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City and County of San Francisco  
Office of the Treasurer and Tax Collector (TTX)

**Departmental Guidelines #2014-1    Date of Issuance: September 13, 2013**

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**Approved for Distribution: Jose Cisneros, Treasurer**

A handwritten signature in black ink, appearing to read "Jose Cisneros", written over a horizontal line.

**Purpose of Guidelines:**

The purpose of this document is to provide guidance to City departments in matters relating to the overall management and processing of receipts throughout the City.

**Authority:**

These guidelines are issued under the Treasurer's authority, San Francisco Charter Sec. 6.106.

"The Treasurer shall be responsible for the collection of taxes, the receipt of all monies collected by the City and County and their safeguard, deposit and investment in accordance with sound financial practices, and shall be responsible for collection of delinquent revenue."

***Note: Most of the following guidelines require that notifications pertaining to specific issues be sent to both TTX and the Controller. Wherever that is required, please use the following email address: [TTX.Bankwires@sfgov.org](mailto:TTX.Bankwires@sfgov.org) for TTX and/or [Cash.Reconciliation@sfgov.org](mailto:Cash.Reconciliation@sfgov.org) for Controller.***

***Bank Account Opening and Closing***

1. All bank accounts, merchant accounts, or brokerage accounts that will be opened under the name of the City and County of San Francisco must be approved both by TTX and the Controller's Office (CON) and must be opened under the City's main Tax ID. For accounts that do not contain City

funds, it is permissible to use the City's Tax ID as long as the account is authorized by both Offices. Examples: bank accounts used for employee morale, social and/or charitable causes, fiduciary accounts, etc.

2. Departments needing to close a bank account must send a request to TTX together with the bank reconciliation and an instruction on how to record the balance in the account. Upon receipt of such request, TTX will issue a letter to the bank with instructions to close such account and inform CON of such action.
3. Departments have designated staff who are authorized signers on department bank accounts. Any department that has changes in such designated staffing must promptly notify TTX of such change for signature card update.

### ***Collections and Deposits***

4. Departments must coordinate and consult with TTX to determine appropriate depository services required by departments such as armored car service, remote deposit service, lockbox service, etc.
5. A department may create its own policy to restrict or eliminate check acceptance in these following cases:
  - a. There is high volume of returned checks for reasons such as Non Sufficient Funds (NSFs), closed account, invalid routing number, etc.
  - b. Individual transactions are low dollar amounts
  - c. There is no other means to recover payment after service is provided

In addition, departments with customers who are "repeat NSF offenders" may instruct those customers to bring cash, cashier's check, or money order, pay in person using a credit or debit card, or send ACH or Wire payments next time they attempt to make payments.

*See Attachment 1 for a sample letter that can be used for returned check notification and collection.*

6. In all circumstances, funds collected directly by the department or through a third party service provider must be deposited no later than the next business day to a duly authorized City account. Departments needing an exception must get prior authorization from TTX.
7. Checks and money orders must be drawn on banks domiciled in the United States only and cash must only be in US bills and coins. Departments should not accept payments in foreign currency (checks or cash). Departments needing an exception must get prior authorization from TTX.

### ***Stale Dated Checks***

8. Outstanding checks issued by departments, such as those from revolving fund accounts or department specific disbursement accounts, that are past 180 days must be voided by the issuing department. Departments are required to contact their payees for most recent addresses and arrange for issuance of replacement checks within 30 days.

### ***Revolving Fund Replenishment***

9. Requests for revolving fund account replenishment should be made payable to the department's revolving fund account and processed through ACH Paymode disbursement. Departments must contact TTX to help them enroll in Paymode service.

### ***Fraud Controls***

10. Any bank account that is set up as a Zero Balance Account (ZBA) and is used for disbursement must have Positive Pay service at a minimum. If Positive Pay service is not appropriate, the account cannot be set up as ZBA and must have appropriate fraud controls (ACH blocks, timely account reconciliation, etc). Procedures describing how the account will be funded must be in place and provided both to the CON and TTX.

