer, Conrad; Gorsuch, Dottie; Knight, Deborah; De Los Santos, Amy; Handshumaker, Beverly; Slattery, Amanda; Myrdal, Patricia; Mathis, Marcy; 'Grant Weed' (grantw@snohomishlaw.com)
Subject: RE: Cash Receipting Follow-up
Importance: High

Jennifer,

This is to follow up on our telephone conversation with you, me and Deborah yesterday, and to try and address the concerns that you identified then and in this email. To make this easier to follow, I will list your expressed cash receipting concern, and then follow up with our proposed response to address:

1. The City is under currently under contract with Chase Bank for on-line merchant card services. Chase is not identified as a qualified public depository.

We were not aware of this fact at the time that we contracted with Chase. We will contact Chase about this issue and ask if they intend to become a qualified public depository in the State of Washington. If not, we may have to find a merchant card service provider who is a qualified public depository.

2. The City is under currently under contract with Chase Bank for on-line merchant card services. There is currently no language in the city's contract to ensure Payment Card Industry (PCI) data security standards, other safeguards or a surety bond.

Again, we were not aware of these deficiencies when we contracted with Chase for merchant card services. We will contact them and discuss. We will have to try to amend the existing contract with Chase to add these provisions, or find another vendor who will meet the compliance standards. This will likely require the involvement of the city attorney.

3. There should only be one change fund and one cash register per cashier.

The city concurs. We will install another cash drawer, so that we will have two change funds and two locked cash drawers. There will be one change fund and one locked drawer per cashier as recommended. The cash drawers shall be secured such that only the assigned cashier has access to his/her own locked cash drawer.

4. During testing, it was found that the police department does not always make bank deposits within 24 hours of receipt as required by law.

The police department front office is staffed by just two employees, each of whom does maintain a locked cash drawer. There are instances when there is only one staff in the office due to vacation, sick, etc. During those times, the remaining police staff does not have access to the other drawer, which causes the bank deposit to wait until that employee is back in the office.

Our proposal to council will be to pass a resolution that allows the police department to deposit up to once per week. This is allowed by law and has been successfully implemented at other cities. The dollar volumes at the police department are not sufficiently large to warrant a daily bank deposit requirement.

5. We were unable to see evidence of review over the daily deposits and reconciliations.

Daily reviews are currently being done of the daily deposits and reconciliations; however they are happening the next day as we discussed over the phone. We will implement a procedure whereby the daily cash is counted and the reconciliation is performed, and then the cash will be recounted and the reconciliation report will be reviewed on the same day before being locked in the safe for deposit the following day. This most likely will involve an earlier "cut off" for counting and reconciling the till. Currently the cut off time for daily transactions is 5:00 pm (when city hall closes). We propose a 4:00 pm cut off to give staff sufficient time to count cash, reconcile, recount and review the reconciliation. Any cash received between 4:00 pm and 5:00 pm would go into the next day's cash receipts.

6. Adjustments to cash receipt transactions are being performed by the same person who input the transaction.

We have changed our access security levels in BIAS so that only a supervisor (finance director or senior accountant) can make an adjustment or change to a cash receipts transaction.

We hope that we have accurately and thoroughly re-stated all of your concerns about cash receipting, and that our responses will adequately address those concerns.

Sincerely,

Greg Thramer, CPA
Finance Director
City of Stanwood
10220 270th Steet NW
Stanwood, WA 98292
(360) 629-2181 X107 (phone)
(360) 629-3009 (fax)
greg.thramer@ci.stanwood.wa.us

From: Jennifer Albrecht [mailto:albrechtj@sao.wa.gov]
Sent: Thursday, October 02, 2014 8:54 AM
To: Knight, Deborah; Thramer, Gregory
Cc: Courtney Amonsens; Kristina Baylor; Jerry Johnson
Subject: Cash Receipting Follow-up

Good Morning Deborah and Greg,

I would like to follow up on some information you had requested during our conversation yesterday:

1. I have included the link to the list of qualified public depositories for credit card vendors. We did not identify Chase as a qualified public depository in regards to this list:

<http://www.tre.wa.gov/documents/pdpc/publicDepositoriesBanks-Thrifts.shtml>

2. Unfortunately, I am unable to provide you with information as to which other cities also use Chase. However, if you would like, a suggestion might be for you to give other cities a call to discuss who their vendor is and how they have set up their contracts in regards to PCI compliance, safeguards and surety bonds.
3. Deborah had asked whether it is in writing and required that cashiers do not share cash drawers. I have included the internal control recommendations from the BARS Manual as an attachment. On page 2, number 10, it is discussed there should only be one change fund and one cash register per cashier.
4. During testing, we noted the following were deposited after 24 hours, which were all at the police station location:
 - a. 3/13/12; deposited on 3/15/12
 - b. 3/14/12; deposited on 3/16/12
 - c. 3/1/13; deposited on 3/4/13
 - d. 3/4/13; deposited on 3/6/13
 - e. 3/7/13; deposited on 3/11/13
 - f. 3/8/13; deposited on 3/12/13
5. I followed-up with Jerry Johnson this morning regarding a review of the daily reconciliation. Yesterday, it was discussed that Amy performs a review, however, during testing, we were unable to see evidence of Amy's review over the daily deposits and reconciliations.

