

TOWN OF WESTPORT  
OFFICE OF THE INTERNAL AUDITOR



# INTERNAL AUDIT REPORT

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## CASH MANAGEMENT

IA 12-03

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NOVEMBER 1, 2012

# LETTER OF TRANSMITTAL

NOVEMBER 1, 2012

CHAIRMAN KANER AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed internal audit report of Cash Management. I greatly appreciate the time, patience and cooperation of all parties involved in this audit.

Included in this report are a number of findings and recommendations that are intended to assist Town of Westport administrators in identifying opportunities for strengthened controls and efficiencies.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

Lynn Scully  
Internal Auditor, Town of Westport

CC: GORDON JOSELOFF, FIRST SELECTMAN  
GARY CONRAD, DIRECTOR OF FINANCE  
JEFF WIESER, CHAIRMAN, RTM FINANCE COMMITTEE

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## A. INTRODUCTION

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### AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

#### **OBJECTIVES:**

The objectives of this audit were to:

1. Obtain an understanding of all existing federal, state and local requirements as they relate to cash management.
2. Obtain an understanding of and document the various cash management procedures for the Town of Westport, including Westport Public Schools.
3. Determine if written policy and procedures are adequate to address internal controls and compliance.
4. Determine if Town of Westport bank accounts are adequately secured and activity properly accounted for.
5. Determine all key controls in these processes, developing and conducting analytical procedures to determine the adequacy of these controls.
6. Determine if cash is adequately safeguarded.
7. Determine if cash receipts are complete and deposited in a timely manner.
8. Identify opportunities to improve efficiencies and controls in cash management processes.
9. Prepare a draft report of all findings and recommendations to review with department heads, appropriate administrators and the Board of Finance Audit Subcommittee.
10. Edit and finalize audit report for presentation to the Board of Finance.

#### **SCOPE:**

The purpose of this audit was to review current policies and procedures in the management of cash receipts and investments for both the Town and Westport Public Schools (WPS). The funds selected for review are intended to be a representative sample.

**METHODOLOGY:**

Reviewed existing documented policies and procedures.

Reviewed and analyzed information contained within the June 30, 2011 Comprehensive Annual Financial Report (CAFR).

Surveyed Town of Westport departments regarding cash receipts processing.

Conducted interviews with key representatives of the Town of Westport and Westport Public Schools to obtain an understanding of current systems used to account for cash receipts.

Documented understanding of various cash receipts processes employed.

Identify opportunities for strengthened controls and efficiencies related to cash management.

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## B. OVERVIEW OF WESTPORT'S CASH MANAGEMENT FUNCTION

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*Cash receipts, for the purposes of this review, are defined as cash and checks received and processed by the Town of Westport and Westport Public Schools.* These funds are accounted for within the Town's general fund, special revenue funds, capital project funds, permanent and fiduciary funds.

### Authority - Town

In the Town of Westport, the Finance Director serves in the capacity as Treasurer.

### **Per CT General Statutes Vol. 2, Title 7, Ch. 94 Sec. 7-80:**

**Sec. 7-80. Duties of treasurer. Appointment of deputy.** (a) The town treasurer shall receive all money belonging to the town, pay it out on the order of the proper authority and keep a record of all moneys received and when received and of all moneys paid out, when, for what and upon whose authority, which record shall always be open to the inspection of any taxpayer in such town and shall be presented to each annual town meeting, being first sworn to by him and adjusted by the selectmen. The town treasurer shall be, ex officio, treasurer of the town trust funds and may appoint a deputy who shall, in the absence or disability of the town treasurer, perform all his duties.

(b) Payment of any obligation of any town may be made by a national bank or state bank and trust company located in this state in accordance with the directions of the treasurer of the town, on order of the proper authority of such town, and the treasurer may authorize such bank to debit the town's account therefor.

### **Per Town of Westport Charter:**

#### **§ C12-3. - Treasurer.**

The Finance Director shall have all of the powers and duties conferred or imposed by law on Town Treasurers. The Finance Director, or designee, shall be responsible for Town investments, cash management and the issuance and redemption of bonds and other instruments of indebtedness.

Functionally, most of the treasury functions are performed by the Finance Department's Controller.

