

Policy Title:	Receipting of Checks and Other Negotiable Instruments				
Policy Number:	DHS-040-013	Version:	2.0	Effective Date:	Upon Approval

Approved By: *Jim Scherzinger, Deputy Director of Finance*

February 17, 2010

Signature on File in Chief Administrative Office

Date Approved

Overview

Purpose/Rationale: The DHS Controller has general powers of supervision over all matters concerning department-wide financial policies and procedures to ensure consistency with applicable state and federal laws, rules and regulations. It is imperative monies, negotiable instruments, and monetary transactions are deposited timely and accurately into the State Treasury in accordance with Oregon Revised Statutes (ORS).

Properly recording money received, preparing deposits, and reporting and correcting cash receipt transactions are extremely important functions requiring strict controls and close management. This policy establishes the minimum requirements to ensure handling and recording cash, negotiable instruments, and monetary transactions are timely and in accordance with applicable laws and regulations.

Applicability: This policy is applicable to all DHS employees directly or indirectly responsible for accepting, receiving, depositing, processing, or reporting monies in the possession of, or controlled by, DHS.

The DHS Controller has exempted the Oregon State Hospital and Blue Mountain Recovery Center from this policy.

Failure to Comply: Non-compliance increases the risk that cash, negotiable instruments and monetary transactions could be applied incorrectly, lost, or misappropriated.

This policy supersedes all previous cash receipting/depositing and other related policies and procedures issued by DHS divisions, sections, units, branches, or field offices that are not signature approved by the Deputy Director of Finance and or the DHS Controller. Failure to comply with this policy and related procedures may result in disciplinary actions, up to and including dismissal.

Policy

This policy establishes uniform accountability standards, strengthens cash receipting controls and provides for equitable and consistent interpretation and application in conformance to applicable laws, rules and regulations.

All DHS receipts, deposits, related transactions and/or system processes shall conform to this policy in order to ensure compliance with DHS goals in securing timely bank deposits of monies received to provide the immediate availability of cash funds to help pay for Department obligations.

DHS managers shall ensure they and their employees conform to this policy.

All cash, checks, money orders and negotiable instruments must be sent directly to the Financial Services Receipting Units. Any item sent outside of the Financial Services Receipting Units must have written approval of the DHS Controller (DHS-0844).

1. Authority

DHS management shall ensure:

- Proper internal controls are established to account for and safeguard cash, negotiable instruments and monetary transactions.
- Separation of duties are sufficient to mitigate risk and/or loss, e.g., the duties of receiving incoming mail, receipting, recording, and depositing monies are performed by different employees.
- Adequate controls exist to prevent or detect missing cash, cash recording and reporting errors, or misappropriation of cash, negotiable instruments and monetary transactions.
- Monies are deposited timely and related transactions are accurately recorded in the statewide accounting system.
- Depositing is in compliance with this DHS policy.
- The employee's position description describes the duties and responsibilities for his/her assigned receipting function(s), e.g., receiving incoming mail, receipting, depositing, recording, reporting, or correcting deposits.
- The assigned employee is knowledgeable of and has received training in internal controls, DHS policies, and applicable laws, rules and regulations governing cash receipting procedures.

2. Acceptance of Cash, Checks, Money Orders and other Negotiable Instruments

Two employees will be present to open incoming mail and record amounts of all monies received. The employees who open the mail will record all money received in the mail log. The log will contain, at a minimum, the sender's name, the purpose for which the money was sent, and the amount. The cashier will receive one copy of the log to verify the amount received and recorded equals the amount deposited. The second copy will be included with the receipting documentation submitted to the Financial Services Receipting Unit.

All checks, money orders, and other similar negotiable instruments received for deposit will be restrictively endorsed for deposit as soon as received. If the payee space is blank on any instrument received for deposit, the Department of Human Service's name will be entered immediately.

3. Personal Checks

- a. Cashing an employee's payroll check or personal check is strictly prohibited.
- b. DHS will accept personal checks to provide convenience to the public. The following information should be included on the check:
 - The payer's name and address should be preprinted on the check.
 - Telephone number.
 - Drivers license identification number or other identification number.
 - Checks must have the current date, be payable to DHS and signed by the payer.
- c. DHS does not accept post dated checks, stale-dated checks, third party checks; traveler's checks or foreign currency without the expressed written approval of the DHS Controller. The DHS Controller has exempted Estates Administration, witness fees and sponsored travel checks from this part of the policy.
- d. DHS may require payment by cash, certified check, cashiers check, money order or other negotiable instrument when:
 - The payer previously gave the agency a check that was returned as non-sufficient funds (NSF).
 - The check is drawn on a financial institution outside the State of Oregon.
 - The person presenting the check does not have a minimum of two valid pieces of personal identification, e.g., driver's license, check guarantee, bank courtesy card, military card, or other similar acceptable identification.

