

<b>Volume No. 1 – Policies and Procedures</b>	<b>TOPIC NO</b>	<b>20205 – Cardinal</b>
<b>Section No. 20200 – Cash Receipts Accounting</b>	<b>TOPIC</b>	<b>Deposits</b>
	<b>DATE</b>	<b>September 2014</b>

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## Overview

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**Introduction** This topic provides guidelines and references to assist agencies and institutions in developing procedures to properly account for, report, and manage deposits of receipts in the manner prescribed by the State Treasurer and in accordance with the *Code of Virginia*, (§2.2 et seq.).

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**Policy** State agencies and institutions collecting or receiving public funds or moneys from any source, belonging to or for the use of the Commonwealth, or for the use of any State agency, shall deposit such funds into the State Treasury, without any deductions on account of salaries, fees, costs, charges, expenses, refunds (except credit card refunds as outlined in the topics entitled “Electronic Credit Card Receipts” and “Paper Credit Card Receipts”) or claims.

To expedite the flow of funds, agencies should develop internal processing systems capable of separating payments received from the related accounting documents at the earliest possible processing point. Agencies shall consider the full range of cash management techniques and banking services available. Such techniques and services should be analyzed to determine any benefits that can be derived from their use. Assistance is available from staff of the Department of Treasury’s Cash Management and Investments Division.

The processing and deposit of State receipts will be completed on the day received or no later than the next banking day. Any exceptions to this policy should be justified by the small amount collected and the availability of adequate safekeeping facilities. Processing during peak workload periods or extenuating circumstances may justify an extension of the depositing requirements and will be considered by the Department of the Treasury on an exception basis. Requests for exceptions should be addressed to the Manager, Cash and Banking, Department of the Treasury.

All State receipts will be recorded in Cardinal in a timely manner within three business days of the deposit. Requests for exceptions should be addressed to the Director, General Accounting, Department of Accounts.

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## Bank Selection

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**Bank Approval** Agencies must obtain approval from the Manager, Cash and Banking of the Department of the Treasury, to use a bank(s) for deposits of all State receipts. This also applies to requests to change banks. This process is outlined in CAPP – Cardinal Topic 20210, *Bank and Cash Management Services*.

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**Account Number and Bank Code** When approval is granted to use a bank, a bank account number and bank code will be provided which must be used for all deposits to that bank. A deposit ticket (DT) must be used to make deposits. The correct bank name, bank code, and account number must be properly entered on all copies of the deposit ticket.

In order for Treasury to reconcile deposits properly, the correct bank code must be selected on the “Totals” screen in Cardinal when initially entering the receipt. See **Bank Code Crosswalk** under topic entitled “Suggested Forms and Job Aids” for more information.

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## Segregation of Deposits

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### General Information

There **MUST BE A ONE-TO-ONE MATCH** between the deposit entry that posts to the Treasurer's bank account and the deposit total reported in Cardinal. The **AMOUNTS MUST BE THE SAME** regardless of the method of input to Cardinal. **DEPOSITS MUST BE SEGREGATED BY TYPE** so that different types of deposit activity are not commingled on a Deposit Form (i.e., cash deposits should be separated from credit card receipts). Each type of deposit activity noted below must be reported on a separate Deposit Form, using a separate deposit number. See topic entitled "Form Preparation" for more information.

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### Cash and Checks

Receipts of U.S. currency and checks may be combined on a single Deposit Form. Agencies should call their respective depository whenever depositing a foreign check and determine the exchange rate for the date of deposit and amount for which credit will be given. Checks should be recorded in Cardinal for the U.S. dollar equivalent after adjustments for exchange rates have been made.

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### Electronic Credit Card Receipts

Electronic credit card receipts must be further segregated on a separate Deposit Form by the type of credit card (i.e., Visa/Mastercard/Discover, American Express, etc.).