## Investment Policy

*The following is excerpted from the Town of Westport's website:*

The Operating and Working Capital funds are invested in accordance with the guidelines of the "Investment Policy" upon the direction of the Finance Director in the following short-term investments:

1. Various certificates of deposit (C.D.) with Connecticut banks (prior to acquiring a C.D., the Finance Director requires prospective bank depositories to provide written evidence that the bank meets the collateral, risk based capital and other requirements of Qualified Public Depositories as defined in Connecticut General Statutes 36-382
2. Money market accounts
3. U.S. Government Treasury Obligations
4. Repurchase Agreements collateralized by U.S. Government Agency Obligations
5. MBIA Class - an investment fund managed by MBIA Municipal Investors Service Corporation which, according to MBIA Class, invest only in: (a) high grade short-term federal securities and variable rate obligations backed by federal agencies having monthly or quarterly assets based on indices like the prime rate, LIBOR, or a combination of the two; and (b) very short-term, usually overnight, repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefit of the pool's participants.

Eligible investments for Connecticut municipalities are determined by C.G.S. 7-400 and 7-402. The town expects to continue to invest in the foregoing investments and those of similar character.

Town funds not under the direct control of the Finance Director and Controller will be the responsibility of the director or head of that department until such time the funds are disbursed or transferred to the Finance Department. The director or head of the department has established written procedures for the control of these funds. In addition, the town monitors the risk based capital ratios and collateral requirements of the qualified public depositories, as defined in C.G.S. 36-382.

The investment of each of the six Pension Trust funds is carried out by the "Investment Committee" (consisting of the Chair of the Board of Finance, the Finance Director, and a third person chosen by the two and approved by each pension board of the various funds). The Investment Committee makes investment decisions based on guidelines and investment policy established by the pension board of each of the pension funds.

The pension boards have adopted an investment policy to allocate 55 percent of fund assets to equities with the balance invested in fixed income securities and cash equivalents.

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NOTE: CT General Statutes C.G.S. 7-400, 7-402 and 36-382 are included in the Appendix of this report.

## **Authority – Westport Board of Education**

The Town of Westport's Board of Education also has legislative authority granted by the State of CT related to Student Activity Accounts.

### **Per CT General Statutes Vol. 3, Title 10, Ch. 170 Sec. 10-237:**

**Sec. 10-237. School activity funds.** (a) Any local or regional board of education may establish and maintain in its custody a school activity fund through which it may handle (1) the finances of that part of the cost of the school lunch program not provided by town appropriations, (2) the finances of that part of the cost of driver education courses furnished by such board of education and not provided by town appropriations and (3) such funds of schools and school organizations as such board from time to time determines to be desirable, which funds may include amounts received as gifts or donations. Whenever a board of education establishes a school activity fund, it shall designate one of its members or some other person to serve as treasurer of such fund and shall fix his or her salary, which shall be paid from the regular town appropriation for school purposes. Such treasurer shall be bonded and shall keep separate accounts for each school lunch program, for each driver education program and for each school fund and each school organization fund included in the school activity fund and shall make expenditures from such fund in the manner and upon such authorizations as the board of education by regulation prescribes, provided the control of school funds and the funds of all school organizations shall remain in the name of the respective schools and organizations. The accounts of the school activity fund shall be considered town accounts and shall be audited by the town auditor in the same manner as all other town accounts.

(b) The accounts of any public school lunch program, whether maintained directly by the board of education or through an agent, shall be kept in accordance with regulations prescribed by the board of education and may include a petty cash fund on the imprest basis and shall be subject to the regular audit of town accounts as provided in section 7-392.

(c) Any local or regional board of education may receive and accept any donation or gift of personal property to be used for the educational benefit of students.

### **Westport Public Schools Policy #3543 re School Activity Funds**

Student activity funds in the Westport Public Schools shall be established and maintained in accordance with state statutes.

The Assistant Superintendent for Business or his/her designee, shall have the responsibility and authority to implement through the Principals all policies and rules pertaining to the supervision and administration of student activity funds.

The Principal of the individual school shall be designated as treasurer of this account. A bookkeeper shall be designated to keep accounts.



Disbursements shall be authorized by the Principal upon receipt of properly approved vouchers. The signatures of the Principal and the bookkeeper shall validate checks.

