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Counties and Cash

How to Improve the Management
of Cash Transactions

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Legal Marijuana Businesses and Cash Transactions

Counties are facing new issues involving transactions with legal marijuana businesses. As of June 2017, eight states and the District of Columbia legalized marijuana for recreational use.¹ Many federally insured banks do not work with marijuana vendors, since cannabis-related products continue to be illegal under federal law. The ramifications — unsafe transactions of very large sums of cash, inaccurate record-keeping and potential for underpayment on taxes — are bad for both vendors and government entities.

The situation varies across states. In Washington state — where the industry has been legal since 2013 — three-quarters of businesses paying special pot taxes in the first two months of 2016 did so electronically or by check.² Treasurer Lasher points out that many marijuana-related businesses in Washington are increasingly using local credit unions, and are thus not paying counties in cash. In contrast, in Oregon, which has had a legal marijuana industry since October 2015, half of the marijuana industry paid taxes and fees in cash.³

Affected counties should continue working with their states on this issue, to ensure better accountability of revenue and managing potential substance abuse and public safety challenges.

Workshop Summary

Often, counties use traditional banking structures to conduct financial transactions, such as collecting property taxes or other fees. Yet, a share of county residents and businesses do not have access to such institutions and conduct business in cash. For counties, cash transactions mean higher costs due to the need for face-to-face transactions, the potential for non-secure and unsafe payments, issues with recording and reporting to external authorities and a higher likelihood of mistakes.

At NACo's 2017 Western Interstate Regional Conference, the Counties Futures Lab hosted a training session on strategies counties are using to increase access to financial institutions for their taxpayers to ensure timely and secure payments while simultaneously lowering operating costs. Moderator Doug Lasher, Treasurer, Clark County, Wash., and presenter Cathy Traywick, Treasurer, Cochise County, Ariz., shared their insights on how to best handle cash transactions for their constituents in a world that is increasingly moving toward digital payments.



Hon. Doug Lasher
Treasurer, Clark County, Wash.



Hon. Cathy Traywick
Treasurer, Cochise County, Ariz.

Counterfeit Cash

An estimated
\$70 million
in counterfeit bills
are in circulation or,
one counterfeit note
per 10,000 genuine

1 in 10,000

The actual number
could be as high as
\$200 million
counterfeit, or
one counterfeit note
per 4,000 genuine

1 in 4,000



Source: U.S. Department of Treasury, 2016 Data

Best Practices in Managing Cash Transactions

Counties have different policies regarding handling cash (including limits), counting cash and how to ensure the safety and security of employees handling cash. When residents pay taxes and other fees online, through their bank or mail, there is an increase in accuracy and accountability, as well as the creation of a paper trail. However, some residents prefer to pay in cash.

Despite the variance in demographics, geography and technology in their counties, Treasurer Lasher and Treasurer Traywick estimated payments made in cash to their county treasuries make up about 5 to 15 percent of all financial transactions.⁴ However, by properly planning for the inevitable cash transaction, they save time and cut costs. Some best practices discussed during the workshop include:

Adequate Staff Training

- County staff training should include recognizing legal tender and counterfeits, proper safety procedures and cash handling procedures, including taking and verifying cash, as well as returning change. While most payments to Clark County, Wash. are made by check or digitally, Treasurer Lasher noted that training his entire staff in proper cash handling procedures means that any Clark County treasury employee can quickly process customers' transactions with a minimal wait time.
- **Check every bill with a counterfeit detector pen.** Treasurer Traywick utilizes pens as a quick and inexpensive way to tell if bills are fake. This is an efficient way to avoid bad transactions, especially for counties who have a higher risk of counterfeit bills, such as those that are ports of entry into the United States.

Get Insurance

- **Counterfeit notes cannot be replaced.** A counterfeit note cannot be exchanged for a genuine one, and it is illegal to knowingly pass counterfeit currency.⁵
- Even the most sophisticated machines can fail to identify fake bills. Unfortunately, if a county staff member accepts a fake bill, the county is held liable — which is why good insurance is important as a failsafe.

Safety First:

- **Give it up.** Should an armed robber walk into your building and demand cash, it is safer to comply than risk the lives and safety of county staff or passersby. Insurance would cover the stolen cash. The priority, said Treasurer Traywick, is staff safety.
- **Work with public safety agencies.** In the case of significant amounts of cash moving through county offices, county staff should request the support of local public safety agencies. For example, Treasurer Traywick arranged for the county's local law enforcement agency to be present when handling a major payment in cash for property taxes. This planning ahead helped ensure a safe transaction.
- **Diversify routines.** Patterns and routines are easy to track and monitor by potential criminals. Keeping different times and routes for transferring cash to a bank helps deter would-be thieves. Variations in routines may include using different doors, having armored truck pick-up times be unreliable to casual observers and switching personnel.

What Counts As Cash?

U.S. coins and currency (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banks) are legal tender for all debts, public charges, taxes and dues.⁶ Foreign gold or silver coins are not legal tender for debts.

Torn bills may be redeemed with the U.S. Bureau of Engraving and Printing if most of the note is identifiable or if less than half of the note is identifiable and evidence is provided that the rest of the bill has been destroyed.

The U.S. Currency Education Program, managed by the U.S. Federal Reserve Board, maintains a wealth of information for users to familiarize themselves with the different styles of U.S. currency over the years and the security measures taken within each bill. For more information, check www.uscurrency.gov

Endnotes

¹ Aaron Smith. "10 things to know about legal pot." *CNN Money*. Last modified May 26, 2017. <http://money.cnn.com/2017/04/19/news/legal-marijuana-420/index.html>

² "Banking Woes Easing For Some Legal Pot Businesses." Associated Press. Last modified April 20, 2016. <https://apnews.com/804ae396daab4ba98f814b186f872ef6/banking-woes-easing-some-legal-pot-businesses>

³ Ibid

⁴ Population size for Clark County, Wash. is 467,000; for Cochise County, Ariz. it is 126,000. Source, U.S. Census Bureau, 2016.

⁵ U.S. Federal Reserve. "FAQs." Retrieved June 6, 2017. https://www.federalreserve.gov/faqs/currency_12597.htm

⁶ 31 U.S.C. §5103. "National bank" refers to a banking institution chartered and supervised by the Office of the Comptroller of the Currency, an agency in the U.S. Treasury Department, pursuant to the National Bank Act. 12 U.S.C. §38 (1864)

About the Counties Futures Lab

The NACo Counties Futures Lab brings together leading national experts to examine and forecast the trends, innovations and promises of county government with an eye toward positioning America's county leaders for success. Focusing primarily on pressing county governance and management issues — and grounded in analytics, data and knowledge sharing — the Lab delivers research studies, reports and other actionable intelligence to a variety of venues in collaboration with corporate, academic and philanthropic thought leaders to promote the county government of the future.

About NACo

The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service.



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