Preparation of the Deposit Form depends upon how the electronic system records and transmits deposit information to the bank. Summary totals may be by agency/institution, location, or terminal. Posting for these categories may be for the entire day or for multiple transmissions during the day. Some systems are flexible and can be modified to meet agency requirements. Regardless of the methodology used, the **ONE-TO-ONE** deposit match must occur (i.e., transmission amount = Deposit Form amount). The method of posting deposits must be agreed upon by the credit card processor, the bank, and the agency/institution. The Deposit Form should be completed accordingly.

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## Segregation of Deposits, Continued

Occasionally a customer requests a refund/credit on a prior charge. The agency/institution records a credit transaction by keying the credit into the electronic system. These credits are netted against all sales transactions for the posting period and a net total is entered on the Deposit Form. Refunds are required to be processed as credits to the original credit cards. Other refund methods violate the merchant agreement resulting in penalty charges. Additionally, crediting the card reverses the discount fee charged for the original transaction.

The total on the Deposit Form is the net of the credit card charges and credits. This amount may be positive or negative. Net credits should be entered into the Cardinal system as a positive amount when completing the accounting distribution line, and the corresponding Control Total Amount should be entered as a negative value.

### **Paper Credit Card Receipts**

Paper credit card receipts must be further segregated by the type of credit card and reported on separate Deposit Forms (i.e., Visa/Mastercard/Discover, American Express, etc.).

The agency/institution must:

- Total all paper based credit card transactions for the day
- Record the total on a Deposit Form with the proper accounting distribution, and
- Deliver a deposit ticket, a copy of the Deposit Form, and the paper credit card sales tickets and credits to the bank.

The total of all tickets (sales transactions less credits) must equal the total on the Deposit Form.

When a customer requests a refund/credit on a prior charge, the agency/institution records a credit transaction on the credit card refund document. These credits are netted against all sales transactions for the posting period and a net total is entered on the Deposit Form. Refunds are required to be processed as credits to the original credit cards. Other refund methods violate the merchant agreement resulting in penalty charges. Additionally, crediting the card reverses the discount fee charged for the original transaction.

The total on the Deposit Form is the net of the credit card charges and credits. This amount may be positive or negative. Net credits should be entered into the Cardinal system as a positive amount when completing the accounting distribution line and the corresponding Control Total Amount should be entered as a negative value.

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## Segregation of Deposits, Continued

### Debit Card Receipts

Preparation of the Deposit Form depends upon how the electronic system records and transmits deposit information to the bank. Summary totals may be by agency/institution, location, or terminal. Also, posting for these categories may be for the entire day or for multiple transmissions during the day. Some systems are flexible and can be modified to meet agency requirements. Regardless of the methodology used, the **ONE-TO-ONE** deposit match must occur. The method of posting deposits must be agreed upon by the debit card processor, the bank, and the agency/institution. The Deposit Form should be completed accordingly.

### Wire Transfer Receipts

Each wire transfer receipt must be recorded on a separate Deposit Form. If multiple wire transfers are received on one day, an **individual Deposit Form** must be prepared for **each** receipt. All reoccurring wire transfer receipts (from the same payor) must be arranged through the Department of the Treasury's Cash Management and Investments Division. Special instructions can be obtained for these transactions by calling (804) 225-2647.

### Automated Clearinghouse (ACH) Credit Receipts

Each ACH credit receipt must be recorded on a separate Deposit Form. If multiple ACH credits are received on one day, **individual Deposit Forms** must be prepared for **EACH** receipt. All reoccurring ACH credit receipts (from the same payor) must be arranged through the Department of the Treasury's Cash Management and Investments Division. Special instructions can be obtained for these transactions by calling (804) 225-2648.

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## Segregation of Deposits, Continued

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**Remote Deposit Capture Receipts** Checks deposited electronically may be combined on a single Deposit Form. Remote Deposit Capture (RDC) is a service which allows agencies to scan checks received into the computer and transmit the scanned images electronically to a designated depository bank. The scanned checks are balanced to create a digital deposit.