Policy adopted: March 2007

**BANK ACCOUNTS**

The Town of Westport has approximately 58 bank accounts (includes WPS accounts), with varying degrees of account activity. Bank reconciliations are the responsibility of the Town’s Finance Department, with the exception of Student Activity Accounts. Bank reconciliations associated with Student Activity Accounts are conducted by school treasurers and the WPS Business Office (for more information regarding bank reconciliations, see Findings and Recommendations, pg 13).

**CASH RECEIPTS - Town**

Nearly all Town of Westport Departments handle cash receipts for permits, fees and programs. For the fiscal year ended June 30, 2011, general fund revenues were as follows:

Exhibit 1

Property Taxes	160,299,751	90.2%
Education	2,139,238	1.2%
Parks and Recreation	4,397,220	2.5%
Income from Investments	145,505	0.1%
Intergovernmental	2,190,386	1.2%
Permits, fees and other	8,502,917	4.8%
	<u><u>177,675,017</u></u>	100.0%

**Property Taxes** – Over 90% of the Town of Westport’s total revenues are derived from property taxes. These are collected in a variety of ways, with the bulk of the transactions (in excess of 90%) processed in-house by Tax Collector’s Office personnel.

**Education** – These revenues consist of the Staples Trust Fund, sundries and tuition.

**Parks and Recreation** – Income from use of park facilities and participation in recreational programs.

**Income from Investments** – Revenues resulting from the Town of Westport’s treasury function.

**Intergovernmental** – Revenues associated with federal and state programs.

**Permits, fees and other** – These revenues represent fees for services provided by various departments of the Town of Westport.

Cash receipts received by Town of Westport departments are deposited by Finance Department personnel daily. Detailed revenue activity is maintained in various sub-systems (see Systems Environment(s) on pg 11) and posted in summary within MUNIS.

**Special Revenues**

Special revenue funds are legally restricted to expenditures for particular purposes.

Exhibit 2 is a summary of Special Revenue Fund revenues for fiscal year ending June 30, 2011:

Exhibit 2

Shellfish Commission	17,567	0.3%
Railroad Parking Reserve Fund	29	0.0%
Railroad Parking Fund	1,201,582	23.5%
Dog License Fund	20,104	0.4%
State Aid for Town Highways	194,874	3.8%
Youth Services Fund	29,469	0.6%
Educational Grants Fund	2,767,817	54.2%
Police Fund	59	0.0%
Insurance Reserve Fund	95,882	1.9%
Public Protection Fund	775,660	15.2%
	<b>5,103,043</b>	100.0%

*The following is excerpted from the June 30, 2011 Comprehensive Annual Financial Report:*

**Shellfish Commission Fund** - is used to account for the revenues generated from the sale of licenses and for the expenditures as required by the State of Connecticut for maintaining shellfish beds.

**Railroad Parking Reserve Fund**- is used to account for the revenues transferred from the Railroad Parking Fund and expenditures as required by the State of Connecticut pursuant to a lease agreement between the Town of Westport and the Department of Transportation.

**Railroad Parking Fund** - is used to account for the revenues and expenditures related to the Railroad Parking operation.

**Dog License Fund** - is used to account for revenue from dog license fees and related expenditures.

**State Aid for Town Highways Fund**- is used to account for grant revenues from the State of Connecticut and expenditures allowable under the State Highway Grant program.

**Youth Service Fund** - is used to account for the grant revenues from the State of Connecticut and

expenditures related thereto.

**Educational Grants Fund** - is used to account for U.S. and Connecticut Department of Education grants relating to education that are administered by the Superintendent's office.

**Police Fund** - is used to account for revenues related to sales of abandoned property programs.

**Insurance Reserve Fund** - is used to account for insurance reimbursement revenues and to pay deductibles for liability, property and automobile claims.

**Public Protection Outside Fund** - is used to account for revenue and expenditures incurred from the use of Town police officers by outside parties.

**Student Activity Funds – (Westport Public Schools)**

Student Activity Funds are classified as Fiduciary Funds in the Town of Westport's Comprehensive Annual Financial Report (CAFR). Fiduciary Funds are used to account for assets that are held in a trustee capacity for others. They are further classified as Agency Funds, where they are custodial in nature (assets equal liabilities).

As of June 30, 2011, Student Activity Funds are reported as follows:

Exhibit 3

Balance, July 1, 2010	\$	612,541
Additions		1,451,672
Deletions		(1,484,616)
Balance, June 30, 2011	<b>\$</b>	<b>579,597</b>

Account activity is maintained in detail within a web-based application by each of the schools, with the exception of the District-wide Student Activity Account, which is accounted for within the WPS Business Office. (For more information, see Systems Environment(s), pg 13).