I believe I have addressed all your follow-up questions and requests but please let me know if you have additional questions.

Thank-you,

Jennifer Albrecht
Assistant State Auditor
Washington State Auditor's Office
3501 Colby Avenue, Suite 100B
Everett, WA 98201
Phone: (425) 257-2137
Fax: (425) 257-2149

Thrasher, Gregory

From: De Los Santos, Amy
Sent: Tuesday, October 07, 2014 2:05 PM
To: Thrasher, Gregory
Subject: FW: State Auditor Comments
Attachments: SOA Guidance on third-part-receipting.pdf

From: David Calechman [<mailto:david@biassoftware.com>]
Sent: Monday, October 06, 2014 9:36 AM
To: De Los Santos, Amy
Subject: Re: State Auditor Comments

Thanks for sending that along Amy. Here is the latest guidance from the state auditors office, which acknowledges that online payment services may not be using a PDPC bank. The fact that Chase is not a PDPC is mitigated by the fact that they are FDIC insured, the money is transferred within 24 hours and the amounts are immaterial.

Xpress Billpay is PCI compliant and we will get you a statement to that effect from them.

This really should not be an issue at this point and audit teams should know this.

"BIAS Software is built specifically for WA State Public entities as an integrated BARS compliant accounting package. BIAS offers easy-to-use, cost-effective applications, and timely and accurate support."

David Calechman, CPA
Senior Application Specialist
BIAS Software
www.biassoftware.com
509.443.3332 | Toll-Free 888.534.2427 | Fax 888.617.4437
327 E Pacific Ave | Spokane, WA 99202

On Mon, Oct 6, 2014 at 8:52 AM, De Los Santos, Amy <Amy.DeLosSantos@ci.stanwood.wa.us> wrote:

Hi David,

I thought you would be interested to see the rather surprising (to me anyway...) comments by the state auditor regarding the credit card vendor used by Xpressbillpay (Chase).

1. The City is under currently under contract with Chase Bank for on-line merchant card services. Chase is not identified as a qualified public depository.

We were not aware of this fact at the time that we contracted with Chase. We will contact Chase about this issue and ask if they intend to become a qualified public depository in the State of Washington. If not, we may have to find a merchant card service provider who is a qualified public depository.

2. The City is under currently under contract with Chase Bank for on-line merchant card services. There is currently no language in the city's contract to ensure Payment Card Industry (PCI) data security standards, other safeguards or a surety bond.

Again, we were not aware of these deficiencies when we contracted with Chase for merchant card services. We will contact them and discuss. We will have to try to amend the existing contract with Chase to add these provisions, or find another vendor who will meet the compliance standards. This will likely require the involvement of the city attorney.



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Local Government Performance Center

Third Party Receipting

Third party receipting involves electronic payments collected by credit and debit cards or Automated Clearing House (ACH) transactions of electronic checks, Internet checks etc. These electronic payments are processed for a local government by an outside provider. This process is frequently used for online payments but may also be part of an on-site payment process.

The requirements associated with third party receipting can be complicated and vary depending on the nature of the government, the vendor relationship and the services provided.

The following are four main categories of third party providers based on the type of contract that is in place between the vendor and local government.

Receipting Providers accept payments on behalf of the government. These vendors frequently provide web functionality or software to support receipting and credit card payments. The receipting provider acts as an intermediary between the credit card processing company and the government.

Service and Receipting Providers perform a service as well as accepting payments on behalf of the government such as collection agencies.

Credit Card Processor/Merchant Services Providers process credit card payments through the banking system using an 'acquiring bank'. Credit card processors interact directly with the banking credit card network. A credit card processor may have a direct interface with the local government or may interface indirectly through a receipting provider.

Payment Facilitators are registered with the acquiring bank to provide card processing services. Funds are settled by the card processing system to the payment facilitator who then remits the proceeds to the sponsored merchant / government. The process of registering a payment facilitator includes evaluation of management controls and oversight.

The following guidelines are intended to assist local governments using third party receipting to ensure that public funds are safeguarded and deposited on time.

- **Contract** - A contract should be in place between the third party vendor and the local government with terms that establish the responsibilities for all parties. The contract should include details of the payment remittance process and responsibilities of each party for compliance with Payment Card Industry (PCI) requirements.