To use RDC, agencies should contact the Manager, Cash and Banking, Department of the Treasury ([onlinebanking@trs.virginia.gov](mailto:onlinebanking@trs.virginia.gov)) for review and to obtain online banking forms needed for access to a Treasurer of Virginia Account at Wells Fargo Bank or Bank of America. See topics entitled “Form Preparation” for deposit ticket requirements and “Record Retention” for check storage, retention and destruction periods. Agencies are also responsible for establishing and maintaining appropriate internal controls to safeguard the security and confidentiality of check information. See topic entitled “Internal Controls”.

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**Deposit Type Reporting** Each deposit must be coded with a one-digit Deposit Type in the Totals screen in the Accounts Receivable Module in Cardinal. This deposit type assists the Department of the Treasury in reconciliation efforts. The following deposit types are available:

- 1 – Cash and check deposits
  - 2 – Lock box deposits
  - 3 – Wire-in deposits
  - 4 – Automated clearinghouse deposits
  - 5 – Credit card deposits
  - 6 – ZBA Transfers
  - 7 – Bank credit memos
  - 8 – Bank debit memos
  - 9 – Stop Pay (DOA use only)
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## Form Preparation

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**Deposit Form** The Deposit Form serves two primary purposes:

1. To serve as the internal input document to Cardinal for all deposits, and
2. To provide auditable records for revenues and other receipts.

The Deposit Form should include documentation of required coding elements (business unit, fund, account and department) as well as be labeled with the Cardinal generated Deposit ID in order to easily tie the source documentation to the system. See topic “Coding Structure Requirements” for more information on required Cardinal coding elements.

The form should be filed along with copies of the bank stamped receipt and deposit ticket. See topic entitled “Records Retention” for more information regarding retention requirements. See topic “Segregation of Deposits” for information regarding separation of various deposit types onto separate forms.

While the use of the **Deposit Form** on the Cardinal website indicates adherence to Statewide requirements, its use is optional and substitute forms and procedures by individual agencies are allowed as long as sufficient documentation is maintained.

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**Deposit Ticket** The Deposit Ticket is a written notification that normally accompanies a bank deposit which specifies and categorizes the funds such as checks, bills and coins that are being deposited and which bank account they should be deposited into.

Agencies must order (or obtain approval for) their deposit tickets as directed by the Department of the Treasury (see topic entitled “How to Order Deposit Tickets (DTs)).

Prior approval from the Department of Treasury, Bank Reconciliation Manager, must be obtained by agencies that do not use pre-numbered deposit tickets. A deposit ticket number range must be provided by Treasury.

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## Form Preparation, Continued

### Use of Deposit Tickets

The document number assigned to each deposit (currently the DT number) is recorded on each deposit ticket at the bottom of the ticket in the MICR-line. This eight-digit number is segregated as follows:

Digits 1-4 are fixed based on bank and agency number:

- 1<sup>st</sup> Digit =
- 4 SunTrust ERP
  - 5 Wells Fargo General Investments
  - 6 Wells Fargo (Credit Card Account)
  - 7 Bank of America General Investments
  - 8 SunTrust Bank General Investments
  - 9 BB&T

Digits 2-4 = Agency Number

Digits 5 through 8 are variable:

Digits 5-8 = 0001-9999

This range is controlled by the printing vendor.

#### **For Branch Deposits:**

Agencies prepare the deposit ticket in duplicate. The original deposit ticket is retained by the bank; the copy and the validated deposit receipt from the bank remain at the agency. To submit deposit data to Cardinal, agencies will use the deposit ticket, the deposit receipt from the bank, and internal documents. The deposit ticket number should be entered in the “Deposit control Ticket Number” field in the Approve Deposits screen by the approver of the deposit.

