

AAM 50. CASH

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AAM 50.010	Treasury Investment (10-09)
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When cash in the State treasury is in excess of current needs and the law permits it, such excess cash is invested. [AS 37.10.070](#) provides that the Department of Revenue may invest cash in the treasury that is in excess of current needs in accordance with a standard of professional prudence. This section of the Alaska Statutes constitutes the general investment authority for surplus cash.

In addition, there are other sections of the law that constitute specific investment authority for trust funds. For instance, [AS 39.35.080](#) authorizes the investment of the Public Employees' Retirement Trust Fund in accordance with a standard of professional prudence.

Whenever the law establishing a fund authorizes investment and provides for the disposition of investment income, the fund is referred to as a specifically invested fund.

Most funds are not specifically invested. That is, there is either no special statutory authority for the investment of the particular funds or interest earned on investments is not credited to the principal of the fund. Under such circumstances, the fund is considered to be a part of the general investment treasury pool, available for investment as overall cash needs to the State permit. Pooled investments do not belong in any particular fund and investment income accrues to the general fund.

The Treasury Division of the Department of Revenue is responsible for investing and reinvesting all State funds. It is the policy of the Treasury Division to operate with the lowest cash balances that are consistent with operating needs.

AAM 50.020

Accountability (07-16)

One of the most important responsibilities of each of us is to safeguard assets of the State. Cash is a particularly difficult asset to safeguard because it is easily concealed and readily negotiable. This asset is safeguarded through the use of whatever records and controls are necessary under the circumstances.

Cash collections may be in the form of checks, money orders, bank drafts, lockbox receipts, electronic fund transfers, letter of credit deposits, coin, and currency. As most cash collections are for revenues, the minimal statewide procedures are to establish accountability and safeguards until receipts can be safely deposited in the Treasury.

In its broadest application, accountability for cash collections involves three agencies: the agency that receives the money, the Department of Revenue, and the Department of Administration. By law, each agency is required to account and submit all money it collects to the Department of Revenue for deposit in the State Treasury. The Department of Revenue is required to submit an accounting of all cash it receives to the Department of Administration. The Department of Administration is required to maintain accounts showing at all times, by funds and other classifications, actual balances of cash, revenues, and collections and to adopt a system that prescribes the use and accounting of current receipt documents. The following are the statutes covering accountability for cash collections:

1. The originating agency - [AS 37.10.050](#) provides that each office that receives money belonging to the State shall account for and remit the receipts to the Department of Revenue.
2. The Department of Administration - [AS 37.05.200](#) provides that the Department of Administration shall audit and examine receipt documents and enter the amounts in the proper accounts.

3. The Department of Revenue - [AS 37.10.060](#) provides that all money received by the Department of Revenue shall be deposited in the State treasury.

AAM 50.030**Control (10-09)**

A system of control must be designed around each individual office where cash is collected. In designing this system, the following rules will be observed in order to detect errors and to discourage fraud:

1. Separate the duties of receiving cash, disbursing cash, and reconciling bank statements.
2. Safeguard undeposited collections, and physical items deposited via imaging, in a safe, vault, locked filing cabinet, or other secure device.
3. Prepare and issue numbered receipts for collections of coin and currency.
4. Endorse checks restrictively upon receipt.
5. Maintain a daily record of collections.
6. Deposit collections daily and intact.

The above minimum requirements will be followed by all State agencies unless written permission to deviate there from is obtained from the Department of Administration. However, agencies will not add staff, facilities, or services solely to satisfy these requirements without written permission from the Department of Administration. Additional controls will be followed by all State agencies insofar as it is practicable to do so. The question of practicability, considering the materiality of the risk involved, is the responsibility of the respective agency.

AAM 50.040**Receipt for Cash Payments (10-09)**

Agencies are required to provide a receipt for payment made by coin or currency. However, a receipt is not required if the person is given a numbered document of fixed value such as a license or a permit. Receipts must be prenumbered and in duplicate.

