

Finance and Administration Cabinet STANDARD PROCEDURE		ISSUED BY: Department of Revenue; Tax Administration
PROCEDURE # 6.11.1	SUBJECT: Cash Handling	
EFFECTIVE DATE: 6/25/2010		
CONTACT: Commissioner's Office		LOCATION: State Office Bldg, 11th Floor PHONE: 502-564-3226

STATEMENT OF AUTHORITY

1. The Finance and Administration Cabinet's Standard Procedures Manual establishes standard mandatory internal procedures cabinet-wide. These procedures are established in accordance with the Secretary's statutory authority under KRS 42.014 and KRS 12.270 to establish the internal organization and functions of the Cabinet as necessary to perform the duties effectively.
2. The Standard Procedures Manual may only be revised in accordance with the process outlined in Standard Procedure #1.1 entitled: "Finance Standard Procedures and Manual".

I. PURPOSE

This procedure provides uniform measures for Department of Revenue (DOR) 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.

This 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

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Office of Property Valuation

- Local Valuation Branch
- State Valuation Branch
- Mineral Taxation and GIS Services Branch

Office of Field Operations

- Taxpayer Service Centers

II. DEFINITIONS

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

1. *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.
2. *Receipts Log:* Used by all of the DOR 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.
3. *Check/Cash Register Log:* Used by the Taxpayer Service Centers to record all cash receipts, including currency and coins, money orders, checks, etc.
4. For purposes of this procedure, *cash receipts* as referenced herein, includes coins, currency, checks, cashiers' checks, travelers' checks, and money orders. The DOR has other internal procedures related to the processing of electronic cash receipts, including e-checks, debit/credit card receipts, electronic funds transfers (EFT's), wire transfer receipts, etc.

III. PROCEDURE

Where feasible, deposits shall 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. Although the Division of Operations receives the majority of cash receipts from taxpayers via the United States mail, it also receives hand-delivered cash receipts from other offices in the State Office Building and from taxpayers.

The DOR shall 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.

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unidentified payments, system failures, personnel absences, foreign issued checks, etc.).

DOR employees shall use the following procedure when receiving currency, coins, checks, and other forms of payment:

A. Over-the-Counter Cash Receipts (State Office Building)

The DOR shall receive over the-counter cash receipts, including currency, coins, checks, and other forms of payment, in the designated taxpayer service areas on the first floor of the State Office Building. In addition, the DOR shall adhere to the two-person rule at all times when handling currency and coin receipts. This not only acts as a safety precaution for the employee, it provides a witness when taxpayers make payments in currency and coins at the State Office Building.

1. The receptionist contacts the Scanning/Imaging & Encoding Section Supervisor and requests that he/she send an employee to accept cash receipts from the taxpayer.
2. The designated employees from the Scanning/Imaging & Encoding Section shall meet with the taxpayer in the service area to accept payment.
3. For payments made in currency and coins, two employees shall count the currency and coins in the presence of the taxpayer, verify that the payment matches the amount due or paid on the tax return or document, write a Record of Money Receipt Issued ([Form SP7.611011](#)) (Revenue Form 30A872) for the taxpayer upon verification, and place a date stamp on the tax return or document. The two employees shall give the taxpayer the required change, when appropriate.
4. The two employees shall take the payment made in currency and coins to the Scanning/Imaging & Encoding Section and shall adhere to the following procedures:
 - a. Complete a Cash Receipt Document (Cash Card) ([Form SP7.611012](#)) (Revenue Form 21A705).
 - b. Insert the currency/coins in a "cash envelope" with the duplicate number recorded on both the envelope and the Cash Card.
 - c. Log the currency/coins in the Cash Handling Log ([Form SP7.611013](#)).
 - d. Secure the cash envelope in the cash drawer of the safe until processed.
 - e. Sign and/or initial the Cash Handling Log in the appropriate columns. The employees' initials must be legible.

