# Management Directive

Commonwealth of Pennsylvania
Governor's Office

## Management Directive 305.23 – Cash-Based Fiscal Management

Date: February 20, 2025

By Direction of:

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**1. PURPOSE.**

The purpose of this directive is to provide standards for Cash-based fiscal management practices by agencies.

**2. SCOPE.**

This directive is applicable to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction (hereinafter referred to as "agencies"). It is recommended that entities not under the Governor's jurisdiction adopt similar policies and responsibilities.

**3. OBJECTIVE.**

To ensure Cash-based fiscal practices by agencies are administered consistently and in accordance with established requirements.

**4. POLICY.**

Agencies shall adhere to the standards for Cash-based fiscal management practices established in this directive.

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## CHAPTER 1. DEFINITIONS.

**1.1 Definitions.** The following words and terms, when used in this directive, have the following meanings unless the context clearly indicates otherwise.

**a. Accounting Document Number.** A unique number generated by the SAP enterprise resource planning system (hereinafter referred to as "SAP") upon parking or posting a journal entry in the SAP Financial Accounting Module.

**b. Advancement Account.** A bank account established to meet specific agency financial service needs.

**c. Agency Control Number.** A unique numbering system, maintained for a particular agency, which may take the place of the document number of the *Deposit Transit Slip, STD-420, Transmittal of Revenue,* or the *STD-419, Refund of Expenditures,* on which checks are forwarded to the Commonwealth Central Depository Facility for deposit.

**d. Agency Maintained Bank Account.** Agency bank accounts established, managed and reconciled by an agency.

**e. Agency Revenue Processor.** An individual located in a fiscal office or program office authorized by the agency to prepare documents to deposit Revenue. For agencies using SAP, this individual will receive training for Revenue entry in SAP and is granted appropriate SAP roles to create Revenue documents.

**f. American Bankers Association (ABA) Routing Number.** A number that serves to identify a specific financial institution. This number will appear printed on a check or money order, in addition to the account number of the party responsible for the payment of the check or money order. The routing number is also used for the electronic movement of funds, including wire (FedWire/Electronic Funds Transfer or EFT) and Automated Clearing House (ACH)/direct deposit). A financial institution may utilize multiple ABA Routing Numbers depending upon the transaction type.

**g. Cash.** Legal tender, currency, or coin.

**h. Cash Management.** Financial management practices used to accelerate the collection of receivables, control payments to trade creditors, and maximize the amount of Cash available for investment by the Commonwealth.

**i. Commonwealth Central Depository Facility.** A facility operated by the Pennsylvania Department of Revenue (DOR) and used for processing checks and money orders received directly from taxpayers or by agencies for deposit into a Pennsylvania Treasury Department (Treasury) bank account. The facility shall be utilized by all agencies in the Harrisburg area and regional offices that do not use an approved agency bank account at a local bank.

**j. Department of Transportation (PennDOT) Depository Facility.** A facility operated by PennDOT for processing checks and money orders received directly from PennDOT customers for deposit into a Treasury bank account.

**k.** **Deposit Transit Slip.** Control document generated by SAP or other agency system used to forward checks and money orders to the Commonwealth Central Depository Facility.

**l.** **Image Cash Letter (ICL).** A method of transmitting images to a financial institution instead of presenting physical checks and money orders for deposit.

**m.** **Nonstandard Check or Money Order.** A check or money order that does not include a standard ABA Routing Number.

**n.** **Originator.** The individual or entity that issues a check or purchases a money order.

**o.** **Petty Cash.** A small amount of legal tender, currency, or coin kept on hand at various agency program locations to cover minor or incidental expenses where conventional payment methods may not be feasible.

**p.** **Refund of Expenditure.** A reduction in previously recorded costs as the result of a returned payment, a canceled payment, or a failed electronic payment transaction.

**q.** **Returned Check.** A check presented to a Commonwealth agency and subsequently dishonored by the issuer's bank because of insufficient funds, accounts closed, or other reason.

**r.** **Revenue.** Monies received from taxes, fees, fines, charges for sales and services, federal grants, bond sales, and other sources deposited to Treasury and available as a source of funds to the Commonwealth.