Please note that if any customer makes a cash payment of over \$10,000 in a single transaction, or a series of related transactions, additional information is required from the individual (see IRS Form 8300). Cash includes any combination of currency, cashier's checks, bank drafts, traveler's checks, or money orders, but does not include a check drawn on an individual's personal account. Please refer to IRS Publication 1544. A copy of IRS Publication 1544 and IRS Form 8300 may be obtained at the IRS Web site; www.irs.gov. IRS Form 8300 must also be filed timely with the IRS (generally within 15 days).

Receipts may also be issued for remittances made by checks, money orders, and other negotiable instruments as a posting media in the financial system, or to enhance other controls over the receiving function.

Typically, payment by coin and currency are received over the counter. In such cases, a receipt is to be prepared and given to the remitter immediately. Whenever coin and currency are received in the mail, a receipt is prepared and mailed that day to the person making the remittance.

To enhance the effectiveness of this internal control feature, the finance officer of each department will see to it that a record is maintained of the receipts that are available for use in each office of their agencies. The finance officer may require that duplicate copies of issued receipts be sent to the central office periodically and may require the inventory of unused receipts, following the same guidelines used for the control of field warrants. In many situations the agency finance officer may find it advantageous to purchase centrally all cash receipt forms and issue them on an as-needed basis to field offices.

AAM 50.050**Daily Record of Collections (07-16)**

All collections received by an agency must be entered in a daily record of collections. The register must contain sufficient information to enable the agency to identify each item. This information can be used as the source document for cash receipt entries to the general ledger. As a general rule, the daily record of collections should include the following information:

1. date of collection
2. name of the payer
3. amount received
4. type of collection - cash, check, money order, etc.
5. account to which collection is to be credited or purpose of receipt
6. receipt number, if any

Agencies may summarize on the daily record of collections the amounts received from remitters for whom receipts have been written. Summary information should include beginning and ending receipt numbers, the total amount represented by the receipts, the account to which the collections should be credited, and the purpose of the amount received. The total amount shown on the daily record of collections should agree, both in total and in composition, with the amount deposited in the bank as shown on the retained copy of the bank deposit slip. In some situations, departmental finance officers may require that the original or a copy of the daily record of collections be submitted to them for review and for reconciliation with amounts deposited to the State's bank account.

AAM 50.060**Coin and Currency Collections (07-16)**

Coin and currency received in person for deposit should go through a dual verification process where two people count the money and observe each other. A receipt will be provided to the payer and a receipt log will be kept. Funds are to be immediately secured until collected for deposit.

When receiving funds via the mail, the person who opens mail is responsible for restrictively endorsing all checks received and preparing receipts for any coin or currency. When this is done appropriate notations are made on letters, applications, tax returns, and other correspondence included with the collections. The checks and currency, together with copies of the receipts for cash received, are to be given to the person who is responsible for preparing the daily record of collections.

In those operations where a large volume of coin and currency is received in the mail, it is advisable to assign more than one person to the mail opening and receipt preparation process. The people should work together with one acting as an observer of the other.

AAM 50.070**Restrictive Endorsements (10-09)**

Restrictive endorsements should be placed on checks as they are received over the counter or as the mail is opened. In no event, however, may checks be held without restrictive endorsements later than the end of the working day during which they are received.

The following restrictive endorsement must be placed on all negotiable instruments deposited in the State Treasury system regardless of whether a deposit is made to a bank or directly with the State Treasury in Juneau. If an agency has any questions with regard to the form of a specific restrictive endorsement stamp, it should consult with the Department of Revenue, Treasury Division, Cash Management Section. The Treasury Division is the only State agency authorized to prescribe the form of endorsement to be used on negotiable instruments received by State agencies.