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- f. Forward the Cash Receipt Document and returns(s)/document(s) to the Miscellaneous Processing Section for processing in accordance with their internal procedures.
5. If the taxpayer requests a receipt for a check, money order, or any other form of payment, one of the employee shall write a Record of Money Receipt Issued for the taxpayer, and place a date stamp on the tax return or document.
6. The employees shall take the checks, money orders, and any other form of payment and the return(s)/document(s) directly to the Miscellaneous Processing Section for processing in accordance with their internal procedures.
7. If during a taxpayer's conference, the taxpayer requests to make a payment, one of the representatives with the taxpayer shall contact the Scanning/Imaging & Encoding Section Supervisor and request him/her to send two employees to accept the currency/coin receipt from the taxpayer. The two employees from the Scanning/Imaging & Encoding Section shall follow the procedures above.
8. The DOR shall maintain a copy of the Record of Money Receipt Issued for reconciliation and auditing purposes.
9. The Division of Operations shall periodically review the Cash Handling Log to ensure that the designated employees complete the log properly and payments made with currency and coins are deposited and processed to the appropriate taxpayer's accounts in a timely manner. The reviewer shall sign his/her initials and date the log to document the review. In addition, a copy of the Cash Handling Log shall be maintained for auditing purposes.

B. Drop Off of Sealed Envelope (State Office Building)

If a taxpayer requests to drop off a sealed envelope, the front desk receptionist shall instruct the taxpayer to place the envelope in the locked drop-off box for taxpayer information/payments, located near the guard station on the first floor of the State Office Building.

1. Each business day, designated employees in the Division of Operations Miscellaneous Processing Section shall check the locked box at 8:00 a.m., 12:00 p.m. and 2:00 p.m., remove any envelopes, when applicable, and take the envelopes to the Miscellaneous Processing Section for processing.
2. During the peak tax-processing season, the designated employees shall check the locked box more frequently than the scheduled periods. (NOTE: The Division of

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Operations shall store the key to the locked drop-off box in a secure location with limited access to designated personnel only).

C. Division of Operations

1. Receiving Cash Receipts from Other Offices/Divisions at the State Office Building

The Division of Operations shall accept cash receipts from designated DOR employees in other Frankfort offices/divisions, as outlined in Section D of this procedure.

- a. A designated cash handler shall total the checks, money orders, etc. and place a tape total with the checks and documents. The cash handler shall update the Check Transmittal Log ([Form SP7.611014](#)), located on a server with limited access, with the following information related to the checks and money orders transmitted to the Division of Operations:
 1. Date Sent
 2. Time Sent
 3. Total Number of Checks
 4. Total Amount of Checks
 5. Cash Handler's Initials
- b. The designated cash handler shall present the checks, money orders, etc. and tax returns/documents to the Miscellaneous Processing Section Supervisor or his/her designee in a sealed/taped envelope.
- c. The supervisor or designees shall verify that all cash receipts, as indicated in the Check Transmittal Log are intact upon delivery. Once the verification is complete, the supervisor or designee shall update the Check Transmittal Log with the following information:
 1. Date Received
 2. Time Received
 3. Acceptor's Initials
- d. After verification, the supervisor or designee shall forward the check, money orders, etc. and the tax return(s)/document(s) to the appropriate Division of Operations section for processing.
- e. If currency/coins are received in other offices/divisions, two cash handlers shall escort the currency/coins to the Scanning/Imaging & Encoding Section

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Supervisor or designee and the following procedures shall be followed:

1. Verify the amount of currency/coins delivered by the two cash handlers.
2. Complete a Cash Card
3. Insert the currency/coins in a "cash envelope" with the duplicate number recorded on both the envelope and the Cash Card.
4. Log the currency/coins in the Cash Handling Log.
5. Secure the cash envelope in the cash drawer of the safe until processed.
6. Sign and/or initial the Cash Handling Log in the appropriate columns. The employees' initials must be legible.
7. Forward the return(s) and Cash Card to the Miscellaneous Processing Section for processing in accordance with their internal procedures.

2. Receiving Cash Receipts 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 the Division of Operations receives an envelope containing currency and/or coins, the following procedures shall be followed:

- a. The employee opening the envelope containing the currency and/or coins shall immediately notify his/her supervisor.
- b. Two (2) employees shall perform the following:
 1. Complete a Cash Card
 2. Insert the currency and/or coins in a "cash envelope" with the duplicate number recorded on both the envelope and the Cash Card.
 3. Log the currency and/or coins in the Cash Handling Log.
 4. Secure the cash envelope in the cash drawer of the safe until processed.
 5. Sign and/or initial the Cash Handling Log in the appropriate columns. The employee's initials must be legible.