**Continuing Education (Westport Public Schools)**

Prior to fiscal year 2010-2011, Adult and Continuing Education was accounted for as a Special Revenue Fund. For fiscal year ended June 30, 2011, activity within the Adult and Continuing Education operation has been accounted for within the Town of Westport’s General Fund and is summarized as follows:

Exhibit 4

Balance, July 1, 2010	\$	567,251
Additions		1,280,764
Deletions		<u>(1,399,847)</u>
Balance, June 30, 2011	<b>\$</b>	<b><u>448,168</u></b>

Program activity is accounted for within a web-based application, WebSolutions. Credit card payments are processed through a separate outside vendor, Authorize.net. It is estimated that 95% of the revenues are processed online, as there is a \$10 registration fee assessed for walk-ins, telephone and mailed class registrations. No cash payments are accepted.

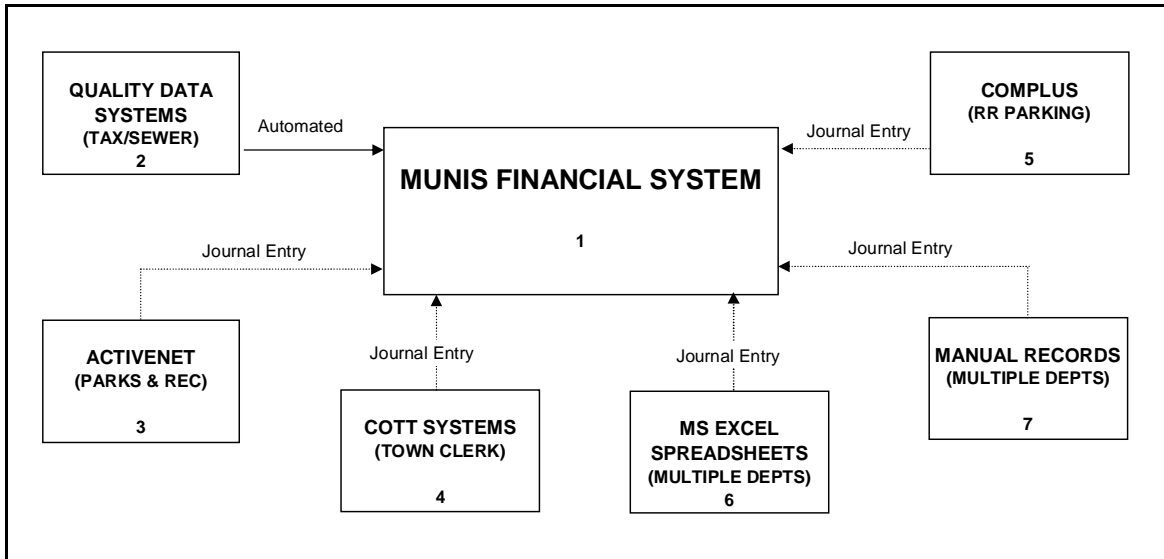
NOTE: The Cafeteria Fund was not included in the scope of this audit (the Cafeteria Fund is always included in the Town’s annual outside audit, however).

## THE SYSTEMS ENVIRONMENT(S):

### Town of Westport

The following is a graphic representation of the current systems environment as it relates to the processing of revenues at the Town of Westport. A description of each application follows.

Exhibit 5



The following briefly describes each software application presented in Exhibit 3.