RESTRICTIVE ENDORSEMENT STAMP

Pay to the Order of
(Bank's Name)
For Deposit Only
State of Alaska

Division
(Account Number) (Subaccount Number)

AAM 50.080**Separation of Duties**

In handling collections, no one person may perform more than one of the following types of duties:

1. Receiving and depositing collections.
2. Authorizing disbursements or preparing checks.
3. Reconciling bank accounts.

AAM 50.090**Transfer of Cash (07-16)**

Whenever cash is transferred from one employee to another, a transfer receipt must be prepared. Transfer receipts need not be prenumbered and they may be in whatever form is considered appropriate under the circumstances. When prepared, however, at least three copies will be used.

Three copies permit the following distribution:

1. file
2. transferee
3. transferor

Whenever cash is handled by more than one employee, effective control requires that accountability be established as the custody of the money changes. If the cash transferred is secured in a locked facility, such as a locked box, and the person to whom the device is given does not have access thereto (an example of this would be deposits in a tamper-evident sealed poly-bags being taken to the bank), it is not necessary to prepare a transfer receipt. Tamper evident poly-bags are available from the Treasury Division.

AAM 50.100**Frequency of Deposits (07-16)**

Collections should be deposited daily in a depository account prescribed by the Cash Management Section of the Treasury Division. Only in unusual cases may small amounts (less than \$500.00) be held over for deposit on the following day. Agencies should not use night depository facilities unless depositing by courier or over the counter is not feasible. Night depository facilities permit an agency to deposit collections after normal banking hours which causes a day's delay in the State's receipt of the funds. Approval to establish night depository facilities must be obtained from the Treasury Division.

Mailing checks from the point of receipt to an alternative location for deposit violates the frequency of deposit requirement and must be approved by the Treasury Division.

Locked canvas banking bags have been virtually eliminated in the banking industry. In their place the State is using Direct Drop deposits with tamper-evident poly bags for deposits. These poly bags are provided by the Treasury Division to state agencies upon request. State employees or couriers must not wait for the deposits to be counted and verified. Waiting for a teller to process the deposit will result in additional, unnecessary charges to the State. Banks will give provisional credit for the face amount of the deposit bag. Cash and checks in the deposit will be counted and verified later by the cash vault or bank branch the deposit was brought into. If errors are detected and adjustments are required the bank will issue the adjustment notice usually the next day. Using tamper-evident poly bags for direct drop deposits provides the advantage of time savings for state employees and banking efficiency while still offering same-day credit. For more information about using and obtaining the poly bags for your deposits please contact the Cash Management section in the Treasury Division. Deposit slips are normally prepared in two copies to permit the following distribution:

1. bank
2. agency office

It should also be noted that collections may be deposited more than once a day if conditions warrant. However, note that the state incurs and pays a fee for every separate deposit made.

AAM 50.110	Depositing Intact (07-16)
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To comply with the Bank Secrecy Act of 1970 and the Money Laundering Control act of 1986, cash receipts may not be taken to a financial institution and converted into a negotiable instrument for later deposit by a state agency. Examples of such negotiable instruments are bank drafts, cashier's checks, traveler's checks, or money orders.

All collections are to be deposited intact where possible. Depositing intact means that the total amount collected is the amount that is deposited. The composition of amounts collected may not be altered. Disbursements from collections prior to deposit are not permitted. Standard operating procedures in an agency are used to determine that collections are deposited intact. For example, persons preparing collection reports or deposit slips are required to determine that receipts are being used sequentially and that all are accounted for.

For agencies making deposits via remote deposit capture or by regular deposit, foreign and nonconforming items must be segregated and deposited separately. Deposit of multiple Canadian items in a single deposit is acceptable.

AAM 50.115	Clearing Cash Receipts (07-16)
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Cash Receipts (CRs) must be liquidated timely. Any CR remaining in the general ledger 30 days after the deposit date of the receipt is deemed delinquent. State agencies are required to liquidate all CRs for the prior fiscal year by the second

week of July without exception. Contact the Cash Management Section of the Treasury Division if documentation is needed to clear a CR.