### ***Accounting and Reconciliation***

11. The Treasurer's Group of Accounts (TGOA) in FAMIS is monitored by TTX to ensure that all ZBA bank accounts have zero balances at the end of each day and are reconciled at the end of the month. For that process to take place, departments must reconcile their respective bank accounts on a monthly basis. Examples of these accounts are credit card settlement, disbursement, lockbox, depository, and departmental summary accounts. Many departments, especially those depositing to GL 1051 (the City's main depository bank account) will be given their own depository account to make the reconciliation process easier for the GL 1051 account and for the remaining departments using this 1051 account. TTX will be contacting those affected departments. In addition, many departments will be given a department summary level account into which all ZBA accounts belonging to the department will roll up at the end of the day.
12. Departments must submit monthly bank reconciliation report for each of their bank accounts via email to the Controller's Cash Reconciliation Unit no later than the 10<sup>th</sup> day of the following month. Departments must address all reconciling items and correct any errors on a monthly basis. The reconciliation process entails reconciling the bank statement balance to the book balance in TGOA.

13. Deposited items returned by the banks for reasons such as Non-sufficient funds (NSF), invalid routing number, or closed accounts will go back to the specific account where the items were originally deposited. Departments will be given access to the images of the returned deposited items so they can process those in a timely manner.

*See Attachment 2 for instructions on NSF processing.*

14. In the merchant contract, credit card processing costs and related fees will show separately from the banking fees. These credit card fees will appear in each department's merchant statement and will be deducted from the deposits while the banking fees will continue to show in the monthly analysis statement. This change will require new ways of accounting for the fees.

*See Attachment 3 for further instructions on accounting for these costs.*

### ***Third Party Contracts***

15. Procurement and implementation of 3<sup>rd</sup> party contracts throughout the City that are related to collection services (i.e., merchant processing, gateway, payment applications, systems with a payment component, online payments, etc.) must be approved by TTX to ensure that the services procured comply with banking regulations and Payment Card Industry (PCI) Council requirements.
16. Departments with 3<sup>rd</sup> party contracts to process collections and disbursements must:
  - a. Perform annual monitoring of their vendors' compliance with PCI regulations, financial stability requirements, and industry ratings in the service being provided. Departments must coordinate with TTX for guidance on this effort.
  - b. Perform periodic reviews of their 3<sup>rd</sup> party vendors to ensure compliance with agreed upon procedures surrounding control processes such as segregation of functions between the 3<sup>rd</sup> party administrator and the contracting department, dual signatory policy on checks, releasing of checks to payees, etc.
  - c. Obtain a Service Organization Control (SOC) report from the 3<sup>rd</sup> party vendor. SOC reports are internal control reports on the services provided by a service organization providing valuable information that users need to assess and address the risks associated with an outsourced service.
17. Each department relying on 3rd party system/administrators must develop internal procedures describing their vendor's participation and role in the collection or disbursement process (i.e., review/sign checks before they are released, release positive pay file, approve exceptions, etc.). In addition, departments must ask their 3<sup>rd</sup> party administrators for a flowchart of the collection or payment processes and the mechanism and appropriate controls in place to safeguard City funds. These documents must be provided both to TTX and CON. For collection services, departments

must complete the applicable Flow of Funds diagram in order for TTX to determine the parties involved and their accountability in the process.