As allowed by law, DHS may charge \$25.00 for each NSF check.

4. Credit Card Transactions

Credit card transactions are monetary transactions and subject to strict management controls in order to reduce card misuse and loss of funds. Acceptance of and processing credit card transactions shall be restricted to Financial Services receipting staff unless specifically authorized by the DHS Controller.

Financial Services' managers shall ensure employees responsible for handling credit card payments are knowledgeable of, understand, receive training in and have access to Oregon State Treasury Rules, US Bank Merchant Terms of Services (MTOS), Discover Business Services Merchant Operating Regulations (MOR), and rules, policies and procedures that govern safeguarding confidential information.

All paperwork records, receipts, card imprints, electronic data, or other documentation containing cardholder account numbers shall be considered confidential information as provided by Public Records Law, ORS 192.501(26).

The amount charged to the card is fixed by the amount of the transaction. Credits (refunds) must be issued to the same card used for processing the original transaction. If the original card has been cancelled, a warrant may be issued to the card holder by the DHS Agency-wide Disbursements unit upon receiving a copy of the credit card reject document and signed approval from an authorized manager with Delegated Expenditure Decision Authority.

Cash back and cash refunds are strictly prohibited. Cash back and cash refunds, include but are not limited to:

- Overpayment of amount owed,
- Returned or undeliverable product, or
- An otherwise cancelled transaction.

On-Line Payment Processing System: DHS uses a server-based transaction processing system to process credit card transactions over a secure, encrypted internet connection. All individuals, including but not limited to employees, volunteers and contractors must be specifically authorized by the DHS Controller prior to being granted access to the processing system at a designated facility approved by the Information Security Office (ISO). Access to all credit card information is confidential and shall be restricted to users authorized to process credit card transactions.

Credit card information shall not be retained on supporting paper documentation. Once a transaction is processed, the credit card number, card-validation code, personal identification number, and credit card expiration date shall be removed from the supporting documentation by using indelible black ink marker, or other permanent redaction method. The original documentation must be shredded.

Failure to comply with this policy, associated policies, standards, or procedures may result in disciplinary actions up to and including dismissal from state service or the termination of a contract. Legal action also may be taken.

5. Technology

Managers shall maximize the use of current and evolving technology to minimize the quantity of cash, negotiable instruments and monetary transactions received and manually deposited by employees.

6. Method of Depositing

Unless specifically authorized by the DHS Controller to use a designated lockbox, all negotiable instruments must be mailed to the Financial Services Receipting Unit, PO Box 14006, Salem, OR 97309-5030.

Managers shall maintain a chain of custody control over all monies in transit by ensuring adequate security of the cash, negotiable instruments, monetary transactions and all receipting records supporting the amount to be deposited by Financial Services. Employees are prohibited from exchanging or trading any form of coin, currency or other negotiable instrument at its face value for its marketable value to further personal consideration or gain.

7. Deposits

The State Treasurer requires agencies use pre-encoded deposit slips for making deposits. All deposit slips shall be ordered by Financial Services, only.

All monies received for deposit must be deposited not later than the close of business one (1) day after they are received or accepted. The DHS Controller may approve exceptions to timely deposits on a case-by-case basis if on-going special conditions exist. Special conditions taken into consideration may include:

- Aggregate sum of the cash, checks, money orders, and other negotiable instruments on hand are less than \$1,000 on a weekly basis.
- The office has severely limited staff resources.
- The office is not located near a bank branch where the State Treasury maintains an account.

Approved exceptions are subject to specific requirements. These requirements may include, but are not limited to:

- All deposits must be made not less than weekly.
- All checks must be strictly endorsed 'For Deposit Only' immediately when received.
- Cash, checks, negotiable instruments and other monetary transactions must be placed in a safe, vault, locking file cabinet or comparable secured storage area with restricted access to only authorized employees.

All occurrences of cash, negotiable instruments and monetary transactions not deposited according to DHS policy must be documented. By the close of business on the date of occurrence, the manager shall provide the DHS Controller a written explanation describing the reason for non-compliance caused by the untimely deposit and the corrective actions taken to prevent future incidences. The DHS Controller will file the written documentation with the Secretary of State, Audits Division and the State Treasurer, Finance Division in accordance to ORS 293.265.

8. Verification of Deposits

Managers with written authorization from the DHS Controller to prepare and make deposits shall verify the deposit to the receipting records, e.g., daily cash reports prepared from pre-numbered receipts, licenses, or permits, cash register tapes, mail room tabulations, and similar documents.

Receipting records must include the beginning and ending receipt numbers, the employee's signature on the receipt form DHS 0029, the amount represented by the receipts, and:

- The amount received
- The date received
- The name of the remitter
- The type of remittance, e.g., cash, check, money order, cashier check.