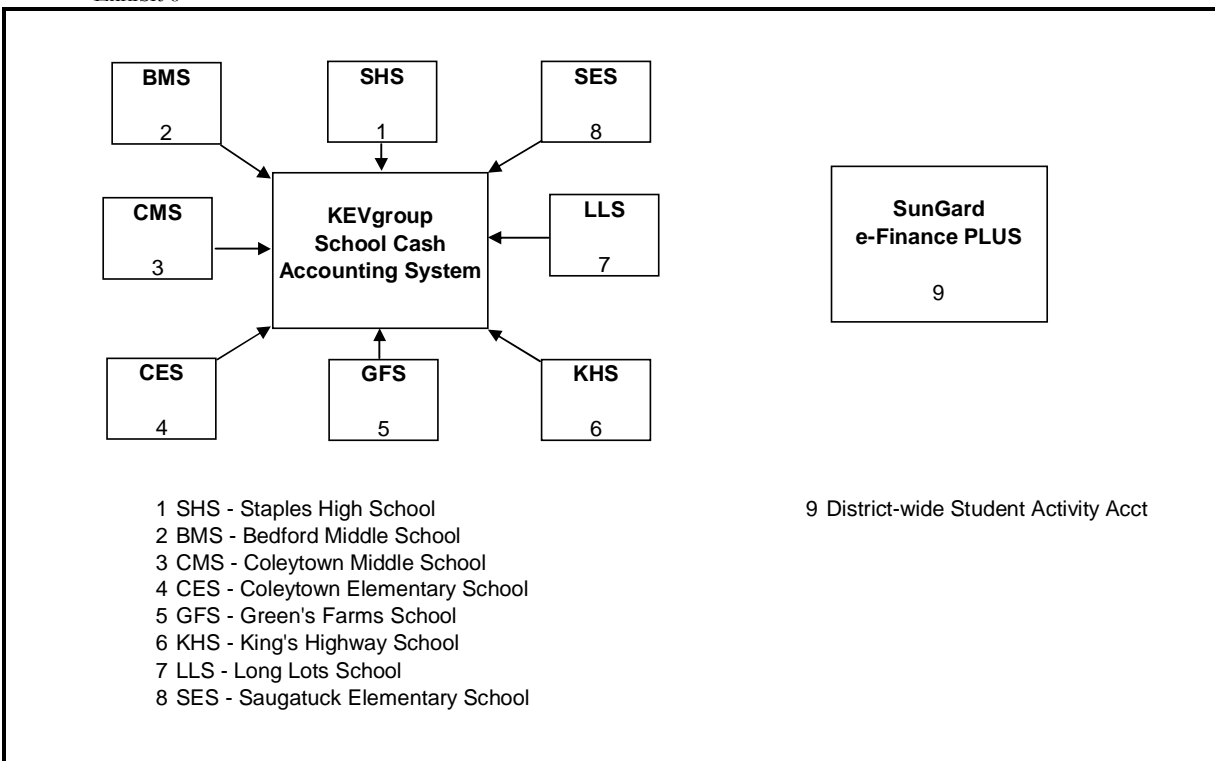
<u>APPLICATIONS</u>	
<b>1</b>	<b>MUNIS</b> – Revenues, in summary form, are entered into MUNIS by Finance Department personnel via journal entry (manually) by the Finance Department. The exception to this process is Quality Data Systems, where a daily bridge to MUNIS of summary information is processed by the Finance Department. MUNIS is now a web-based application.
<b>2</b>	<b>QUALITY DATA SYSTEMS (QDS)</b> – Tax and Sewer revenue information is maintained in detail within this software application. This application is also used by the Town’s Assessor’s Office. QDS resides on the Town of Westport’s servers. Summary information is bridged electronically to MUNIS.
<b>3</b>	<b>ACTIVENET</b> – This web-based application is maintained by the Parks and Recreation Department to account for programmatic revenues. ACTIVENET is a web-based application. Summary information is entered into MUNIS by the Finance Dept via journal entry.
<b>4</b>	<b>COTT SYSTEMS</b> – All Town Clerk transactions, with the exception of conveyance tax payments to the State of CT, are processed through this system. Summary information is entered into MUNIS by the Finance Dept via journal entry.

5	<b>COMPLUS Data Innovations, Inc. FastTrack Parking Ticket Management System</b> – This web-based application allows for outsourced parking ticket collections. All parking violations are included in this application. The application has recently been expanded to include annual parking permits. COMPLUS is a web-based application. Summary information is entered into MUNIS by the Finance Dept via journal entry.
6	<b>Microsoft Excel</b> – Spreadsheets are maintained by several departments to summarize daily revenues that are transmitted to the Finance Department for deposit and recording. These files reside on the Town’s file server. Summary information is entered into MUNIS by the Finance Dept via journal entry.
7	<b>Manual Records</b> – these are maintained by departments with minimal cash receipts collected (less than \$100/wk). These hardcopy records are maintained within respective departments. Summary information is entered into MUNIS by the Finance Dept via journal entry.