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6. Forward the return(s) and Cash Card to the Miscellaneous Processing Section for processing in accordance with their internal procedures.

3. Deposit of Currency and Coins with the Kentucky State Treasury

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

- a. Remove the currency and coins from the safe.
- b. Record the date and time the currency and coins were removed from the safe on the Cash Handling Log.
- c. Sign and/or initial the Cash Handling Log in the appropriate columns. The employees' initials must be legible.
- d. Count the currency and coins and prepare the bank deposit.
- e. Place the currency and coins into a locked transport bag.
- f. Upon delivery to the Kentucky State Treasury, employees in the Kentucky State Treasury shall unlock the bags and count the currency and coins in the presence of the Finance and Administration Cabinet's courier.

The Division of Operations shall follow its internal procedures to deposit other forms of payment with the Kentucky State Treasury or directly in the State depository bank account.

D. Receiving Cash Receipts via a Mailing Service (Other Frankfort Offices and/or Divisions)

Other DOR Frankfort offices/divisions located in the State Office Building receive cash receipts through the mail. The offices/divisions shall adhere to the following procedures when handling currency, coins, checks, and money orders received from a mail service.

1. Each office/division shall designate mail opening/cash handling areas and shall designate at least two (2) employees to act as cash handlers (one primary and one back-up).
2. When cash handlers receive currency and/or coins in the mail, they shall immediately contact their supervisor to verify the payment.

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3. The cash handler shall log **all** cash receipts on the DOR Receipts Log ([Form SP7.611015](#)).
4. The cash handler shall perform the following procedures:
 - Total the checks, currency and/or coins, money orders, etc. and place a tape total with the checks and documents.
 - Update the Check Transmittal Log with the required information.
 - Place the cash receipts in a sealed/taped envelope.
 - Transport the cash receipts to the Division of Operations along with appropriate returns if provided, for processing on the same day as receipt. Two people are required to transport currency and/or coins to the Division of Operations.
5. If the office/division receives the payment after 5:00 p.m., the cash handler shall log the payment on the Receipts Log and place it in the office safe or located drawer until the beginning of the next business day. At that time, the cash handler shall update the Check Transmittal Log with the required information along with a total tape and place the payment in a sealed/taped envelope and transport the payment to the Division of Operations for processing.
6. The Cash handlers shall send a copy of the Receipts Log to the Miscellaneous Processing Section in the Division of Operations by the fifth (5th) working day of the following month, as required by the DOR.
7. The office/division supervisor shall periodically review the Receipts Log for completeness and the timely submission of cash receipts to the Division of Operations. The supervisor shall sign and date the Receipts Log to indicate the completion of the review.

E. 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 shall be used by staff in the Taxpayer Service Centers, when accepting and processing cash receipts:

1. Staff accepts and verifies that the payment matches the tax return or document and issues a pre-numbered receipt for all over-the-counter transactions (i.e. currency, coins, checks, and money orders).

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2. If a taxpayer makes a payment in currency and coins, two (2) designated cash handlers shall accept and verify the payment before preparing the pre-numbered receipt, when possible.
3. If a Taxpayer Service Center receives currency and coins 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.
4. The respective Taxpayer Service Centers shall retain the carbon copies of all pre-numbered receipts issued.
5. For each payment received in currency and coins, the Taxpayer Service Center writes a check, pre-filled, payable to the Kentucky State Treasurer. These payments are recorded on the Check/Cash Register Log ([Form SP7.611016](#)) (Revenue Form 30A009) and Field Check Routing Sheet ([Form SP7.611017](#)) (Revenue Form 30A001). The designated check handler at the Taxpayer Service Center prepares a *Field Check Routing Sheet* with the following information:
 - a. Date
 - b. Taxpayer Service Center
 - c. Bank
 - d. Prepared by
 - e. Date Last Field Check Routing Sheet Submitted
 - f. Check Number
 - g. Check Not Submitted (when applicable)
 - h. Reason Not Submitted (when applicable)

Daily, the designated cash handler attaches the office checks to the Field Check Routing Sheet and mails them to the Office of Field Operations, Central Office located in Frankfort, Kentucky.

