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ISSUED BY: Department of Revenue -	
EFFECTIVE DATE:	
PROCEDURE 6.11.1 (Formerly KRC 11.11)	
SUBJECT: Cash Handling Procedures	
Distribution Code(s): A, B, C, D, E, F	Contact: Office of Processing & Enforcement Executive Director, Ext #3227

I. INTRODUCTION

This procedure provides uniform measures for Department of Revenue employees when accepting and depositing cash receipts in all taxing areas and locations, to ensure compliance with KRS 41.070. This statute requires agencies to deposit cash receipts in the most prompt and cost-efficient manner available.

The procedure annotates measures to minimize the risk of loss, as well as to provide consistency when handling cash receipts. These procedures cover cash receipts from over-the-counter (walk-in) activity, as well as those receipts delivered via a mailing service, such as the United States Postal Service. The following areas may receive cash receipts in various forms throughout the year:

Office of Processing and Enforcement

- Division of Operations
- Division of Collections
- Division of Registration and Data Integrity

Office of Sales and Excise Taxes

- Division of Sales and Use Tax
- Division of Miscellaneous Tax

Office of Income Taxation

- Division of Individual Income Tax
- Division of Corporation Tax

Office of Property Valuation

- Division of Local Valuation
- Division of State Valuation
- Division of Minerals Taxation and GIS Services

Office of Field Operations

- Taxpayer Service Centers

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The following is a list of definitions used within this procedure:

Cash Handling Log: Used by the Division of Operations to initially record all receipts paid in currency and coins. The logging activity related to this log, occurs prior to the currency and coins being placed in the safe.

Receipts Log: Used by all the Department of Revenue offices, other than the Division of Operations or the Taxpayer Service Centers, to record all cash receipts including currency and coins, money orders, checks, etc.

Check Register Log: Used by the Taxpayer Service Centers to record all cash receipts including currency and coins, money orders, checks, etc.

For purposes of this procedure, *cash receipts* as referenced herein, includes coins, currency, checks, cashiers' checks, travelers' checks, and money orders. Electronic cash receipts, including e-checks, debit/credit card receipts, electronic funds transfers (EFT), wire transfer receipts, etc.

Where feasible, deposits should be made on a daily basis. Prior to deposit, cash receipts shall be adequately safeguarded at all times and properly processed. The Division of Operations, within the Office of Processing and Enforcement, is the primary area responsible for processing cash receipts and depositing receipted funds.

The Department of Revenue should seek the review and approval of the Finance and Administration Cabinet in situations where depositing funds are postponed more than three business days (e.g. unidentified payments, system failures, personnel absences, foreign issued checks, etc.).

II. PROCEDURE:

The following procedures shall be used by Department of Revenue employees when receiving currency, coins and other forms of payment:

A. DIVISION OF OPERATIONS

1. Receiving Cash at the State Office Building

a. Upon receiving currency and/or coins from employees of the Department of Revenue, the Division of Operations will adhere to the following procedures:

- Complete a Cash Card (21A705).

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- Insert the currency/coins in a “cash envelope” with the duplicate number recorded on both the envelope and the Cash Card.
- Log the currency/coins in the *Cash Handling Log*.
- Secure the cash envelope in the cash drawer of the safe until processed.
- Sign and/or initial the *Cash Handling Log* in the appropriate columns.
- Forward the return(s) and Cash Card to the Miscellaneous Processing Section.

2. Receiving Other Forms of Payment (checks, money orders, etc.) at the State Office Building

The Division of Operations will accept other forms of payment from designated Department of Revenue employees. Payments will be presented to the Division of Operations in sealed/taped envelopes and will be forwarded to the appropriate Division of Operations section for processing.

3. Receiving Cash Payments via a Mailing Service

The Division of Operations shall follow its internal policies and procedures for processing checks and money orders received through a mailing service, such as the United States Postal Service. However, if an envelope is received containing currency/coins, the following procedures will be followed:

- a) The employee opening the envelope containing the currency/coins shall immediately notify his/her supervisor.
- b) Two (2) employees shall complete the following:
 - Complete a Cash Card (21A705).
 - Insert the currency/coins in a “cash envelope” with the duplicate number recorded on both the envelope and the Cash Card.
 - Log the currency/coins in the *Cash Handling Log*.