**Westport Public Schools – Student Activity Accounts**

The following is a graphic representation of the current systems environment as it relates to the processing of revenues at the Westport Public Schools, Student Activity Accounts. A description of each application follows.

Exhibit 6

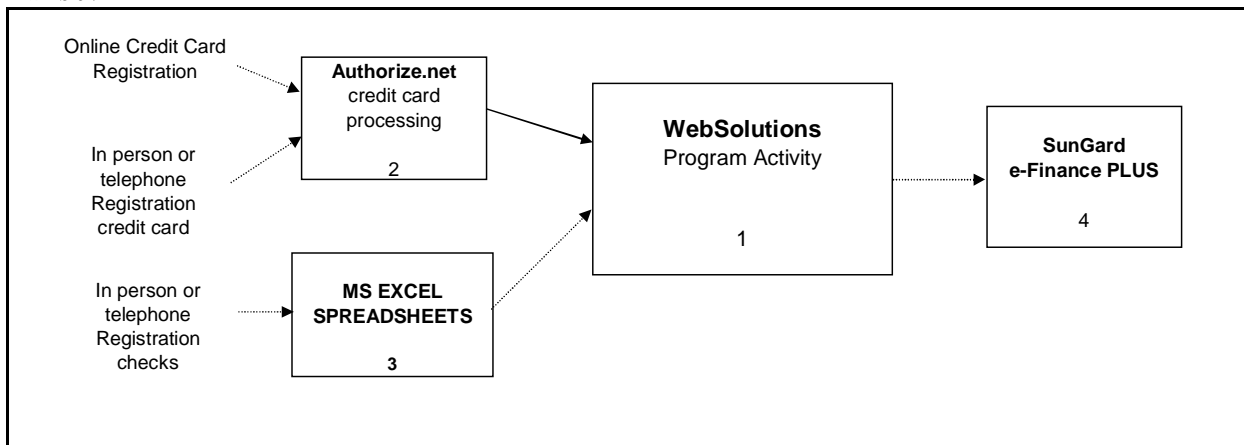


<b>APPLICATIONS</b>	
1-8	<b>KEVgroup School Cash Accounting</b> – a web-based application specifically designed for student activity accounts. Each school has its own module. Oversight is provided by each school Principal and WPS’s Coordinator of Transportation and Other Business Services.
9	<b>SUNGARD PENTAMATION eFinancePLUS</b> Financial System Software – a District-wide Student Activity Account is accounted for within the Business Office in its main financial system application.

**Westport Public Schools – Adult and Continuing Education**

The following is a graphic representation of the current systems environment as it relates to the processing of revenues at the Westport Public Schools, Adult and Continuing Education. A description of each application follows.

Exhibit 7



<b>APPLICATIONS</b>	
1	<b>WebSolutions</b> – Program registration is maintained within a website hosted by WebSolutions.com.
2	<b>Authorize.net</b> – All credit card payments are processed through this company.
3	<b>MS Excel Spreadsheets</b> – Are used to record checks received, reconcile with bank statements and summarize info for entry into Sungard Pentamation system.
4	<b>SUNGARD PENTAMATION eFinancePLUS</b> Financial System Software – a District-wide Student Activity Account is accounted for within the Business Office in its main financial system application.

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## C. FINDINGS AND RECOMMENDATIONS

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It should be noted that some internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town and WPS administrators in identifying opportunities for strengthened controls and efficiencies.

### 1. Policies and Procedures

#### a. ***Finding: Inadequate Documentation of Policies and Procedures Related to Cash Management (Town) – Needs Improvement***

While the Town of Westport has a published investment policy and some departments have individually developed written policies and procedures related to departmental processing of cash receipts, the Town of Westport does not have an overall revenue control and management policy.

Of the 10 Town of Westport departments responding to a quick survey, only 3 provided written procedures that have been developed internally for operational purposes. These sets of procedures vary greatly in format and none indicate when they were last revised and/or approved by the Town of Westport's Finance Department.

Without an overall policy, basic requirements as to the timeliness of deposits, reconciliation to applicable ledgers, physical security over cash receipts and fraud reporting are inadequately communicated.

#### ***Recommendation:***

The Government Finance Officers Association (GFOA) recommends governments establish a Revenue Control and Management Policy and review it on an annual basis. It is recommended that the Town of Westport's Administration, under the leadership of the Finance Director, develop such a policy as soon as possible and distribute this policy to all departments responsible for the handling of cash receipts.

