



County of Riverside  
OFFICE OF THE AUDITOR-CONTROLLER  
STANDARD PRACTICE MANUAL

<b>SECTION:</b>		<b>6</b>	<b>SUBJECT: REPORTING CASH OVERAGES AND SHORTAGES</b>
<b>POLICY NUMBER:</b>		<b>605</b>	<b>CATEGORY: CASH MANAGEMENT POLICIES</b>
<b>REVISED DATE:</b>		<b>4/1/22</b>	<b>APPROVED BY:</b> <i>Paul Angulo</i>

**PURPOSE:** To establish standard guidelines and procedures to be followed by County departments, agencies, and special districts when reporting cash overages and shortages.

**SCOPE:** Applies to County departments and component units that are governed by Riverside County Board of Supervisors, and/or which maintain funds in the County Treasury.

**POLICY:** This policy intends to provide consistent reporting guidelines when reporting cash overages and shortages. The Auditor-Controller's Office established these guidelines in accordance with the following California Government Codes: Section 26881 and Section 29370 through 29390.1.

**PROCEDURE:** Cash overages and shortages may occur as a result of daily cashier operations, burglary, robbery, misappropriation, or other circumstances. On a monthly basis each County entity under the jurisdiction of the Board of Supervisors shall report cash overages and shortages to the Auditor-Controller's Office. The Auditor-Controller's Office reviews the transactions for adequacy and prepares the quarterly agenda reporting overages and shortages to the Board of Supervisors. Upon approval of the Board of Supervisors cash shortages are replenish to the appropriate departments.

The responsibilities and roles of each related party are outlined in this document.

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**DEPARTMENT RESPONSIBILITIES**

Departments are required to internally monitor all cash differences and document these differences by completing the Cash Overage/Shortage Daily Report for Departmental Cashier (SPM Form AR-3) and Cash Overage/Shortage Monthly Report for Departmental Heads (SPM Form AR-4). These reports are to be submitted to the Auditor-Controller’s Office General Accounting Division (GAD) no later than the twentieth (20th) day of the month following the month of the transaction.

*Note: Government code 29370.1 section C, requires cash differences to be reported within the fiscal year. Therefore, departments should be performing annual reconciliations and report differences between July 1st through June 30th for the fiscal year. Any shortages reported after the fiscal year end will be investigated and processed per the discretion of the Auditor-Controller.*

1) DEPARTMENTS REPORTING CASH OVERAGES AND SHORTAGES

- a. Departments are responsible for identifying cash overages and shortages, if any, on a daily basis.
- b. Employees performing the function of cashier who are experiencing a cash overage or shortage must submit a written Cash Overage / Shortage Daily Report on Form AR-3 to the department head or supervisor by close of business on the day of the incident.

*"At the close of each business day, setting forth the exact sum of any cash overage in the account for that day, failure to report any cash deficit or overage at the close of the business day in which it occurred is a violation of this article", California Government Code Section 29373.*

- c. All cash overages and shortages must be separately accounted for and reported. Cash overages and shortages must not be netted in order to offset against each other.
- d. The department must investigate and make a thorough attempt to determine the reason for the cash overage and shortage. The review might include recounting the cash, reviewing all transactions for the period, and checking the amounts of all checks and money orders to ensure that the receipts were written for the correct amounts. Departments should maintain adequate records describing the source and nature of all cash overages and shortages.
- e. Employees suspecting theft or negligence shall report anomalies to supervisors or department heads.
- f. Branch locations should notify their departmental business office of all cash overages and shortages.
- g. The fund custodian shall initiate a refund when the source of a cash overage is known, and the amount of the overage exceeds \$10. Per California Government Code Section 29375.1, *"When an amount paid to any county officer exceeds the amount due the county for any account, and such excess does not exceed ten dollars (\$10), the officer may deposit the excess in the overage fund in the county treasury. If the excess is not so deposited, it shall be refunded to the person making the payment."* Such refunds are payable by County warrant, and documentation to support the refund should be attached as supporting documentation. The supporting documentation shall make reference to the deposit covering the cash overage.
- h. Deposits should not be withheld or delayed because of an overage or shortage transaction investigation. Instead, deposit the daily count amount; report any discrepancies between actual count and the register count on the AR-3 and AR-4 forms.

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- i. For cash overages, include the overage amount as part of the regular deposit for the day. The overage will be reported in PeopleSoft Financials the posting of the Treasurer Cash Receipt (TCR). The TCR reporting the overage should be identified as an overage and recorded to the department's fund, by using the Department ID and Cash Overage Revenue Account 781080. The transaction will post as a credit. Please reference the TCR number in the AR-3 form reporting the overage and attached a copy of the TCR as support documentation.
- j. For cash shortages, deposits should be prepared for the amount collected for the day (do not include the cash shortage amount in the total). Include the shortage amount in an AR-3 form. The accounting string provided should be the Department's Fund, Department ID and the Cash Shortage Account 523210.