#### **For Electronic Deposits by Remote Deposit Capture:**

Agencies prepare the deposit ticket in duplicate or with approved pre-assigned number range to be used in the scanning process. The original deposit ticket or the pre-assigned numbering is recorded and retained by the agency. Deposit Summary Confirmation Reports shall be printed at the conclusion of each deposit from either the financial institution’s scanner process or through the banks online bank reporting system. These documents shall serve in lieu of a validated deposit ticket. To submit deposit data to Cardinal, agencies will use the deposit ticket, Summary Confirmation Reports and internal documents. The deposit ticket or pre-assigned number should be entered in the “Deposit control Ticket Number” field in the Approve Deposits screen by the approver of the deposit.

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## Form Preparation, Continued

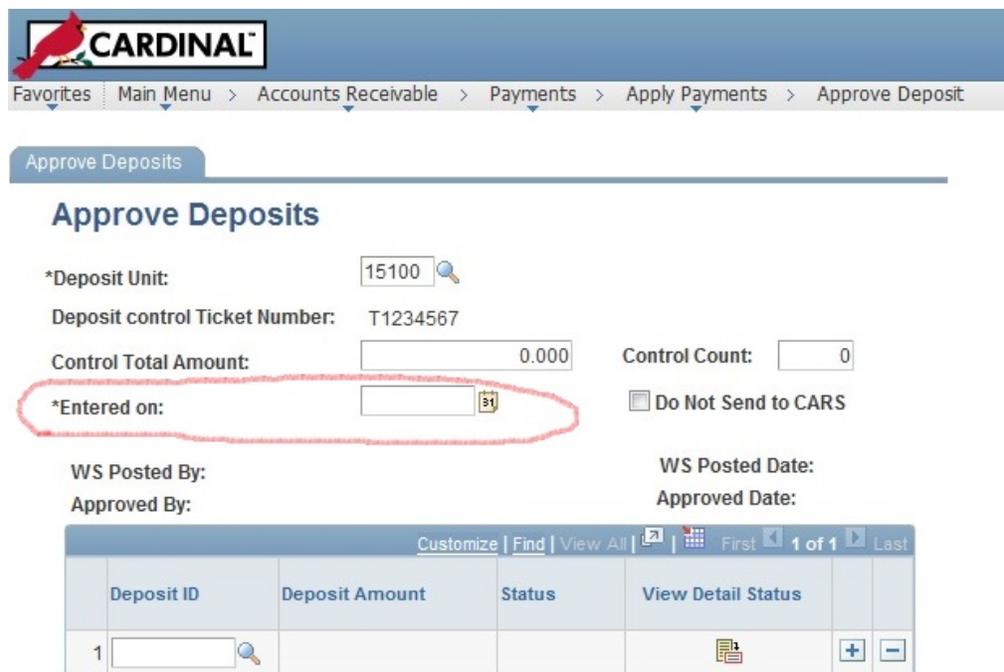
### Coding Structure Requirements

The minimum coding structure for revenue transactions is summarized as follows:

- Business Unit
- Fund
- Account
- Department

Other classification elements are included in the standard distribution grid. These elements may or may not be included depending on the type of deposit. The ‘Program’ field is an example of a chartfield that should be included if the deposit is an expenditure refund type transaction. In Cardinal, if a required chartfield is not entered into the system, the transaction will fail combination edit and the error message will notify the user what additional chartfield is necessary.

In order for Treasury to reconcile deposits properly, the approver of a deposit must enter the date of deposit on the “Approve Deposits” screen in Cardinal. The “Entered on” date must match the deposit date.