AAM 50.120**Drawdown of Federal Funds (10-11)**

Federal government payments to the State for grant reimbursements of State funds, etc. will be received by direct payment to the State's custodial bank or by check sent directly to the agency. If a choice is given, an electronic payment that is directed to the State's custodial bank is preferred.

Cash Management Section of the State's Treasury Division, should complete all forms, including forms to be completed on a website and submitted online, requiring bank account numbers, transit routing numbers, ACH or federal wire transfer instructions, or other banking information. The Cash Management Section will initiate all direct application for payments and process all federal draws unless written permission is delegated to the billing agencies by the Treasury Cash Manager.

AAM 50.130**ACH and Wire Transfers (07-16)**

There are two types of Electronic Fund Transfers (EFT) that come into the State bank accounts, ACH and wire transfers. ACH transactions involve at least a one day delay in receipt and can be initiated by either party. Wire transfers are same day transactions normally initiated by the remitter.

All federal grant and federal vendor payments are generally made to the State by EFT, preferably ACH format. All other EFT payments to the State are subject to approval of the Treasury Division, Cash Management Section. Upon approval the State uses specific bank accounts for receipt of ACH and wire transfers; therefore, all agencies should contact Treasury Cash Management for appropriate ACH and wire transfer instructions to provide to remitters. Treasury Cash Management must complete all forms, including forms to be completed on a website and submitted online, requiring bank account numbers, transit routing numbers, ACH or federal wire transfer instructions, or other banking information, unless permission has been delegated to the state agency by the Treasury Cash Manager.

For one-time EFT payments to the State, wire transfers are preferred. If payments are made more often, ACH transfers are preferred.

The Cash Management Section must be notified one day in advance before 2:00 pm of the EFT transfer for investment purposes, to prevent delays, ensure accurate posting, and allow straight through processing. It is recommended that all contracts in which the State is to receive payments in excess of \$10,000.00 include a clause requiring payments be made to the State by wire transfer or ACH payment.

All outgoing payments issued by the State should be made via EFT, where possible. Specifically, any payment over \$1 million should be made by EFT. Refer to AAM 38 for more information.

AAM 50.135**State Banking Information (01-11)**

No State banking information will be posted to the public internet. Individuals requesting banking information from the State should indicate a valid business reason to the appropriate department for obtaining this information.

AAM 50.140**Remote Deposit Capture (07-16)**

Remote deposit capture (RDC) uses a small desktop scanner to capture an image of the checks to be deposited and transmits the images to the bank electronically. Items deposited in this manner clear through the banking system faster, allowing the state greater investment earnings on the deposits. Requirements for RDC processing include:

1. Deposit items must be stamped with a restrictive endorsement in the same manner as any other deposited item (see AAM 50.070). RDC machines typically endorse the item when it is scanned.
2. Once scanned and transmitted to the bank, the physical items must be stored securely by the depositing agency for a minimum of 30 days. After the required retention period has expired all items must be destroyed by shredding.
3. Scanners should be housed in a secure area, inaccessible to unauthorized personnel and the general public.
4. Checks must be kept in an area that is inaccessible to unauthorized personnel and the general public.
5. Processed checks must be secured in a locked area separate from incoming checks that have not yet been processed.
6. Users should be reviewed by State agencies annually.
7. IDs and passwords must not be shared between users.
8. Nonconforming items, including checks denominated in foreign currencies, must be physically deposited and cannot be imaged using RDC.
9. Agencies must have a recovery plan if, for some reason, deposits cannot be captured. Such a plan may include physical deposit of items, or, with Treasury's approval, holding items until a replacement machine, or depository system becomes available.
10. State agencies must obtain prior approval by the Treasury Division for third parties making deposits to the State using RDC.
11. Periodic audits of users may be performed by the State's RDC vendor. These audits will generally verify the following:

- a. Users know where to find the current user guide.
(www.key.com/cashmanagement, under the Key Capture section)
- b. Users understand the process of submitting deposits.
- c. Users understand the process for depositing non-processible items.
- d. Users understand the procedure around returned items.
- e. Users understand the vendor's actions for any duplicate presentments.
- f. Users are aware of system requirements.
- g. Users follow documented procedures around preparing and reconciling deposits prior to scanning items.