2) DEPARTMENT HEADS OR DESIGNEES

- a. Department heads should closely monitor cash shortages/overages and identify trends or unusual occurrences of cash shortages/overages and should follow up on instances where shortages appear frequently.

“Each county officer or administrative head of a county department or judicial district having a cash difference fund shall upon demand of the auditor or the board of supervisors give an account of the cash difference fund,” California Government Code Section 29376.

- b. Cash drawers with a daily shortage exceeding thirty dollars (\$30) or an accumulation of daily shortages that exceeds fifty dollars (\$50) within a reporting (calendar) month, should be reported immediately to the Auditor-Controller's Internal Audit Division. It is possible to have more than one reportable instance of both types of shortages in a single month.

Notification to the Internal Audits Division Includes:

- An initial telephone call on the day the shortage is identified
- A follow-up written notification (copy of SPM AR-3), to be forwarded the day shortage is identified.

- c. Where there is substantial reason to believe that a theft has been committed, report the incident immediately to the law enforcement agency within jurisdiction and provide the Chief of Internal Audits with a copy of the investigation report.

**Note:** The District Attorney will investigate any case where the amount of loss exceeds \$100,000. Exceptions will be considered by written request from the head of a department or police agency requesting an investigation. The request for investigation should be addressed to the District Attorney of the County of Riverside and include the following information:

- A brief description of the case and reason why District Attorney should investigate
- SPM AR-3 report along with supporting documentation and statement(s) of the interviewees

- d. Ensure that all cash shortages falling within insurance coverage provisions are promptly submitted to insurance company for reimbursement.
- e. Ensure that the Cash Overage/Shortage Monthly Report for Department Heads (SPM Form AR-4) is prepared monthly for all cash overages and shortages.
  - The SPM AR-4 report must be signed by the department head, deputy, or designated assistant.

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- The SPM AR-4 reports must be forwarded to the Cash Management section of the General Accounting Division, along with the supporting SPM form AR-3 reports. These items should be scanned and emailed to [aco\\_cash@rivco.org](mailto:aco_cash@rivco.org).
  - The SPM form AR-3 report must contain complete details of the cash overages and shortages including:
    - The probable cause
    - Name or other identification of the persons accountable
    - Unusual circumstances
    - For shortages, any other information that would aid in a determination of whether the shortage was caused by error, neglect, theft, or fraud
- f. In the event a cash shortage creates a serious obstacle to conduct daily business, and the function cannot wait for the Board of Supervisors' normal time approval for replenishment, contact the Auditor-Controller's Office, General Accounting Division.

**AUDITOR-CONTROLLER'S ROLES**

- 1) The General Accounting Division reviews the AR-3 and AR-4 forms for compliance with procedures. If the Auditor-Controller does not concur with the reports, departments are contacted to provide clarification of additional documentation. In the event that documentation is incomplete, the requests are returned to the department for completion.
- 2) The Auditor-Controller Internal Audits Division reviews the adequacy of all cash overage and shortage reports to ensure shortages have been investigated appropriately, and recommends to the General Accounting Division as to whether or not relief from liability should be granted.
- 3) In cases where fraud or gross negligence is believed to have occurred, the Auditor-Controller's Internal Audits Division shall issue a report with recommendations, based on the findings. This report shall be submitted to the Board of Supervisors.
- 4) Once the Auditor-Controller, County Counsel, and the District Attorney conclude there is no evidence of fraud or gross negligence, and the loss is not covered by insurance, the General Accounting Division prepares a quarterly Form 11 asking the Board of Supervisors approval to relieve shortage through the contingency fund or the department budget.
- 5) Upon approval by the Board of Supervisors, the General Accounting Division will prepare journal entries and vouchers necessary to account for the cash overages and shortages. If it is a General Fund shortage it will be reimbursed through the County's Contingency fund, all other funds will be reimbursed through their departments current operating budget.

**Note:** *Revolving Fund replenishments should not be treated as shortages they are reimbursed by completing a Revolving Fund Request for Replenishment Form (AP-9).*

**RECORDS MANAGEMENT ROLES**

All Monthly Report for Departmental Heads (SPM Form AR-4), Cash Overage/Shortage Daily Report for Departmental Cashier (SPM Form AR-3) reports, and the accompanied supporting documentation must be maintained in accordance with the County general records retention policy of 7 years.

**REFERENCES**

- California Government Code, Section 26881
- California Government Code, Section 29370 through 29390.1
- Cash Overage/Shortage Daily Report for Departmental Cashier (SPM Form AR-3)
- Cash Overage/Shortage Monthly Report for Departmental Heads (SPM Form AR-4)

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