*See Attachments 4A and 4B: Flow of Funds Sample Diagram*

### ***Notifications on Incoming Receipts and Payment Requests through Electronic Funds Transfers (EFTs)***

For the City to optimize its investment interest earnings potential, all departments are required to notify TTX as far in advance as possible (i.e., as soon as you know) or no less than 3 business days in advance of:

18. Incoming receipts, other than regular operating revenues, that are over \$10million. These receipts can be in the form of federal wire transfers, automated clearing house (ACH) payments, or checks. Send these notifications to: [TTX.Investment@sfgov.org](mailto:TTX.Investment@sfgov.org) and [TTX.TWS@sfgov.org](mailto:TTX.TWS@sfgov.org)
19. EFT requests for outgoing payments outside of the Controller's ACH Paymode service. These requests must be sent to [TTX.Investment@sfgov.org](mailto:TTX.Investment@sfgov.org) and [TTX.Bankwires@sfgov.org](mailto:TTX.Bankwires@sfgov.org). If TTX receives outgoing payments with less than 3 business days notice, request is subject to delay.

End

**Attachment 1**

**Sample Letter for NSF Notification and Collection**

(Department's Letterhead)

(Dear Taxpayer)

**NOTICE OF DISHONORED CHECK**

You are hereby notified that your check was dishonored by your financial institution due to (specify actual reason for return). As a result, an administrative charge of \$50.00 is automatically imposed on your account pursuant to the San Francisco Administrative Code, Section 10.13-1.

Furthermore, BY VIRTUE OF THE CALIFORNIA CIVIL CODE, SECTION 1719, AS A RESULT OF YOUR FAILURE TO PAY THE AMOUNT OF THE DISHONORED CHECK AND ABSENT A GOOD FAITH DISPUTE, YOU MAY BE LIABLE FOR THE AMOUNT OF THE CHECK and ADDITIONAL DAMAGES NOT LESS THAN \$100.00 UP TO A MAXIMUM OF \$1500.00 PLUS COST.

By this letter, you are advised to pay in person using cash, debit or credit card, guaranteed funds (i.e. money order or cashier's check), or sending electronic funds transfer to replace the check amount plus \$50.00, within ten (10) days of the date of this letter.

Please send your remittance to the address below or contact this office as soon as possible.

(Department's Mailing Address)

(Department's Contact info)

Respectfully yours,

(Department Representative)

## Attachment 2

### Instructions and Recommended Controls for Processing Returned Items

1. A staff person designated to process the department's deposits should not be the same person to process returned deposited items. Returned deposited items are items that cannot be charged against the check originator's account for reasons such as non-sufficient funds (NSF), closed account, stop payment, questionable or missing signature, etc. In addition, staff making the deposits should not be the same person performing bank reconciliations. This is recommended to promote segregation of duties and implement checks and balances in the system.
2. At least two (2) employees from each department should have online access to the bank's returned deposited items report. This is recommended so that another staff has the ability to access the online reports for monitoring and back up purposes.
3. Departments must process their returned items in a timely manner as established by each department. This is to mitigate various complaints that a customer may have such as missing the payment deadline and incurring a penalty for late payment due to the department's late notification.
4. Departments may keep a subsidiary record of their returned deposited items for use in making decisions whether to take future check payments especially from customers who previously bounced a check.
5. Departments with their own depository bank accounts will be retrieving images and processing their own returned items.
6. A department should record the returned deposited item in their NSF Index Code with Transaction Code 702, as follows:

T/C 702 Record NSF Check	NSF INDEX CODE for Dept
	S/O 78902 NSF Check (imbedded in T/C)

This will record the returned deposited item as a reduction in revenue and also let the departments track information relating to the check. Departments should use the notepad to track the payee, date, bank number and check number, amount, city invoice or permit, and any information relating to the payment.

7. Departments should impose an administrative fee of \$50.00 for each returned check and should collect this fee from the payee when collecting the replacement amount.

When the replacement amount is collected the following transactions should be recorded to clear the NSF INDEX Code.

T/C 701/703    Cash Deposit  
T/C 718        Receipt Increasing Revenue  
                  NSF Index Code for the Department  
                  S/O 78902 NSF Check

If the administrative fee of \$50 is collected with the payment, the department can record this as additional revenue or record it as a reduction of their bank charges.