**CARDINAL**

Favorites | Main Menu > Accounts Receivable > Payments > Apply Payments > Approve Deposit

Approve Deposits

### Approve Deposits

\*Deposit Unit: 15100

Deposit control Ticket Number: T1234567

Control Total Amount: 0.000 Control Count: 0

\*Entered on:    Do Not Send to CARS

WS Posted By: WS Posted Date:

Approved By: Approved Date:

Deposit ID	Deposit Amount	Status	View Detail Status
1 <input type="text"/>			<input type="button" value="+"/> <input type="button" value="-"/>

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## Special Instructions

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### Commingled Funds

**Non-State Funds** are deposited to an agency or institution’s local bank account and are not under the control of the Department of the Treasury. The responsibility for the management and investment of non-State funds resides with the agency. Non-State funds are not subject to the Comptroller’s policies governing the disbursement of State funds. However, non-State fund accounting practices are subject to audit by the Auditor of Public Accounts (APA) and authorized public accounting firms.

**State Funds** cannot be deposited into local or private fund accounts, except by institutions of higher education, where a receipt commingles State and local or private funds. In such a case, the State portion must be segregated and transferred immediately (**SAME DAY**) into the State account. State tuition and fee payments, including admission fees and deposits for housing paid in advance, are considered revenues upon receipt. Such receipts should be promptly deposited or transferred to the State's General Account.

In certain instances, due to systems constraints or during abnormally high deposit activity, it may be difficult for institutions to determine within a 24-hour period the exact distribution of cash between State funds and locally controlled funds. Rather than delay the deposit of the State's portion of funds until time permits such an accurate determination, an estimated distribution of all commingled funds to the State depository account should be made based on the past history of the institution. Deposits to the State account should be made on this basis until the final determination as to the precise distribution between State and local funds can be made. It should be emphasized that an institution should make this final reconciliation and distribution as expeditiously as possible.

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### Unidentified Federal Revenue - Agencies

If federal funds are received which cannot be identified to a specific federal account code, use account code 4099000 (Other Assistance – Unidentified Federal Grant). If account code 4099000 is used, create a General Ledger Journal (See CAPP – Cardinal Topic No. 20410, *Intra - Agency Transactions*) distributing the federal revenue to the appropriate account code as soon as possible, but in no case later than the end of the State's fiscal year.

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## Special Instructions, Continued

### Sales Tax Receipts

State Sales Tax Receipts should be deposited to account 255471 - Deposits Pending Distribution in Fund 01000. (See CAPP – Cardinal Topic No. 20405, *Inter – Agency Transactions* for details on transferring these collections to the Department of Taxation.)

State Sales Tax Receipts should not be commingled with any other revenue recorded when the sales tax was received (i.e., a separate line on the Deposit Form is required recording the funds in account 255471).

### Checks Returned by Depository Institutions

Procedures must be established to promptly "buy back" checks that are returned by depository institutions when funds cannot be collected on processed deposits. Checks should be bought back within five banking days. Please contact Manager, Cash and Banking Services at 804-225-2648 or Asst Manager at 804-225-2647 to work with the Depository Institution if the Agency anticipates a delay. (Also see CAPP – Cardinal Topic No. 20330, *Petty Cash*).

### Federal Reserve Check Endorsement Standards

On September 1, 1988, under Regulation CC, the Federal Reserve began to enforce Check Endorsement Standards as part of the Expedited Funds Availability Act. These regulations are aimed at improving the efficiency and accuracy of the check return process, thereby limiting the risk of not collecting funds. Your endorsement is limited to 1 1/2 inches at the top of the back of the check within the check's preprinted endorsement area. If you stamp information which extends outside of the 1 1/2 inch area, you risk losing the right to refuse a dishonored check that is returned late by a financial institution.

### The Payee Endorsement

Since State agencies often share a common bank account, it is important that endorsements include adequate information to identify the depositor and the depositing location. Endorsements on checks deposited into Treasurer of Virginia accounts shall be according to the format outlined below:

For Deposit Only To:

Treasurer of Virginia

Agency Name (and agency location or FIPS Code, if appropriate)

Depository Bank Name and Branch

Bank Account Number

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## Special Instructions, Continued

### Pre-Encoded Work

Agencies which pre-encode checks prior to deposit should discuss the endorsement standards with their bank(s). Pre-encoded depositors will not only have to ensure that their endorsement is located within the first 1 1/2 inches, but if they are also including the bank's endorsement, this must be properly located within the band reserved for the depository bank. In addition, the bank endorsement must be a "block style endorsement" and must include:

1. depository bank's transit routing number set off by arrows
2. depository bank's name and location, and
3. endorsement date

Also, the depository endorsement must be provided in either purple or blue ink.