For agencies with large check deposit volumes, Cash Management may require the use of RDC.

Please contact the Cash Management Section for more information.

AAM 50.150	Safekeeping Facilities (07-16)
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For those occasions when collections cannot be deposited daily, the undeposited collections are to be stored in an appropriately secured device. Appropriately secured means a safe or similar device. In addition to appropriately securing undeposited collections during nonworking hours, care must also be taken to provide security over coin and currency during working hours. For example, cash boxes or drawers should be locked when the assigned custodian is away from the facilities. Keys to safekeeping facilities are to be secured at all times.

AAM 50.160	Access to Safekeeping Facilities
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Each agency must maintain a record of the names of persons having knowledge of the combination of the safe or vault or who possess keys to devices in which cash is stored.

Generally speaking, it is necessary for at least two persons within an agency to be able to access devices in which cash is stored. As the number of persons having knowledge of combinations or access to keys increases, the effectiveness of internal control decreases. Locks and combinations should be changed when an excessive number of employees have knowledge of them or when an employee having such knowledge leaves State service or transfers to another agency.

AAM 50.170	Authorization to Open Bank Accounts
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All State bank accounts, including all fund accounts listed in the Department of Revenue General Investment Policies, require approval by the Cash Management

Section of the Treasury Division prior to being established. All signature cards are to be processed through the Cash Management Section. All bank accounts maintaining State funds, even though managed by non-State personnel, require Cash Management approval and are subject to signature card and bank statement requirements.

Most State agencies' depositing requirements can be met by the assignment of a subaccount number with the issuance of deposit slips and restrictive endorsement stamps by the Cash Management Section to one of the State's collection accounts at a designated bank. Subaccount deposit slips allow agencies to make their deposit at any branch of that bank.

AAM 50.180	Reconciling Bank Accounts (07-16)
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Bank accounts should be reconciled no later than 15 days following the receipt of the bank statement. Agencies are relieved of the responsibility of reconciling bank accounts if the collections are deposited to one of the State's collection accounts maintained at specific banks. The Treasury Division is responsible for reconciling these bank accounts.

Regardless of whether the bank statements are reconciled at headquarters or at a field office, the bank statements must be delivered, unopened, to the person charged with this responsibility, and will be safeguarded by him/her until the reconciliation is completed. An adequate record of the bank reconciliation will be prepared and, after review and approval by the employee's supervisor, will be kept on file or sent to the agency finance officer.

AAM 50.190	Monies in Transit (07-16)
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Monies in transit consists of cash on hand as of June 30, but not deposited in the Treasury until after June 30. Agencies should make every effort to get receipts deposited by June 30. If an agency has material undeposited receipts on June 30, an entry to record monies in transit should be made in the state financial system. Thresholds for materiality differ depending on the fund and type of revenue. Undeposited receipts within a single location or program exceeding \$25,000 should be evaluated for materiality.

AAM 50.200	Dishonored Checks and Charge Adjustments (07-16)
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Checks, or images of checks returned due to nonsufficient funds (NSF), account closed, or for other reasons are sent directly to the Treasury Division, Cash Management Section. Upon receipt of the checks or images the Cash Management Section will prepare a journal entry charging the agency's suspense account. The agency will then receive an electronic image of the items. Agencies must zero balance their suspense accounts each fiscal year, and the Treasury recommends they do so monthly.

It is the responsibility of the agency to establish the amount of the returned check as a receivable, and to take action to collect it from the maker. Agencies are

responsible for making a concerted effort to collect amounts represented by dishonored checks. Accounts receivable resulting from dishonored checks may not be canceled without approval of the Department of Administration.

Agency requests for deposit correction adjustments in amounts less than \$5.00 will not be processed. If a bank does provide a deposit correction for less than \$5.00 to the Treasury, it will be processed by Treasury Cash Management and posted to the general ledger.