T/C 718        Receipt Increasing Revenue  
OR  
T/C 716        Receipt Applied as Abatement/Refund of Expenditures

8. If it is determined that a dishonored check will not be collected, the department should move the reduction of revenue from the NSF Index Code and apply it to the original transaction.

T/C 408        Adjustment to Increase Revenue Account  
                  NSF Index Code  
                  S/O 78902 NSF Check

T/C 407        Adjustment to Decrease Revenue Account  
                  Index Code on Deposit  
                  S/O on Deposit

Alternatively, if the deposit was an abatement of expenditure, then record the following:

T/C 408        Adjustment to Increase Revenue Account  
                  NSF Index Code  
                  S/O 78902 NSF Check

T/C 405        Adjustment to Increase Expenditure Account  
                  Index Code on Deposit  
                  S/O on Deposit

END



## Attachment 3

### Instructions on Accounting for Banking and Credit Card Fees

1. Beginning in FY 2014, actual bank fees and charges for department specific bank activity will be charged to each department as an expenditure. Fees could include bank account maintenance fees, fraud prevention service fees, transaction fees, etc. TTX will receive and pay quarterly bank invoices for these expenses and will work with the Controller's Office to charge the individual departments for their specific charges on a quarterly basis.
2. Beginning in FY 2014, all credit card processing fees for the prior month which include discount or interchange fees, per item processing cost, card fines, equipment rentals, etc. will be deducted by the bank from the department's merchant statement at the beginning of each month.
  - a. Departments will record these charges as expenditures under their appropriate index code as follows:

T/C 321    RECORD CREDIT CARD FEE CHARGE DIRECTLY THROUGH BANK ACCOUNT

Subobject 03595 Credit Card Processing Fee
  - b. Departments should record deposits from credit card payments in the full amount of the payment without reflecting the transaction fee and any other charges involved in these transactions.

It is important that departments timely reconcile their bank accounts and notify the bank of discrepancies. The bank will only allow a five business day window from the date of the original transaction to notify them of any discrepancy. If a discrepancy is noted after the five day window, the department will lose the opportunity to recover the correct sale amount. As such, departments should, on a daily basis reconcile their credit card sales transactions versus their merchant activity report and settlement/depository account.