- Accounting codes used to record the amount received.
- Other pertinent information to ensure the amount is properly recorded.

Managers shall send all receipt records, e.g., receipting forms and logs, deposit slips, and other supporting documents to the Financial Services Receipting unit. Additionally, managers shall include a signed and dated written statement attesting to the accuracy of the deposit and receipt records.

9. Cash Overage and Shortage

Employees who receive and disburse money are accountable for the money in their custody. They may be held personally responsible for any cash discrepancies. Managers are responsible for establishing standards of performance for their employees by taking corrective actions when the employee is unable or unwilling to perform his/her duties. The manager must document any cash shortage or overage by employee who has custody over the monies, negotiable instruments, and monetary transactions.

Cash Overage: If the payer who made the overpayment can be identified and the receipt records substantiate that an overpayment was made, DHS Agency-wide Disbursements unit will initiate a payable transaction to generate a warrant and reimburse the payer upon receiving the appropriate documentation from an authorized manager with Delegated Expenditure Decision Authority. All other cash overages will be recorded as miscellaneous revenue and credited to the cash overage agency object code.

Cash Shortage: In compliance with ORS 297.110 and 297.120, managers immediately shall prepare a report explaining a cash shortage of \$100 or more. The report must be sent to the DHS Controller by the end of the business day. The report must include:

- The date of the occurrence and the total amount of the cash shortage.
- The name of the employee(s) who had custody of the monies, negotiable instruments, or monetary transactions.
- A detailed explanation showing date, place, and complete circumstances that caused the shortage. Included in the explanation must be a statement as to the corrective actions taken to prevent reoccurrence.
- The explanation must be dated and signed by the employee's manager.

The DHS Controller is required to file the report with the Secretary of State, Division of Audits.

10. Safes and Vaults

Managers shall ensure the combination to safes or vaults will be known to as few employees as possible to adequately control and safeguard cash, negotiable instruments, and monetary transactions. At a minimum a record will be kept showing the date the combination last was changed and the names of the employees who have access to the combination.

Managers must change the combination to safes or vaults when an employee with access no longer requires the combination in the performance of his or her duties or is no longer within the scope of the manager's authority, e.g., terminates his/her position with DHS or transfers to another position within DHS.

Policies that apply:

[DHS-040-010](#): Delegated Expenditure Authority
[DHS-060-002](#): Conflict of Interest
[DHS-060-004](#): Discipline and Discharge-Classified, Unrepresented
[DHS-060-005](#): Discipline and Discharge-Management Service
[DHS-090-001](#): DHS Information Security
[DHS-090-002](#): DHS Password and User Identification Security
[DHS-090-003](#): DHS Information Access Control Security
[DHS-090-004](#): DHS Information Security Awareness
[DHS-090-005](#): Privacy and Information Security Incident Management

Procedure(s) that apply:

[DHS-040-013-01](#): Customer Credit Card Payment Procedure
[DHS-040-010-02](#): Inappropriate Actions

Form(s) that apply:

DHS 0029, DHS General Receipt Book (electronic version not available); [Order Form DHS 0844](#), Request for Exception to the DHS Policy Receipting of Checks & Other Negotiable Instruments
[DHS 135](#), Credit Card Authorization
[DHS 135 A](#), Recurring Credit Card Payment Authorization
[DHS 136](#), Request for Credit Card Refund
[DHS 0306](#), VISA/MasterCard/Discover Authorization

Definition(s):

- See [Common Terms](#) for all Finance policies
- See [Common Terms](#) for all Administrative Services Division policies

Reference(s):

Oregon Revised Statutes 30.701, 293.265, 293.990, 297.110 and 297.120

Oregon Accounting Manual (OAM) http://egov.oregon.gov/DAS/SCD/SARS/oam_toc.shtml

- 10.10.00, Management Responsibilities
- 10.20.00, Cash

DAS 107-004-110: Department of Administrative Services, Acceptable Use of State Information Assets <http://oregon.gov/DAS/OP/docs/policy/state/107-004-110.pdf>

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Policy History:

- **Version 2.0:**

- 11/05/2010: Insertion of paragraph 4 under "Policy" for clarity of procedure. Insertion of text under "Personal Checks" (3. c.) detailing exemption.
- 07/01/2010: New accompanying procedure published, [DHS-040-013-01](#) : Customer Credit Card Payment. Minor change to section 4, para. 6: "white-out" removed from permanent redaction method list. Addition of links to new forms. 135, 135A ,136 and 0306.
- 02/15/2010: Updated to include the State Treasurer's requirements when processing credit card transactions.

- **Version 1.0:**

- 10/01/2008: Initial Release