### Failure to Adhere to the Standards

It is important to follow the endorsement procedures to increase the speed and accuracy of the return process, and to ensure your payment. You must be extremely careful to guard against accepting or depositing checks which contain markings in the depository bank's endorsement area. If any endorsements, check verification stamps or other markings make the depository bank's endorsement illegible, you may lose the right to refuse a dishonored check which is returned late.

### Third Party Deposits

CAPP – Cardinal Topic 20210, *Bank and Cash Management Services* states that the procurement of agency-specific, banking-related cash management services such as third-party lock box and deposit reporting services requires prior review and formal approval of the Department of the Treasury. Agencies that use third-party individuals or organizations to collect and deposit receipts on behalf of the agency must ensure that those services are subject to the same performance standards for deposits as outlined in this topic.

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## Special Instructions, Continued

### Reporting Deposits to the Department of the Treasury

The Department of the Treasury must manage fund balances held in each bank account. Agencies are responsible for immediately reporting all State deposits by submission of deposit data to Cardinal on-line or by agency interface. In addition to these reporting procedures, deposits in excess of \$1,000,000 should be reported immediately by phone to Treasury's Cash Management and Investments Division (804) 786-5122.

### Bank Reconciliation Items

The Department of the Treasury has established account 255650 – Bank Reconciling Items to correct bank reconciliation items resulting from deposit transactions of state agencies and institutions. See CAPP – Cardinal Topic 20910, *General Warrant and Payroll Stop Payments and Bank Deposit Reconciliations* for instructions.

### How to Order Deposit Tickets

Follow the steps below to order Deposit Tickets (DTs).

Step	Action
1	Contact the Bank Reconciliation Unit of the Department of Treasury at <a href="mailto:Reconmgr@trs.virginia.gov">Reconmgr@trs.virginia.gov</a> . This unit will place the initial order to be shipped directly to the agency.
2	A deposit ticket reorder form will be located in the deposit ticket book to be used last. When you need to reorder, complete the reorder form with the quantity desired with the agency's complete mailing address (Street address not P.O. BOX). Take this reorder form to your local bank branch and additional deposit tickets with the next consecutive number in your range will be shipped to your address within two weeks.

### Agency Deposit Certification Statement

By approving a deposit in Cardinal, the agency, department or institution and its employees and agents agree to the following:

**Final agency approval for deposit transactions rests with the person granted approval authority in Cardinal.** The act of approving a transaction in Cardinal means the agency certifies to the Comptroller that the deposit of State funds specified in the approved transaction has been reviewed by appropriate agency staff and is accurate to the best of their knowledge and belief.

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## Internal Controls

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### Internal Controls

To expedite the flow of funds, agencies should develop internal processing systems capable of separating payments received from the related accounting documents at the earliest possible processing point. Agencies shall consider the full range of cash management techniques and banking services available. Such techniques and services should be analyzed to determine any benefit that can be derived from their use. Assistance is available from staff of the Department of the Treasury's Cash Management and Investments Division.

Each agency and institution should implement internal control procedures that preclude altering State deposits by exchanging personal checks for cash.