6. Checks received shall be recorded on the Check/Cash Register Log and securely held in a safe or locked drawer until they can be forwarded to the Office of Field Operations, Central Office for processing by the Division of Operations.
7. The designated check handler mails all checks, returns, and/or documents, to the Office of Field Operations, Central Office at the end of each day.
8. The Taxpayer Service Centers shall forward a copy of the Check/Cash Register Log to the Office of Field Operations, Central Office so personnel can verify the accuracy of the payments received and maintain a copy of the log on its server.

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9. The Taxpayer Service Center shall maintain a change fund of \$50.00 or less for making change.
10. During the business day, the Taxpayer Service Center shall secure all cash receipts in a safe or locker drawer until the daily deposit is made and/or the checks are forwarded to the Office of Field Operations, Central Office. After working hours, the Taxpayer Service Centers shall likewise secure any cash receipts not deposited in a locked container or safe.
11. Daily reconciliations shall occur at all Taxpayer Service Centers to ensure that the amounts recorded on the pre-numbered receipts agree with the cash-on-hand, excluding the change fund, and that the daily deposit reconciles with payments made with currency and coins received that day. The Taxpayer Service Center shall deposit all currency and coins payments into its bank account on a daily basis.
12. Taxpayer Service Centers shall open all envelopes received. All payments are recorded in the Check/Cash 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 Office of Field Operations, Central Office.
13. The Office of Field Operations, Central Office shall follow its internal procedures for acceptance of these payments from the Taxpayer Service Centers. The Office of Field Operations, Central Office shall place a check mark on the Field Check Routing Sheet to indicate the check was received from the Taxpayer Service Center by the Office of Field Operations, Central Office and adhere to the following established procedures when transporting payments to the Division of Operations for processing.
 - a. When the Office of Field Operations, Central Office receives payments other than currency and coins for a collection case, the payment and documentation are forwarded to the Division of Collections. Collections staff then completes the necessary processing documents and forwards to the Division of Operations.
 - b. Update the Check Transmittal Log with the required information.
 - c. Place the cash receipts in a sealed/taped envelope; and
 - d. Transport the cash receipts to the Miscellaneous Processing Section, along with appropriate returns if provided, for processing on the same day as receipt.

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IV. INTERNAL CONTROLS

- A. DOR management shall implement the following internal controls, relating to the receipt and processing of cash receipts, 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 transport bag shall be used when transporting 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).
- B. The DOR shall follow established practices for making deposits with the Kentucky State Treasury or to the Commonwealth's Depository Bank Account.
- C. DOR 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.
 - 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. 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 receipts and preparing the initial documentation from the duties of posting entries into the Receipts Posting System and the enhanced Management Administrative Reporting System (eMARS), posting cash receipts to the taxpayers' accounts, 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.

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8. The Division of Operations shall perform monthly reconciliations of cash receipts posted into eMARS against the Receipts Posting System.
9. The Division of Operations shall perform monthly reconciliations of the Cash Handling Log to ensure all currency and coins recorded have been deposited.

V. LOSS OR THEFT

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

- A. Prior to contacting outside agencies, the supervisor or manager shall notify the DOR's Commissioner or his/her designee.
- B. The DOR's Commissioner shall then notify the Secretary of the Finance and Administration Cabinet or his/her 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.

VI. FORMS

[Form SP7.611011](#): Record of Money Receipt Issued (30A872)

[Form SP7.611012](#): Cash Receipt Document & Instructions (21A705)

[Form SP7.611013](#): Cash Handling Log & Instructions

[Form SP7.611014](#): Check Transmittal Log & Instructions

[Form SP7.611015](#): Receipts Log & Instructions

[Form SP7.611016](#): Check/Cash Register Log & Instructions (30A009)

[Form SP7.611017](#): Field Check Routing Sheet & Instructions (30A001)