**s.** **Third Party Check.** A check or money order received from an individual, organization, company, or other governmental entity indebted to the Commonwealth for a service, sale, fee, tax, or overpayment. Third Party Checks do not include checks prepared by Treasury or any Commonwealth agency, bureau, unit, or division.

**t.** **Treasury Designated Concentration Account.** The deposit account in the Depository Bank used to aggregate funds from multiple accounts into one centralized account.

**u.** **Treasury Designated Depository Bank.** The commercial bank designated by the State Treasurer that is authorized to accept deposits of Commonwealth Revenue.

**v.** **Treasury Maintained Bank Account.** Agency bank accounts established, managed, and reconciled by Treasury.

**w.** **Witness Fee.** Compensation paid to an individual for attendance at any matter under subpoena, which may include mileage fees for distance traveled between the place named in a subpoena and the individual's place of residence or compensation paid to an individual for travel expenses in accordance with the *Judicial Code, 42 Pa.C.S. § 5903* and *28 U.S.C. § 1821.*

## CHAPTER 2. RESPONSIBILITIES.

**2.1** **Secretary of Budget** shall coordinate the Commonwealth's Cash-based fiscal management activities**.**

**2.2** **OCO** shall:

**a.** Ensure that Commonwealth funds in OCO possession are safeguarded from loss or theft.

**b.** Provide consultative services to agency heads in the analysis, development, and implementation of agency Cash Management systems.

**c.** Adhere to Cash-collecting practices that maximize Cash Management practices.

**d.** Monitor agency practices for compliance with fiscal management policies and procedures, including the updating of Commonwealth accounting records in SAP.

**e.** Ensure timely and accurate deposit data is forwarded to Treasury.

**f.** In collaboration with agencies, carry out financial management duties and develop plans for the performance of Cash Management functions relating to federal grants, contracts, and agreements.

**g.** With the approval of the Secretary of the Budget, coordinate with DOR nonstandard procedures of depositing Revenue.

**h.** Monitor the confirmation of deposits sent to the Depository Bank.

**i.** Coordinate with Treasury and assist agencies in the establishment, closure, and maintenance of all agency bank accounts.

**j.** Investigate and work to resolve fiscal issues of concern as reported by agency heads, agency staff, DOR, or Treasury.

**k.** In collaboration with agencies, review Agency Maintained Bank Accounts with Treasury to ensure services are adequate and efficient.

**2.3** **Agency Heads** shall:

**a.** Ensure agency staff follow Commonwealth fiscal policies and procedures as outlined in this directive, with ongoing monitoring and reporting of issues of concern to OCO and Treasury.

**b.** Ensure agency staff are practicing effective risk management and internal control procedures.

**c.** Consult periodically with OCO in the analysis and development of the agency Cash Management system, including identifying and addressing Revenue streams and procedures for possible improvements.

**d.** In collaboration with OCO, carry out financial management duties and develop plans for agency's Cash Management functions.

**e.** Institute procedures to provide Treasury with information to facilitate the recognition of receipt of federal funds.

**f.** Ensure the proper establishment, closure, and maintenance of all agency bank accounts.

**g.** Review and maintain up-to-date information of all agency bank accounts and provide timely information to OCO and Treasury regarding those accounts.

**h.** Ensure the designation and revocation of Authorized Agency Users as necessary.

**2.4 Agencies** shall:

**a.** Ensure that Commonwealth funds in possession of the agency are safeguarded from loss or theft.

**b.** Adhere to Cash-collecting practices that maximize the amount of Cash available for investment within the Commonwealth.

**c.** Initiate reviews of existing billing, collecting, and depositing systems, including evaluating alternate methods of the same and instituting improvements determined to be cost effective.

**d.** Submit changes that depart from the standard procedure of depositing Revenues to DOR through OCO.

**e.** Adhere to established procedures for Cash-based fiscal practices as outlined in this directive, including the updating of Commonwealth accounting records in SAP.