Furthermore, internal controls should ensure that:

- Deposit policies and procedures are in accordance with Federal and State requirements, clearly stated, and systematically communicated through manuals, handbooks or other media.
  - All deposits are properly and accurately recorded and accounted for in Cardinal within three business days, either through input on-line or agency interface, with subsequent reconciliation or correction, as needed.
  - Check endorsements meet Federal Reserve requirements and include the phrase "For Deposit Only."
  - Safeguarding policies and procedures are established to limit/restrict access to name, address, bank account numbers, phone numbers and SSN or FEIN numbers that may be disclosed on checks.
  - Appropriate segregation of duties is maintained.
  - Personnel are qualified to perform assigned duties.
  - Ensure deposits are adequately safeguarded while in transit and secured in a controlled/locked environment.
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## Records Retention

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### Record Retention

Agencies using the deposit ticket for **branch deposits** must retain for a three year period a copy of the deposit ticket and the validated deposit receipt to be made available to Treasury upon request. The deposit ticket, validated receipt and documentation of entry into Cardinal must be retained by the agency until they have been audited by the Auditor of Public Accounts.

Agencies using the deposit ticket (or pre-assigned numbering log) for **remote deposit services** must retain for a three year period a copy of the deposit ticket and the banks summary confirmation reports to be made available to Treasury upon request. This information is available online through Treasury’s banking systems. The deposit ticket, report and documentation of entry into Cardinal must be retained by the agency until they have been audited by the Auditor of Public Accounts. The agencies shall properly store original checks before and after scanning for a minimum of 45 days for reconciliation purposes. Agencies may develop their own internal process and procedures for maintaining original checks and deposit tickets and for the proper destruction for extended periods of 90 days or 6-12 months depending on their business needs. Such procedures should include

- How to identify if a check has been scanned
- Where to securely store scanned checks
- How long to hold on to scanned checks before destroying them
- How to properly destroy scanned checks once the determined timeframe has expired and to ensure all items are accounted for at time of destruction

For pending, ongoing or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements and retain according to standard schedules.

Retention and destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia. See CAPP – Cardinal Topic No. 21005, *Records and Retention* for further guidance.

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## Contacts

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### Contacts

Director, General Accounting  
Voice: (804) 225-2376  
Email: [gacct@doa.virginia.gov](mailto:gacct@doa.virginia.gov)

Manager, Bank Reconciliation (Treasury)  
Voice: (804) 225-3175  
Email: [Recon-mngr@trs.virginia.gov](mailto:Recon-mngr@trs.virginia.gov)

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<b>Section No. 20200 – Cash Receipts Accounting</b>	<b>TOPIC</b>	<b>Deposits</b>
	<b>DATE</b>	<b>September 2014</b>

## Subject Cross References

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**References**

CAPP – Cardinal Topic No. 20210, *Bank and Cash Management Services*  
CAPP – Cardinal Topic No. 20330, *Petty Cash*  
CAPP – Cardinal Topic No. 20405, *Inter-Agency Transactions*  
CAPP – Cardinal Topic No. 20410, *Intra-Agency Transactions*  
CAPP – Cardinal Topic No. 20910, *General Warrant and Payroll Stop Payments and Bank Deposit Reconciliations*  
CAPP – Cardinal Topic No. 60101, *Chart of Accounts – Summary Overview*  
CAPP – Cardinal Topic No. 60102, *Agency Codes, Business Unit and FIPS Codes*  
CAPP – Cardinal Topic No. 60103, *Department*  
CAPP – Cardinal Topic No. 60104, *Funds*  
CAPP – Cardinal Topic No. 60105, *Program*  
CAPP – Cardinal Topic No. 60106, *Account*  
CAPP – Cardinal Topic No. 70210, *Cardinal Media Interface Requirements*  
Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>

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**Suggested Forms and Job Aids**

The following form can be found on the Cardinal Website, under Statewide Toolbox – Forms:

**Deposit Form**

The following can be found on the Cardinal Website, under Statewide Toolbox – Training Materials:

**Accounts Receivable – Funds Receipts Simulation**

**Bank Code Crosswalk**

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Please note: The Cardinal job aids, training materials and forms on the Cardinal website are not policy of the Department of Accounts and are not part of the *Commonwealth Accounting Policies and Procedures* manual (CAPP).