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- Secure the cash envelope in the cash drawer of the safe until processed.
- Sign and/or initial the *Cash Handling Log* in the appropriate columns.
- Forward the return(s) and Cash Card to the Miscellaneous Processing Section.

4. Taxpayer Drop Off

There is a locked drop off box near the guard station on the first floor for taxpayer information/payment drop off. The Division of Operations is responsible for checking the box at 8:00 a.m. and 2:00 p.m. each business day.

B. OTHER FRANKFORT DEPARTMENT OF REVENUE OFFICES AND/OR DIVISIONS

1. Receiving Currency, Coin and Other Forms of Payment from the Taxpayer

- a. All currency, coins and other forms of payment will be received in designated taxpayer service areas on the first floor of the State Office Building.
- b. Two employees will meet with the taxpayer in the service area. This not only acts as a safety precaution for the employee, it provides a witness when payment is made.
- c. When any type of payment is received from the taxpayer, the employee(s) will contact the Scan/Image/Encoding Section of the Division of Operations.
- d. Two (2) representatives from the Scan/Image/Encoding Section will come to the taxpayer service area to accept the payment. Currency and/or coin payments will be counted in the presence of the taxpayer and the taxpayer will be provided with a pre-numbered receipt in the instance of currency/coin payments. The representatives from the Scan/Image/Encoding Section will then take the payment and any accompanying returns to the Division of Operations for processing.

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3. Receiving Cash Payments via a Mail Service

- a) Offices will designate mail opening/cash handling areas for their area and will designate at least two (2) employees to act as cash handlers for this area (one primary and one back-up).
- b) When cash handlers receive currency and /or coins in the mail, they will immediately contact their supervisor to verify the payment.
- c) All currency, coins, and other forms of payment, will be logged and transported to the Division of Operations, along with appropriate returns if provided, for processing on the same day as receipt.
- d) If the payment is received after 5:00 p.m., it will be logged and placed in the office safe until the beginning of the next business day. At that time, the payment will be transported to the Division of Operations for processing.

C. TAXPAYER SERVICE CENTERS

There are ten (10) taxpayer service centers located throughout the Commonwealth. Taxpayers routinely use these centers as drop-off points for tax payments, tax returns, etc. The following procedures should be used by Department of Revenue staff at taxpayer service centers, when accepting and processing cash receipts:

- 1. Staff accepts and verifies the payment(s) and for other-the-counter transactions a pre-numbered receipt is prepared for the taxpayer for all currency and coins received.
- 2. If a taxpayer makes a payment in currency and coins, two (2) designated cash handlers will accept and verify the payment, before preparing the pre-number receipt when possible. If currency and coins are received via a mailing service, such as the United States Postal Service, the mail opener takes the envelope to the designated cash handlers to accept and verify the payment. Carbon copies of all receipts should be kept in the respective taxpayer service centers.
- 3. The currency and coins will be maintained in a secured container until the daily deposit is made. A check pre-filled payable to the Kentucky State Treasurer is made for each cash payment received by the Taxpayer Service Center. These payments are recorded on the Check Register Log and Field

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Check Routing Sheet. The designated check handler at the taxpayer service center prepares a *Field Check Routing Sheet* with the following information:

- Date
- Taxpayer Service Center
- Bank
- Prepared By
- Date Last Field Check Routing Sheet Submitted
- Check Number
- Check Not Submitted (when applicable)
- Reason Not Submitted (when applicable)

Office checks are attached to the Field Check Routing Sheet and mailed to Frankfort daily.

4. Checks received should be recorded on the *Check Register Log* and securely held in a safe or locked drawer they can be forwarded to the Central Office in Frankfort Kentucky
5. The designated check handler mails all checks, returns, and/or documents, to the Central Office, located in Frankfort Kentucky, at the end of each day.
6. The taxpayer service centers shall maintain a copy of the *Check Register Log* on its server.
7. During the business day, cash should be kept in a locked container. No more than \$50 should be kept at the taxpayer service center for making change. After working hours, any cash receipts not deposited, should likewise be secured in a locked container or safe.
8. Daily reconciliations should occur at all taxpayer service centers to ensure daily deposits reconcile with cash receipts. All cash receipts are deposited into the Taxpayer Service Center bank account on a daily basis.
9. Taxpayer Service Centers will open all envelopes received. All payments are recorded in the check register log. Timely returns and payments are placed in an envelope marked timely with a date stamp and placed with other mail to be sent on a daily basis to the Central Field Office in Frankfort, Kentucky.
10. The Office of Field Operations, Central Office will follow internal procedures for acceptance of these payments and will then follow established procedures for transporting payments to the Division of Operations for processing.