END

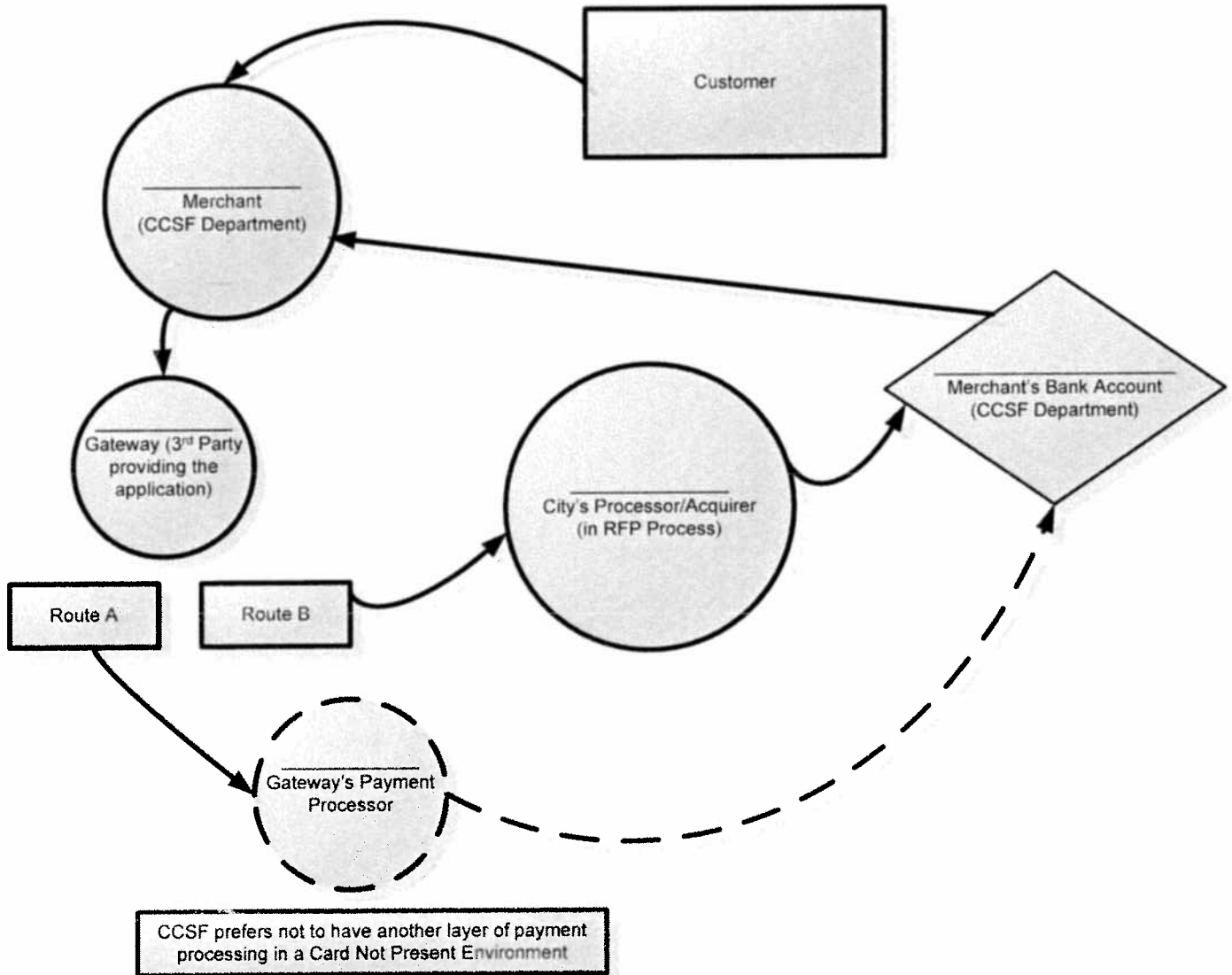
Attachment 4A

CCSF - Treasurer's Office

Sample Diagram for the Flow of Funds in an Online/IVR/Phone/Mobile Payment Application

Department: \_\_\_\_\_

Payment Application \_\_\_\_\_



A **Gateway** is the middleman providing communication between the department's software, website or hardware and Processor. Some Processors ARE the gateway. Most gateway companies make software or provide e-commerce solutions.

A **Payment Processor** receives the information from the gateway and handles the transfer of money from the customer's account to the department's bank account. The payment processor needs a gateway to hook into and vice versa in order to get the job done and serves as the bridge between the customer's bank (that issued card) and the department's bank account. Some Acquirers can also be Payment Processors.

An **Acquirer** is the financial institution accepting the payments from a credit card holder (customer) on behalf of the department (Merchant).