This policy should be designed to address internal controls such as:

- Segregation of duties
- Timeliness of deposits and recording
- Processing and collection of returned checks
- Reconciliations to ledgers and bank statements
- Physical security procedures
- Budgetary review responsibilities
- Fraud reporting



While each department has a unique set of revenue streams, a broader set of uniform written requirements will ensure a stronger control environment for cash receipts processing town-wide.

b. ***Finding: Petty Cash Procedures (Town) – Needs Improvement***

Some Town of Westport departments maintain a petty cash account for smaller, immediate purchases. There does not appear to be any language within the Purchasing Policy that addresses the use of petty cash.

***Recommendation:***

For stronger internal controls, it is recommended that the Town of Westport's Finance Department endeavor to close petty cash accounts within the Town of Westport. Solutions for immediate purchasing needs such as corporate credit cards (controlled by the Finance Department), lines of credit with pre-approved vendors, or reimbursement procedures should be explored.

c. ***Finding: Treasury Reporting – Needs Improvement***

The treasury function has been delegated by the Finance Director to the Town of Westport's Controller. There are no routine interim reports provided to the Finance Director summarizing investment activity.

***Recommendation:***

Quarterly reports should be submitted to the Finance Director which would provide summary information regarding investment activity of town funds. This would improve the monitoring of this important function.

2. **Internal Controls**

a. ***Finding: Bank Reconciliations Performed By Individuals with Incompatible Responsibilities (WPS) – Needs Improvement***

In the course of this audit, it was determined that bank reconciliations were performed by individuals with custodial and/or recordkeeping duties at WPS.

The work of any person handling money should be subject to appropriate checks and balances. This is especially true of accounts with a large number of smaller cash transactions, such as Student Activity Accounts. Bank reconciliations are considered an important control function within a system of checks and balances, and should not be performed by an individual with custodial and recordkeeping responsibilities.

***Recommendation:***

Bank reconciliations should be reassigned to an individual independent of custodial and

recordkeeping responsibilities for that same fund.

### 3. Other

#### a. ***Finding: Alternative Payment Methods (Town and WPS) – Adequate***

The Town of Westport, including Westport Public Schools, has continued to increase the amount of revenue it receives in the form of credit card payments. Presently, taxpayers and others doing business with the Town of Westport can pay for the following services via credit card:

- ***Taxes*** – taxes can be paid online through and outside vendor, Official Payments. (NOTE: debit card payments are also accepted in the Office of the Tax Collector)
- ***Parks and Recreation Programs*** – registration for programs can be done online through the Town’s Activenet application. Greens fees can also be paid through the Longshore Golf website via credit card.
- ***Land Records and Other Recorded Information*** – The Town of Westport’s Town Clerk’s Office participates in the Town Clerk’s Portal, where subscribers can access indexed documents on file. This service is available through COTT Systems, Inc.
- ***Parking tickets*** – Tickets for moving violations and railroad parking can be paid through the Town of Westport’s vendor, COMPLUS Data Systems, Inc.
- ***Continuing Education*** – Westport Continuing Education accepts credit card payments for course registration, serving adults and children.
- ***School Lunch*** – Parents can pay for school lunch at Westport Public Schools through an outside vendor, MyNutrikids.com.

In most of the examples above, the cost associated with accepting credit card payments for Town of Westport services are included in the transaction as additional “convenience fees.”

#### **Recommendation:**

The Town of Westport should continue to explore opportunities for citizens to pay for services through credit and/or debit cards as contractual relationships with financial institutions evolve.

On the Town side, the Office of Information Technology (IT) should be exploring web-based application solutions for permit processing that might be used by multiple departments to track permits and facilitate financial transactions uniformly. Such a program would be integrated with a document management system, which is still being explored and is included in the Office of IT’s capital budget.

