

FAP 120-24-00
CASH HANDLING

1. "Cash" and "cash receipts" means currency, coins, checks, money orders and all other forms of payment that are not electronically transmitted to the Commonwealth.
2. **Segregation of Duties:** Strict control shall be maintained during the processing of cash receipts to ensure proper accountability.
 - a. Responsibilities and duties involving cash receipts shall be separated among different employees with respect to authorization, processing and recording, receiving funds, reviewing and monitoring, and the custodial functions, to ensure no one (1) employee or group of employees has total control over the cash handling process.
 - b. Duties shall be assigned systematically to a number of employees, when applicable, to ensure that effective checks and balances exist.
 - c. The responsibility for opening mail shall be assigned to employees who have no responsibilities for, or access to, files or documents pertaining to accounts receivable or cash accounts.
 - d. Bank accounts shall be reconciled by employees who have no responsibilities for cash receipts, disbursements or custody.
3. **Timely Deposits:** State agencies, departments, institutions, boards, commissions and other public entities subject to KRS 41.070 shall deposit cash, checks and other negotiable instruments into the State Treasury or a state depository bank account on the same day of receipt. A reasonable, longer period for the deposit of particularly identified funds or categories of funds may be accepted, if approved by the FAC. The FAC and/or the Kentucky State Treasury may request such documentation on a periodic basis. Examples of situations that may be considered as reasons for not depositing funds within three (3) business days include:
 - a. Receipts are collected in a field office or by field staff in locations that are not near a Temporary Depository;
 - b. Aggregate receipts on hand total less than \$500;
 - c. The entity has severely limited staff resources, such as boards or commissions with only one (1) or two (2) staff members; or
 - d. Volume of receipts received during peak times is so great that existing staff cannot meet the minimum requirements.
4. **Restrictive endorsement of checks and negotiable instruments:** Agencies shall restrictively endorse checks and negotiable instruments upon receipt before forwarding the checks or negotiable instruments to the State Treasury for deposit or depositing in a state bank account. A restrictive endorsement on checks and negotiable instruments deters the potential of theft or other loss. Any checks received erroneously shall not be endorsed and shall be sent back to the sender immediately.
5. **Recording of cash receipt transactions:** Agencies shall promptly record cash receipt transactions.
 - a. The duties of receiving cash and preparing the initial documentation shall be segregated from the duties of making entries into the agencies' or states' accounting system, posting of cash collections and making deposits.
 - b. Pre-numbered remittance advices and mail logs shall be used to document over-the-counter collections and cash received through the mail. The use of mechanical receipting devices, such as cash registers, may also be used.

- c. Agencies shall assign the responsibility for issuing pre-numbered remittance advices to a limited number of employees.
 - d. Cash shall be maintained in a safe or other locked storage device until deposited.
6. **Financial Reporting and Reconciliation:** Management shall perform reconciliations and independent supervisory reviews over the cash receipts process.
- a. Someone independent of the cash receipt function shall reconcile the mail log where cash and receipts are initially received, to the daily cash and receipts activity. A comparison of actual currency and coins deposited with actual currency and coins received shall be conducted.
 - b. Someone independent of the cash receipt process shall summarize cash receipts. This summary shall be compared to the State Treasury deposits to ensure that all collections are deposited intact. Cash receipts recorded in the state accounting system shall also be reconciled against an agency's internal accounting system.
 - c. Monies received on prepaid accounts shall be reconciled with deposits and posting to the accounting records.
7. **Safeguarding Cash Receipts:** Agencies shall establish physical control to secure and safeguard cash, checks and other negotiable instruments received.
- a. Cash, checks and other negotiable instruments, not deposited or processed at the end of the day, shall be placed in an area secured by some form of locking device, such as a safe, vault or locking file cabinet.
 - b. Cash, checks and mail containing related receipts shall not be left unattended during the day. They shall be locked anytime the clerk leaves his/her workstation.
 - c. At least two (2) people shall accompany cash at all times.
 - d. A dual control storage device requiring two (2) individuals to open the device is recommended.
 - e. Access to safes, vaults or other security devices shall be restricted to personnel whose job duties require such access.
 - f. Management shall periodically count the cash on hand and compare it to the cash receipt tickets.
8. **Suspected Loss of Public Funds:** In the event of the suspected loss of public funds, the agency shall:
- a. Notify the appropriate agency personnel, not involved in the suspected loss, prior to contacting outside agencies;
 - b. Notify the secretary of the FAC within 24 hours after discovery of the suspected loss. If the suspected loss is discovered on a weekend or holiday, the secretary of the FAC should be notified the next business day; and
 - c. Notify outside law enforcement or investigative agencies after discussing the loss with appropriate agency personnel and FAC.
9. **Responsible Parties:** The agency head or their designee shall be responsible for ensuring that cash handling procedures are implemented.
10. **Agency Internal Procedures on Cash Handling:** Agencies may implement stricter internal controls than those set forth in this FAP. The FAC and Kentucky State Treasury may, at any time, review an agency's internal policies to ensure the existence of adequate internal controls.

Related to: KRS 41.070; KRS 45.237; KRS 45.242; KRS 45.244; KRS 45.251;
KRS 45.301; KRS 45.306 and 200 KAR 38.070