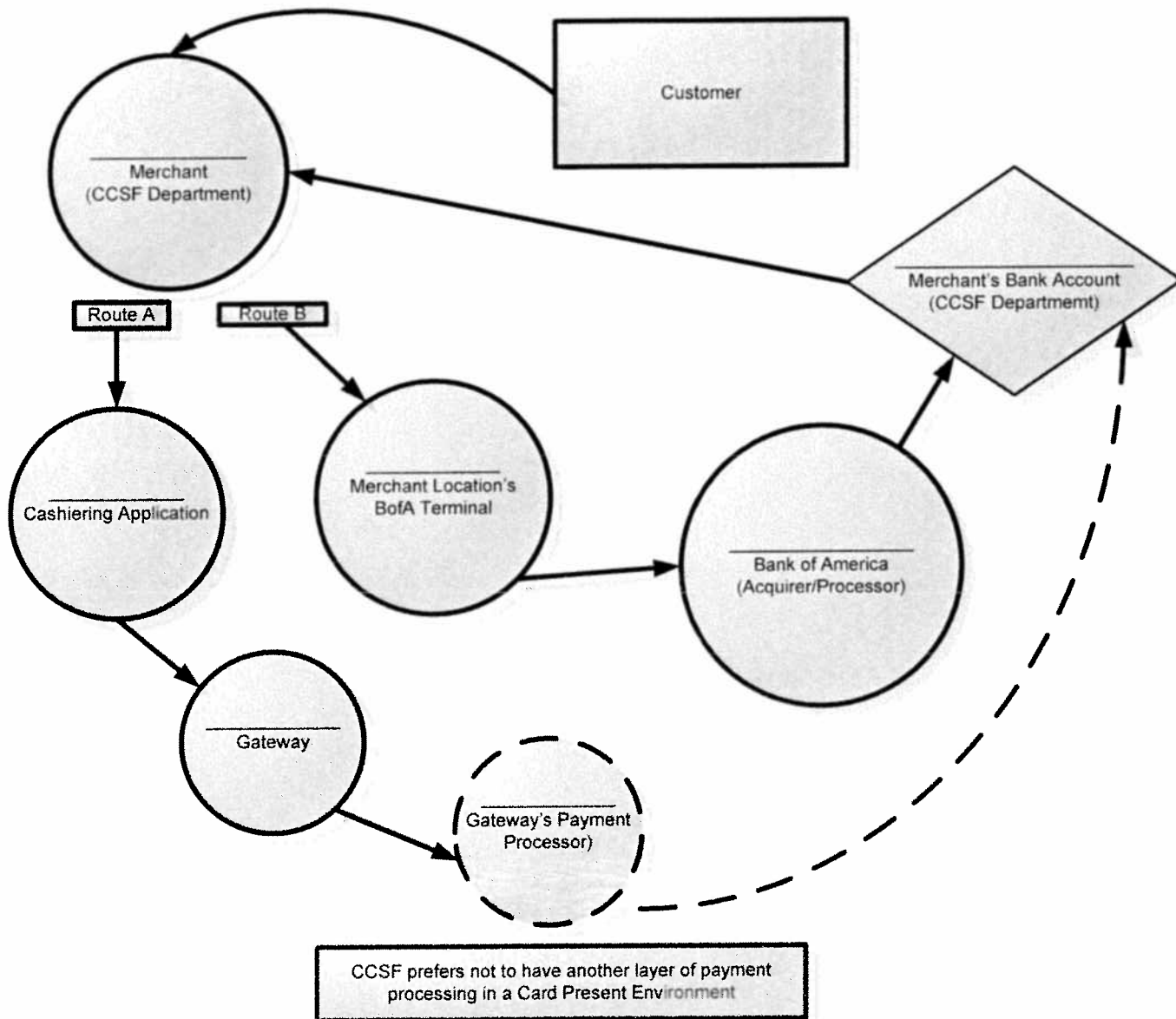
Attachment 4B

CCSF - Treasurer's Office

Sample Diagram for the Flow of Funds in a Card Present Environment

Department: \_\_\_\_\_

Payment Application \_\_\_\_\_



A **Gateway** is the middleman providing communication between the department's software, website or hardware and Processor. Some Processors ARE the gateway. Most gateway companies make software or provide e-commerce solutions.

A **Payment Processor** receives the information from the gateway and handles the transfer of money from the customer's account to the merchant department's bank account. The payment processor needs a gateway to hook into and vice versa in order to get the job done and serves as the bridge between the customer's bank (that issued card) and the City's bank account. Some Acquirers are also Processors.

An **Acquirer** is the financial institution accepting the payments from a credit card holder (customer) on behalf of a the department (Merchant).