**f.** Request permission for deviations from these fiscal policies from OCO and Treasury, prior to making changes.

**g.** Consult periodically with OCO to identify and address Revenue streams with potential for improved Cash-collecting procedures and consider possible improvements.

**h.** Provide OCO and Treasury with notification of additions, changes to, or closures of agency bank accounts.

**i.** Develop and implement procedures and internal controls to ensure proper safeguarding, reconciliation, and intended use of any Petty Cash balances on hand.

**2.5 DOR** shall:

**a.** Institute procedures to expedite the processing of checks and money orders.

**b.** Create and transmit check and money order images in the appropriate format for the receiving bank.

**c.** Confirm deposit amounts and successful receipt of files by the receiving bank.

## CHAPTER 3. CASH-BASED MANAGEMENT.

For the Commonwealth, the goal of Cash-based management is to bring Revenue into the Treasury via Revenue posting transactions in SAP to coincide with the credit posting to the Treasury bank account. Disbursements are matched to ensure the largest balances are available for short-term investment on a continuing basis. The benefits of doing so are:

**a.** Revenue, by being included in Treasury's investment activity, will have increased interest earning potential for the Commonwealth.

**b.** Income will be distributed monthly by Treasury to the designated Commonwealth of Pennsylvania Fund (COPA Fund) on the basis of actual investment balance.

**c.** The need to borrow is reduced (a form of cost avoidance) resulting in a reduction in interest costs.

Ineffective financial practices place the Commonwealth at risk in its financial position or standing and increase the opportunity for fraud and criminal activity.

### 3.1 Cash Collecting.

Cash collecting is the process of collecting and depositing Revenues from all sources as quickly as possible. Effectiveness, or lack of it, in the Cash-collecting process is readily measurable in terms of gain or loss. At a ten percent interest rate, collection and deposit of $100 million one day earlier would yield approximately $27,400 in additional interest income.

**a.** All monies due to the Commonwealth shall be collected by the most expeditious means and deposited as timely as possible.

**(1)** Locations with minimal collections must deposit weekly or when the amount to be deposited reaches $500.

**(2)** Agencies shall focus on minimizing bank service charges and fund balances not earning interest.

**b.** Federal funds shall be drawn down in a timely manner, consistent with federal regulations and grant requirements.

**(1)** Items of expenditure chargeable to federal appropriations shall be paid directly from the applicable federal appropriation account whenever possible or transferred thereto in a timely manner.

**(2)** Federal regulations permitting billings to federal agencies should be prepared and submitted, at a minimum, on a weekly basis. Electronic funds transfer of reimbursement amounts to a Treasury bank account is preferable and should be requested of federal agencies. If reimbursement is made by check, agencies should request that the disbursing office of the federal agency send the check by the most efficient and secure means available.

**(3)** Federal regulations permitting drawdowns on letters of credit should coincide with Treasury disbursements, i.e., issuance of checks or transfer by electronic means, to preserve Commonwealth funds for Commonwealth purposes. Items of expenditure chargeable to federal appropriations should be paid directly from the applicable federal appropriation account whenever possible or transferred thereto in a timely manner.

**c.** Agencies shall review and endeavor to accelerate collections from local government officials who serve as collectors of Commonwealth Revenues. The timeliness of their remittances to the agency involved is a prime consideration in improving the Cash Management effort. Billings to and collection of charges from private parties, as lessors of Commonwealth properties or recipients of Commonwealth services, should likewise be subject to review.

**d.** Float is defined as funds in the process of collection and deposit. Agencies should take appropriate action to reduce float time applicable to:

**(1)** Mail float. The time lapse between the mailing of a check by a remitter and the receipt of the check by the agency.

**(2)** Processing float. The time lapse between the receipt of a check by the agency and the actual deposit of the check to the Treasury Designated Concentration Account.

**e.** Agencies shall review applications and renewal dates for licenses, fees, and similar sources of Revenue and reduce backlogs by revising due dates where indicated and permissible.

**f.** Every effort shall be made to improve procedures for billing the public and private sectors for goods and services provided.