AAM 50.210

Petty Cash (10-09)

All petty cash funds are advanced from an "Imprest Cash" account in the general fund. Authorizations are not charged when these funds are established. Only one petty cash fund may be established for each major office or location with a department. The total of each petty cash fund may not exceed one and one-half times the average monthly activity. Disbursements from petty cash should be kept small, not more than a few dollars to pay postage due and similar modest transactions. A request to establish a petty cash fund will be submitted to the Division of Finance.

The law that authorizes petty cash funds ([AS 37.05.165](#)) provides that

The Department of Administration shall determine the amount of the petty cash accounts needed by each State agency and inspect the petty cash accounts at least once each year to determine that the total, plus amounts of receipts for unreplenished disbursements, is equal to the fixed sum of cash set aside. The department shall adopt necessary regulations governing the use and replenishment of petty cash funds.

Except in unusual circumstances, each petty cash fund is in the sole custody of a single employee. Each custodian must reimburse the petty cash fund at least twice a month. Failure to request reimbursement at this rate is considered an indication that the activity of the fund is such that it is not needed or that it should be reduced. Reimbursement is obtained by preparing a voucher supported by satisfactory evidence of disbursements. The details of expenditures made from the petty cash fund must be listed on the front of the petty cash envelope when the fund is reimbursed. The petty cash envelope (with receipts) enclosed must be used for all reimbursements. All disbursements from petty cash will be for authorized purposes only. A petty cash fund may not be used to cash checks for the convenience of employees or other persons.

Should a petty cash fund need to be temporarily closed for a period of 60 days or more, for example, while an AMHS ferry is in dry dock, the entire fund should be deposited back into the fund from which it was drawn. When the cash drawer is needed to be back in service, a new petty cash warrant will be issued to replenish the fund.

As of June 30 each year, a special cash count and certification are required for each petty cash fund. Forms for the count are supplied by the Division of Finance prior to June 30. The verification should be completed promptly and one copy of the verification should be returned to the Division of Finance. In addition, each

department requesting a fund is responsible for making periodic, unannounced cash counts of the funds assigned to it.

The Division of Finance may deduct the entire balance of a fund from the final pay of any employee who has not cleared a fund upon termination.

If the custodian deems it necessary to place the petty cash in a bank account, the Cash Management Section is to be contacted to obtain instructions for establishing the account.

AAM 50.220

Change Funds (10-09)

Change funds are established and controlled in the same manner as are petty cash funds, but are strictly revolving funds and require no replenishment.

The number of change funds needed by an agency depends on the number of locations where collections in the form of coin and currency are regularly received. If an agency collects coin and currency on an infrequent basis a change fund should not be needed.

Cash collections should not be kept with a change fund after the close of a business day. Each change fund must be kept in a suitable container during business hours. During non-business hours, the container must be stored in a secure facility.

Should a change fund need to be temporarily closed for a period of 60 days or more, for example, while an AMHS ferry is in dry dock, the entire fund should be deposited back into the fund from which it was drawn. When the cash drawer is needed to be back in service, a new change fund warrant will be issued to replenish the fund.

Requirements pertaining to verification of petty cash funds also apply to change funds.

AAM 50.230

Card Acceptance (07-16)

State agencies accepting revenues via credit or debit card, either online or offline, must do so under the statewide merchant services contract managed by the Division of Treasury, Cash Management section. Additionally, agencies must sign an agreement with the Division of Treasury to be bound by the Payment Card Industry - Data Security Standard (PCI-DSS). Agency's merchant locations must be in compliance with PCI-DSS. Annually, agencies must complete the applicable version of the PCI-DSS Self-Assessment Questionnaire (SAQ). Merchant locations must ensure cardholder data is protected, and if applicable, must initiate monthly network scans of in-scope Internet Protocol (IP) addresses. Locations must pass at least one network scan per quarter.