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D. DEPOSIT OF CURRENCY AND COINS TO THE KENTUCKY STATE TREASURY

Currency and coins should only be removed from the Division of Operation's safe when ready for deposit with the Kentucky State Treasury. Two (2) employees will ensure the following procedures are completed:

1. Remove the currency and coins from the safe, logging the activity.
2. Count the currency and coins and prepare the bank deposit.
3. Place the currency and coins into a locked transport bag.
4. Upon delivery to the Kentucky State Treasury, the bags should be unlocked by Kentucky State Treasury employees and counted in the presence of a Department of Revenue employee.

E. GENERAL INTERNAL CONTROLS

Department of Revenue management shall implement the following internal controls, relating to the receipt and processing of cash, which includes currency, coins, checks, money orders, credit card transactions, etc.:

1. Two (2) designated employees shall accompany currency and coins during processing and deposit .
2. The locked and transport bag should be used related to currency and coins. The bag shall be unlocked by Kentucky State Treasury employees and all currency and coins counted in the presence of the courier(s).

In addition, the Department of Revenue should follow established practices for making deposits with the Kentucky State Treasury or to the Commonwealth's Depository Bank Account.

Department of Revenue management shall also implement the following general internal controls related to cash receipts:

1. Segregate the responsibilities and duties involving cash receipts among different employees with respect to authorization, processing and recording, receiving funds, reviewing and monitoring, and the custodial functions, to ensure that no one employee or group of employees has total control over the cash handling process.

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2. Assign duties, relating to the cash receipts process, systematically to a number of employees, when applicable, to ensure that effective checks and balances exist.
3. Whenever possible, assign the responsibility for opening mail to employees who have no responsibilities for or access to files or documents pertaining to accounts receivable or cash accounts.
4. Segregate the duties of receiving cash and preparing the initial documentation from the duties of making entries into the Receipts Posting System and the enhanced Management Administrative Reporting System (eMARS), posting of cash collections and making deposits.
5. Use pre-numbered receipts to document over-the-counter collections.
6. Assign the responsibility for issuing pre-numbered receipts to a limited number of employees.
7. Maintain cash receipts in a safe or other locked storage device until deposited.
8. The Division of Operations will perform monthly reconciliations of cash receipts posted into eMARS against the Receipts Posting System.
9. The Division of Operations will perform monthly reconciliations of the *Cash Handling Log* to ensure all cash listed has been deposited.

F. LOSS OR THEFT

In the event of suspected loss of public funds, Department of Revenue employees shall follow the chain of command and adhere to the procedures outlined as follows:

1. Prior to contacting outside agencies, the supervisor or manager shall notify the Department of Revenue's Commissioner or their designee.
2. The Department of Revenue's Commissioner shall then notify the Secretary of the Finance and Administration Cabinet or their designee within 24 hours after discovery of the suspected loss for additional action. If the discovery of the suspected loss occurred on a weekend or holiday, notification shall take place during the next business day.

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G. FORMS

The following is a listing of form referenced in this document:

1. Cash Handling Log (7. Forms – 6.11.1/a) – Division of Operations
2. Cash Card (7. Forms – 6.11.1/b) – Division of Operations
3. Check Register Log (7. Forms – 6.11.1/c) – Office of Field Operations
4. Field Check Routing Sheet (7. Forms – 6.11.1/d) – Office of Field Operations
5. Receipts Log (7. Forms – 6.11.1/e) – Department of Revenue Offices

STANDARD PROCEDURE MAY BE REVISED BY ADDENDUM, MEMORANDUM OR ANY OTHER MEANS OTHER THAN THOSE SET OUT IN STANDARD PROCEDURE #1.1 ENTITLED “CREATION, REVISION AND RESCISSION OF FINANCE AND ADMINISTRATION CABINET POLICIES AND PROCEDURES”

DISTRIBUTION CODES:

- A. Senior Management B. Division Directors C. Branch Managers/Supervisors
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