**g.** Agencies shall mitigate the risk of loss or theft of Commonwealth funds, particularly Cash remittances received, with the implementation of effective internal controls. This is especially important when circumstances preclude same-day deposit. Security measures include the maintenance and use of appropriate receipts and remittance documents, as well as providing for the safekeeping of the remittance in a safe or vault. At a minimum, agencies shall use the following controls to safeguard Commonwealth funds in their possession:

**(1)** Obtain a safe or other mechanism to secure funds during non-business hours at locations receiving checks, money orders, or Cash.

**(2)** Assign a reasonable number of individuals to have access to and be responsible for the safe and its contents.

**(a)** Maintain a current list of individuals who have access to open the safe.

(b) Ensure that at least two individuals are present each time the safe is accessed.

(c) Develop a tracking mechanism to record signatures of individuals who are present each time the safe is accessed.

**(3)** Establish specific times during each business day in which at least one individual with access to the safe is available to make deposits and withdrawals.

**(4)** Perform at least one review at the close of each business day to ensure that all checks, money orders, or Cash in mailrooms, employee work areas, or other unsecured locations are secured in the safe.

**h.** Agency Revenue collection systems shall be periodically reviewed to ensure that current applications continue to be advisable in the light of fluctuations in interest rates and escalation of bank service charges.

**i.** Agencies and OCO shall:

**(1)** Pay incurred obligations within or as close as possible to the number of days stipulated in the contracted payment terms, or 30 days in the absence of a contract, after receipt of invoices or of the goods and services, whichever occurs later.

**(2)** Avail themselves of offered discounts if cost effective and to avoid penalties for late payments.

**j.** The following desk manuals have been created to provide instruction for depositing Commonwealth funds using efficient Cash collecting methods and are incorporated by reference:

**(1)** _Revenue Processing Procedure Manual_.

**(2)** _Processing Refund of Expenditures Desk Procedure Manual_.

## 3.2 Analysis of Existing Cash Collecting Processes.

**a.** An analysis of Cash collecting processes should focus on reducing mail and processing floats and processing costs. The findings and recommendations of this analysis must be cost effective and demonstrate conclusively that the potential additional income to be earned is greater than the expenses entailed to effect and maintain systems and procedural changes.

**b.** Because the costs of processing transactions are generally fixed (i.e., the cost of a single transaction is the same regardless of its dollar value), factors that should be considered in determining total costs and cost effectiveness include:

**(1)** The number of transactions.

**(2)** The frequency of remittances.

**(3)** The number and types of supporting documents.

**(4)** The total dollar value.

**c.** Intangible, nonfinancial benefits, such as improved customer relationships, may also be important to consider.

**d.** Analysis of Cash collecting processes should ensure the consideration of the following techniques:

**(1)** Give processing preference to items with substantial dollar value. Where the dollar range of individual items is broad, multirange processing priorities may be warranted. The use of separate post office boxes or color-coded envelopes is particularly adaptable for segregation purposes.

**(2)** Separate receipts, i.e., checks and other forms of remittances, from accompanying transmittal forms, applications, and reports, for two-stream processing. This permits processing of checks for the earliest possible deposit.

**(3)** Standardize forms for optimum use with electronic data processing (EDP), optical character readers (OCR), and magnetic ink character readers (MICR).

**(4)** Schedule the delivery of deposits by messenger and courier to arrive at the Treasury Designated Depository Bank to ensure that same-day credit to accounts is achieved.

**(5)** Staff for peak demand periods. Changes to volume and frequency of receipts, and over emphasis on the need for special detailed reporting can contribute to processing bottlenecks. The frequency and volume of remittances should be reviewed, and temporary staffing should be arranged to meet the workloads inherent in meeting application dates for licenses and fees.

**(6)** Be alert to changing conditions affecting Cash flow and periodically assess the time interval between receipt and final processing of transactions to identify causes of excessive delays in order to improve overall Cash Management.