## APPENDIX

## CT General Statutes (excerpts)

### **Title 7, Chapter 112, Municipal Finance:**

**Sec. 7-400. Investment of funds.** The treasurer of any municipality, as defined in section 7-359, upon approval by the budget-making authority, as defined in said section, of any metropolitan district, of any regional school district, of any district as defined in section 7-324, and of any other municipal corporation or authority authorized to issue bonds, notes or other obligations under the provisions of the general statutes or any special act may invest the proceeds received from the sale of bonds, notes or other obligations, or other funds, including the general fund, as hereinafter provided:

(1) In (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as from time to time amended, provided (i) the portfolio of such custodial arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) of this subdivision and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or such investment company or investment trust is rated within one of the top two credit rating categories and, for any investment company or investment trust not managed to maintain its shares at a constant net asset value, within one of the top two risk rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; and (iv) the municipal corporation or authority only purchases and redeems shares or other interests in such investment company or investment trust through the use of, or the custodian of such custodial arrangement or pool is, a bank, as defined in section 36a-2, or an out-of-state bank, as defined in said section, having one or more branches in this state.

(2) In the obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

(3) In the obligations of the state of Connecticut, or any regional school district, town, city, borough or metropolitan district in the state of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

**Sec. 7-402. Deposit of public money and trust funds.** (a) Any public official of any municipality may deposit any public funds received, held or controlled by such public official and belonging to such municipality, or otherwise held by such public official as such public official or as a custodian or trustee on behalf of such municipality, (1) in any qualified public depository, or (2) in an amount not exceeding the Federal Deposit Insurance Corporation insurance limit, in any out-of-state bank which is not a qualified public depository, designated by such public official; provided such deposit shall only be made in such public official's name as such public official, custodian or trustee or in the name of the municipality to which the money belongs. The interest or other pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of such municipality. In no case shall the deposit by such public official in any one such depository exceed in the aggregate

at any one time seventy-five per cent of the total capital of such depository, as determined in accordance with applicable federal regulations and regulations adopted by the Banking Commissioner under section 36a-332. Any qualified public depository receiving deposits of public funds pursuant to this section is required to disclose such information relating to public deposits as the Banking Commissioner may require by regulations which the commissioner shall adopt in accordance with the provisions of chapter 54. The regulations shall include, but not be limited to, disclosure of the most current quarterly statement of condition and statement of income. Nothing in this section shall affect additional restrictions on the deposit of public funds imposed by the provisions of the charter of any municipal corporation.

(b) Any person, other than a public official, who receives, has control of, or is the custodian or trustee of, public funds promptly following the receipt or other acceptance of such public funds shall request the authority specified in this subsection to designate one or more depositories permitted under subsection (a) of this section as a depository for the whole or any part of such funds. The authority shall be (1) the board of selectmen, if the funds belong to a town that does not have a charter, special act or home rule ordinance relating to its government, (2) the first selectman, mayor or other chief executive officer described in a charter, special act or home rule ordinance relating to the government of a city, consolidated town and city, consolidated town and borough or a town having a charter, special act or home rule ordinance relating to its government, if the funds belong to such an entity, (3) the regional board of education, if the funds belong to a regional school district, (4) the warden, if the funds belong to a borough or (5) the chairman of the executive committee or other chief executive officer, if the funds belong to a district, metropolitan district or other municipal corporation. Such authority, upon the receipt of such request, may, in writing, designate one or more depositories and may, within the limitations of this section, specify the public fund or funds and the maximum amount thereof which may be deposited in each of such depositories. The instrument designating such depository or depositories shall be filed in the office of the town clerk in the case of a town and with the clerk of any other municipality. Such authority may, at any time, in writing, revoke such designation and may designate one or more other depositories. Prior to the designation by such authority of a depository, the person making such request may, within the limitations of this section, deposit public funds in any depository permitted under subsection (a) of this section. All deposits of public funds shall be in the name of the municipality or in the official name of the fund, person or trustee. The interest or pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of the municipality or to the corpus of the fund held in trust.

(c) If the laws of this state have, in all other respects, been complied with, any person acting on behalf of, or as custodian or trustee for, any municipality, who deposits public funds in any depository shall, because of failure, insolvency, receivership, forced closing or restricted operation of such depository, or a bank and credit union holiday or banking emergency proclaimed under the provisions of the laws of the United States or of this state, be relieved of personal responsibility for public funds so deposited and the surety or sureties upon the bond of such person shall be likewise relieved to the same extent as such person. The provisions of this section shall not be construed to relieve any such person or such person's surety or sureties from the obligation to account for the whole or such part of public funds so deposited as and when the same may be obtained by such person from such depository.

**Volume 10, Title 36-382, Protection of Public Documents, has been repealed.**