- **Remittance of Proceeds** – It is recommended that the credit card processor/ merchant services provider settle funds directly into the local government’s Public Deposit Protection Commission (PDPC) approved bank account (RCW 39.58.080). However, if funds are not deposited directly into the local government’s PDPC approved account:
 - The receipting provider or payment facilitator should remit the funds to the local government within twenty-four hours of receiving them through the card processing settlement procedure unless the treasurer has granted an exception of up to five days according to state law (RCW 43.09.240).
 - The receipting provider or payment facilitator should remit the funds to the local government electronically rather than through the mail.
 - Management should ensure the receipting provider contract includes sufficient safeguards to protect the funds from loss.
 - Contract terms should state that if the contract’s primary purpose includes services in addition to receipting, such as a collection agency, funds are remitted at least monthly.
- **Reserves** - There should be no requirements that result in a third party vendor holding any part of the local government’s proceeds.
 - The only exception would be reserve requirements to be used for returns and chargebacks that are standard to credit card processors/ merchant service provider and payment facilitator agreements.
 - Management should evaluate any situation where this type of reserve is exercised as it indicates an unusually high risk in relation to normal governmental receipting activities.
- **Payment Card Industry (PCI) Standards** - Card payments are subject to PCI standards that protect credit card data. PCI data security standards apply to all entities that store, process or transmit cardholder data. Governments should ensure:
 - Local government practices and processes meet PCI standards. Responsibility for data security is shared by all parties to the agreement. The contract should explain the responsibilities of each party with consideration to the nature and scope of local government handling of cardholder data.
 - The third party credit card processor /merchant services provider / payment facilitator is PCI approved. See MasterCard Service Providers: (http://www.mastercard.com/us/company/en/docs/SP_Post_List.pdf)
 - and Visa Service Providers for compliant service provider lists (<http://www.visa.com/splisting/>).
 - If the credit card processor /merchant services /payment services provider is not on the list, management evaluates and ensures that public funds and cardholder information are not at risk. See <https://www.pcisecuritystandards.org/> for PCI standards.
- **Management Oversight** - Local government management is responsible for monitoring and oversight of revenue received by third party vendors. Management should:
 - Implement policies and procedures to reconcile their financial records with bank deposits made by the third party vendor.
 - Ensure that revenues are consistent with the local government’s expectations.
 - Determine that fees charged for credit card processing are appropriate per contract terms.

Best Practices

When governments use a receipting provider or service and receipting provider to outsource their business functions, the risks of the outside provider may become risks of the government user. To mitigate these risks the AICPA has established a framework for examination and reporting on the effectiveness of a provider's controls by way of a Service Organization Control (SOC) report. There are three SOC reports that may be available to governments wishing to obtain assurance related to their provider. SOC 1 provides assurance on controls over financial reporting while SOC 2 and SOC 3 provide assurance on compliance and operational controls over the security availability and processing integrity of a system and the confidentiality and privacy of information processed by the system.

See AICPA Managing Risks by Obtaining a Service Auditor's Report. (<http://www.aicpa.org/interestareas/informationtechnology/resources/trustservices/downloadabledocuments/10957-378%20soc%20whitepaper.pdf>)

Safeguards with receipting or service and receipting providers may also include ensuring that a surety bond or insurance policy is in place if necessary to protect the funds before they are deposited in the government's bank.

Additional Resources

Revised Code of Washington

Deposit of public funds in public depository required -- Deposits in institutions located outside the state (RCW 39.58.080).

Local government accounting -- Public officers and employees -- Duty to account and report -- Removal from office -- Deposit of collections (RCW 43.09.240).

Washington State Treasurer's Office

List of Qualified Washington Public Depositories (updated quarterly):

<http://www.tre.wa.gov/documents/pdpc/publicDepositoriesBanks-Thrifts.shtml>

List of Qualified Washington Credit Unions:

<http://www.tre.wa.gov/documents/pdpc/publicDepositoriesCreditUnions.shtml>

Government Finance Officers Association

GFOA Best Practice: Accepting Payment Cards and Selection of Payment Card Service Providers (GFOA, Oct. 2009):

<http://www.gfoa.org/accepting-payment-cards-and-selection-payment-card-service-providers>

GFOA Best Practice: Adopting Electronic Payment Systems (GFOA, Feb. 2008):

<http://www.gfoa.org/adopting-electronic-payment-systems>

Washington State Office of Financial Management

Ecommerce requirements for state agencies: <http://www.ofm.wa.gov/resources/ecommerce.asp>

PCI Security Standards Council

PCI SSC Data Security Standards Overview: https://www.pcisecuritystandards.org/security_standards/index.php

PCI DSS Quick Reference Guide (version 2.0):

<https://www.pcisecuritystandards.org/documents/PCI%20SSC%20Quick%20Reference%20Guide.pdf>

September 17, 2014

RCW 43.09.240

Local government accounting — Public officers and employees — Duty to account and report — Removal from office — Deposit of collections.