**3.3 Alternatives to Centralized Agency Cash Collecting and Depositing Processes.**

**a.** **OB Payment Center**. The OA and OB supported enterprise online payment acceptance solution that is fully integrated with the Commonwealth's accounting system and allows agencies to accept payments via credit/debit card or Automated Clearing House (ACH) in accordance with *Management Directive 310.24 Amended, Accepting Electronic Payments for Commonwealth Revenues.*

**b.** **Lockbox systems**. A lockbox system is an extension of an agency's central collecting and depositing system. It entails having remitters of monies due the Commonwealth mail their remittances and accompanying forms to a bank-designated post office box. The bank serves as the immediate collector, check processor, and depositor of the collections to a Treasury bank account.

**(1)** Lockboxes, in cities which serve as postal distribution centers, afford significant advantages because rerouting of the mail to other points is eliminated. Furthermore, unique zip codes assigned lockboxes and continuous daily pickups by bank personnel further speed mail handling, affording around-the-clock processing of receipts.

**(2)** Processing float is reduced because the mail is immediately opened, and the check is processed at the bank. Same-day deposit of remittances received is virtually assured using the latest processing equipment and techniques.

**(3)** Staff scheduling by Commonwealth offices to meet peak period requirements is eliminated.

**(4)** There is a reduced need for capital investment for additional or updated EDP facilities and equipment.

**c.** **Depository transfer checks**. Under the depository transfer check system, a Treasury Designated Depository Bank is authorized to draw nonnegotiable checks on the local banks for immediate deposit to a Commonwealth account. A three-day reduction in mail and processing floats can be reasonably expected with depository transfer checks.

**d.** **Central agency transfer checks**. This system is a variation of the depository transfer check system. The field location advises the agency central office daily of the account balance in the local bank. The central office then draws a check on the local bank and deposits it with the Treasury Designated Depository Bank through established procedures.

**e.** **Field location transfer checks**. This system permits field locations to control the transfer of funds to the central agency. Generally, collections at field locations (i.e., parks, hospitals, and schools) are deposited in a local bank and, subsequently, field location checks are drawn and forwarded to the central office at the agency for deposit to the Treasury.

**f.** **EFT**. This includes wire transfers, automatic or preauthorized debits, and direct deposits through the ACH system. Remitters of large sums to the Commonwealth, particularly federal agencies that conduct programs on a reimbursable cost basis, should be solicited to make remittances by EFT. This method is useful also in transferring Revenue collected at remote locations directly into a Treasury Designated Depository Bank.

**g.** **New collection methods**. Explore new collection methods available from financial institutions, including products that expand the existing collection methods or leverage new technology. Treasury should be consulted prior to implementation of new technology to ensure products are secure and interact correctly with existing systems. Additionally, Treasury will assist with providing information about products and arrange for informational meetings with service providers.

## CHAPTER 4. AGENCY BANK ACCOUNTS.

### 4.1 Policy.

Agency bank accounts shall be established and utilized to meet specific agency financial service needs in accordance with this directive. New accounts shall only be established after all existing Treasury and agency bank accounts are determined not viable by the agency, BAFM and Treasury.

**a.** Accounts shall serve one of the following purposes:

**(1)** Agency Advancement Accounts.

**(2)** Accounts for the acceptance of electronic payments.

**(3)** Other accounts.

**b.** All accounts shall be designated as either an Agency Maintained Bank Account or a Treasury Maintained Bank Account. Agencies and Treasury will abide by the designation and manage and reconcile accounts accordingly. In very limited circumstances, Treasury may determine that an account has unique needs that require an agency and Treasury blended management and reconciliation approach (hybrid). In these cases, Treasury will work directly with the agency regarding management and reconciliation of these accounts.

**c.** To be established, accounts need:

**(1)** Approval of the Agency Head or designee.

**(2)** Preapproval of BAFM and Treasury.

**(3)** To be located in a Treasury approved bank.

**(4)** To be correctly named including but not limited to the agency's name and unique agency identifiers such as the purpose, facility, and program.

**(5)** Agency developed and implemented operating procedures and internal controls.

**(6)** To be properly configured within SAP and Treasury's accounting system to ensure correct Revenue posting, especially when changing a current or adding a new bank account.

