



## AOC POLICY-003 CASH HANDLING

<b>DOCUMENT TITLE:</b>	Cash Handling		
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<b>OFFICE:</b>	AOC Director's Office		
<b>DEPARTMENT:</b>	N/A		
<b>DIVISION:</b>	N/A		
<b>APPROVING AUTHORITY:</b>	AOC Director	<b>RESPONSIBLE EMPLOYEE:</b>	Director of Finance and Administration
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### SECTION 1. PURPOSE

The purpose of this Administrative Office of the Courts (AOC) Policy is to establish a framework for internal controls for cash handling for AOC departments, divisions, and units that choose to accept cash or negotiable instruments as payments.

### SECTION 2. SCOPE

This AOC Policy applies to all departments, divisions, and units (collectively referred to as "department or departments") of the AOC that choose to accept cash or negotiable instruments including checks as payments, and that therefore handle cash or cash receipts.

### SECTION 3. DEFINITIONS

- 3.1 "Cash" and "cash receipts" means currency, coins, checks, money orders and all other forms of payment that are not electronically transmitted to the AOC.
- 3.2 "Deposit" means the cash receipts placed in the safe in the Accounting Manager's office or the action of placing cash receipts into the safe; for the purpose of these instructions, unless otherwise stated, "deposit" does not refer to a bank deposit.

- 3.3 "Negotiable instrument" means a document guaranteeing the payment of a specific amount of money, either on demand or at a set time, to the holder. Examples of negotiable instruments include checks, cashier checks, and money orders.

#### **SECTION 4. MAINTAINING STRICT CONTROLS**

- 4.1 Departments must maintain strict controls during the processing of cash receipts to ensure that all cash receipts are counted and reconciled to the department's records.
- 4.2 Departments must promptly record cash receipt transactions.
- (a) Departments must use pre-numbered receipts and mail logs to document over-the-counter collections and cash received through the mail.
- (b) Mechanical receipting devices, such as cash registers, may also be used.
- 4.3 Responsibilities and duties involving cash receipts (i.e. authorization, processing and recording, receiving funds, reviewing and monitoring, etc.) must be separated among different employees to ensure no single employee or group of employees has total control over the cash handling process.
- 4.4 The responsibility for opening mail must be assigned to employees who have no responsibilities for, or access to, files or documents pertaining to accounts receivable or cash accounts.
- 4.5 Management must perform reconciliations and independent supervisory reviews over the cash receipts process.
- 4.6 Monies received on prepaid accounts must be reconciled with deposits and postings to the accounting records.

#### **SECTION 5. SECURING AND SAFEGUARDING CASH, CHECKS, AND OTHER NEGOTIABLE INSTRUMENTS**

- 5.1 Departments must secure and safeguard cash, checks and other negotiable instruments received.
- 5.2 Cash, checks and other negotiable instruments, not deposited with the Office of Finance and Administration, Department of Financial Services, Division of Accounting Services or processed at the end of the day, must be placed in an area secured by some form of locking device, such as a safe, vault or locking file cabinet.
- 5.3 Cash, checks and mail containing related receipts must not be left unattended during the day. They must be locked anytime the responsible employee leaves his/her workstation.
- 5.4 Access to safes, vaults or other security devices must be restricted to personnel whose job duties require such access.
- 5.5 Combinations, passwords and keys must be kept secure.
- (a) Combinations and passwords must not be kept on a desk or computer.
- (b) Combinations and passwords must be changed quarterly.
- (c) Combinations, passwords, and keys must be changed when access is withdrawn for personnel (i.e. due to separation of employment or change in duties.)

- 5.6 At least two people must accompany cash at all times during transit.
- 5.7 Management must periodically count the cash on hand and compare it to the cash receipt tickets.

## **SECTION 6. NEGOTIABLE INSTRUMENTS**

- 6.1 Negotiable instruments must be made payable to the Kentucky State Treasurer. Checks deposited with the Division of Accounting Services without "Kentucky" or "KY" on the pay to the order line will be returned to the department. A department must not accept any check made payable to another state agency. The Division of Accounting Services will return a check to the department if the "Pay to the Order of" line or the address block includes the name of an agency other than the Kentucky Court of Justice or the Kentucky Administrative Office of the Courts.
- 6.2 Departments must restrictively endorse checks and negotiable instruments upon receipt before delivering the checks or negotiable instruments to the Division of Accounting Services for deposit. A restrictive endorsement on checks and negotiable instruments deters the potential of theft or other loss.
- 6.3 Any checks received erroneously must not be endorsed and must be sent back to the sender immediately.

## **SECTION 7. DELIVERING DEPOSITS TO ACCOUNTING SERVICES**

- 7.1 Deposits must be delivered to the Division of Accounting Services within 24 hours of receipt.
- 7.2 A reasonable, longer period for the deposit of certain funds or categories of funds may be accepted, if approved by the Director of Finance and Administration. Examples of situations that may be considered as reasons for not delivering funds within 24 hours include:
  - (a) Receipts are collected in a field office or by field staff in locations that are not near the AOC's Vandalay Drive office in Frankfort; or
  - (b) Aggregate receipts on hand total less than \$250.
- 7.3 Deposits must be made to the Division of Accounting Services by dropping them in the safe in the Accounting Manager's office.
  - (a) Deposits must be secured in a sealed envelope.
  - (b) The outside of the envelope must be marked with:
    - 1. Name of employee making the deposit;
    - 2. Date deposit is made; and
    - 3. Amount of deposit.
  - (c) Contents of the envelope must include:
    - 1. AOC 503.1 *Daily Cash Settlement Sheet* ("AOC 503.1") and copy of closeout report, if applicable;
      - (i) The AOC Records Division must use the AOC 503.1.

(ii) Line F must only reflect the applicable credit card processing fee times the total number of credit card transactions, not the full amount charged to credit cards.

(iii) Lines D, E, F, and G must be completed.

2. Calculator tapes as referenced on AOC 503.1; and
3. Cash, checks, money orders and credit card slips.
4. **Note: Money orders should be included in check totals.**

7.4 A written receipt must be provided each time cash is transferred from employee to employee, to document each change in custody of cash or cash receipts.

**SECTION 8. NONSUFFICIENT FUNDS ("NSF") CHECKS**

8.1 If the Division of Accounting Services determines that a check returned for insufficient funds is uncollectible, the check will be returned to the department.

8.2 The department must enter the amount of a returned check in its records as negative income to prevent receipts from being overstated.

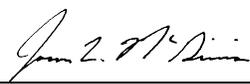
8.3 Returned checks that have been deemed uncollectible must be filed with the department's records for audit trail.

8.4 If services have already been performed, the department must provide the Executive Officer of the Department of Financial Services with the name and address of the payor, the amount due, and a date and description of the services performed.

(a) The Executive Officer of the Department of Financial Services will make two attempts to collect the amount owed via certified mail in consultation with the Office of General Counsel.

(b) If payment is not received, the Executive Officer of the Department of Financial Services will refer the matter to the Director of Finance and Administration to determine whether to notify law enforcement.

8.5 In the event of the suspected loss of public funds, the department must notify the Director of Finance and Administration within 24 hours after discovery of the suspected loss. The Director of Finance and Administration will notify outside law enforcement or investigative agencies of the loss after discussing it with appropriate AOC personnel.

	PRINTED NAME	SIGNATURE	DATE
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REVIEWED & RECOMMENDED BY OGC:	Kimberly C. Hosea		2/10/21
REVIEWED & APPROVED BY AOC DIRECTOR:	Laurie Dudgeon		2/17/21