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

In case a public officer or employee collects or receives funds for the account of a local government of which he or she is an officer or employee, the treasurer shall, by Friday of each week, pay to the proper officer of the local government for the account of which the collection was made or payment received, the full amount collected or received during the current week for the account of the district.

[2002 c 168 § 3; 1995 c 301 § 13; 1991 c 245 § 13; 1965 c 8 § [43.09.240](#). Prior: 1963 c 209 § 2; 1911 c 30 § 1; 1909 c 76 § 6; RRS § 9956; prior: 1890 p 638 § 11; Code 1881 § 2577; 1854 p 411 § 7.]

CITY OF STANWOOD
Stanwood, Washington

ORDINANCE 13XX

AN ORDINANCE OF THE CITY OF STANWOOD, WASHINGTON, AMENDING STANWOOD MUNICIPAL CODE SECTION 3.16.110 ENTITLED “PETTY CASH FUND - DISTRIBUTION” TO DECREASE THE CITY FINANCE DEPARTMENT PETTY CASH FUND AND ADD A SECOND CITY FINANCE DEPARTMENT CHANGE FUND.

WHEREAS, the City currently has just one change fund at city hall in the total amount of one hundred dollars (\$100.00) that is accessed by multiple employees to perform cash receipting duties; and

WHEREAS, in order to improve internal controls over cash receipting, it is necessary to establish a second change fund at city hall in the amount of one hundred dollars (\$100.00) so that each receipting clerk has sole access to their own locked change fund; and

WHEREAS, the city’s finance department currently is authorized to have is authorized to have a petty cash fund in the amount of three hundred dollars (\$300.00); and

WHEREAS, the city’s finance department has determined that the petty cash fund can be reduced to one hundred ninety dollars (\$190.00) and still be sufficient to make minor purchases as needed; and

WHEREAS, the City Council has the authority to establish and change petty cash and change fund amounts to suit the operational needs of the city.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF STANWOOD, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. SMC Section 3.16.110 entitled “Petty cash fund – Distribution.” is hereby amended to read as follows:

3.16.110 Petty cash fund – Distribution.

The petty cash fund herein established shall be distributed as follows:

- (1) ~~Three hundred dollars~~One hundred ninety dollars shall be used by the city’s finance department as a petty cash fund;
- (2) ~~One~~Two hundred dollars shall be used by the city’s finance department as a two \$100.00 change funds.
- (3) One hundred dollars shall be used by the city’s police department as two \$50.00 change funds.

Section 2. Severability. If any section, sentence, clause, or phrase of this Ordinance is held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this Ordinance.

Section 3. Effective Date. This Ordinance shall take effect five days after its publication by summary.

PASSED by the City Council and APPROVED by the Mayor this 13th day of November, 2014.

CITY OF STANWOOD

By: _____
Leonard Kelley, Mayor

ATTEST:

By: _____
Greg Thrasher, City Clerk

Approved as to form:

By: _____
Grant K. Weed, City Attorney

Date of Publication: _____

Effective Date: _____

**CITY OF STANWOOD, WASHINGTON
RESOLUTION 2014-XX**

**A RESOLUTION OF THE CITY OF STANWOOD, WASHINGTON
ESTABLISHING DEPOSIT TIMELINES FOR CERTAIN CITY
FUNCTIONS**

WHEREAS, Pursuant to RCW 43.09.240 monies collected by local governments must be deposited within twenty-four (24) hours; and

WHEREAS, an exception to the above twenty-four (24) hour deposit requirement where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district or agency, and where the department, district or agency certifies that the money is held with proper safekeeping and that the entity carries proper theft protection to reduce risk of loss of funds; and

WHEREAS, an exception may be granted as long as it does not exceed a time period greater than one deposit per week; and

WHEREAS, it has been determined to be impractical by the Finance Director for the police department to make daily deposits on a consistent basis; and

WHEREAS, it has been determined to be impractical by the Finance Director for the city's merchant card service provider to make daily deposits on a consistent basis.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF STANWOOD DOES
HEREBY RESOLVE AS FOLLOWS:**

The City Council hereby authorizes the that the police department and the city's merchant card services provider are authorized to make weekly cash deposits at the discretion of the Finance Director in the event daily transfers are not practical or feasible in accordance with RCW 43.09.240, provided that proper safekeeping of such funds and internal controls are maintained in accordance with standards of the state auditor.

PASSED AND APPROVED by the City Council of the City of Stanwood this 13th day of November, 2014.

CITY OF STANWOOD

Leonard Kelley, Mayor

ATTEST:

Greg Thramer, City Clerk