**d.** Agencies must report the establishment of new accounts and changes to existing accounts to BAFM and Treasury, including but not limited to activities such as signatory and custodial changes and closures of accounts, as those activities occur.

**e.** Agencies shall properly close accounts to prevent continuing accrual of fees, improper access, or fraud. Agencies not properly closing accounts will be responsible for any outstanding fees, improper access, or fraud that results.

**f.** Agencies must maintain a file of up-to-date bank account information and provide that information to BAFM when requested.

**g.** BAFM will maintain a comprehensive central file identifying all approved bank accounts as reported by agencies.

**h.** Failure to establish agency bank accounts in accordance with this directive creates opportunities for fraud and criminal activity and poses a financial risk to the Commonwealth. This failure may result in late or missed payments or closure of the account.

**4.2 Procedures: Establishing a New Agency Bank Account.**

**a.** To establish a new agency Advancement Account, refer to *Manual 310.1 Amended*, *Agency Advancement Accounts*.

**b.** To establish a new agency bank account for the acceptance of electronic payments, refer to the *E-commerce Business Guide for Electronic Payment Processing*.

**c.** To establish all other agency bank accounts:

**(1) Agency**:

**(a)** Determines specific agency financial need that requires a new account in accordance with Section 4.1.

**(b)** Reviews current agency accounts and recommends that none are viable options to meet the identified need.

**(c)** Develops operating procedures and internal controls for the account.

**(d)** Completes the Request to Open Agency Bank Account form and submits to BAFM.

**(e)** Provides additional information to BAFM or Treasury regarding the account.

**(2) BAFM**:

**(a)** Reviews the Request to Open Agency Bank Account form for completeness of required fields and whether the need for a new account is warranted in accordance with *Section 4.1*.

**(b)** Consults with Treasury to ensure account services and operational timing is appropriate to facilitate operations.

**(c)** If the request is determined to be incomplete or additional support is needed, returns the Request to Open Agency Bank Account form to the agency with explanation and coordinates the resolution with the agency.

**(d)** If the request is approved, consults with Treasury to determine if the agency bank account will be an Agency Maintained or Treasury Maintained and notifies the agency of the decision.

**(3)** **Agency**:

**(a)** Upon notification of approval by BAFM:

**1** Establishes bank account with the approved bank.

**2** Notifies BAFM of account details once established.

**3** Maintains up to date operating procedures and internal controls.

**4** Ensures SAP and Treasury's accounting system are configured to accept and reconcile the relevant Revenue postings as linked to the newly established bank account before accepting deposits.

**(b)** Manages and reconciles the account if an Agency Maintained Bank Account or assists Treasury in management and reconciliation of a Treasury Maintained Bank Account or hybrid account.

**(c)** Updates Agency Maintained Bank Account file for applicable record(s).

**(d)** Maintains up to date operating procedures and internal controls.

**(e)** Manages the account to ensure proper utilization and to prevent improper access, fraud, or other issues.

**(f)** Notifies BAFM of changes in or issues with the account as they occur, including but not limited to:

**1** Changes in custodians.

**2** Changes in signatory or signatories.

**3** Security or fraud concerns.

**4** The need to close the account.

**(4) BAFM**:

**(a)** Records identifying data on file copy of request for agency bank accounts.

**(b)** Retains agency notification of changes on file with applicable bank account data.

**(c)** Maintains comprehensive central file identifying all bank accounts.

**(d)** Periodically requests updates from agencies regarding bank account information.

**(e)** Is available to provide assistance to both agencies and Treasury regarding accounts.

**4.3 Procedures: Closing of Agency Bank Accounts.**

**a.** To close an Advancement Account, refer to *Manual 310.1 Amended*, *Agency Advancement Accounts*.

**b.** To close accounts established for the acceptance of electronic payments and any other agency bank accounts:

**(1)** To close an Agency Maintained Bank Account, an agency:

**(a)** Completes final account reconciliation to confirm there are no outstanding checks or other transactions.

**(b)** Sends an instruction letter to the bank requesting the following:

**1** Closure of the account.

**2** Removal of all users from any on-line, web-based bank systems.

**3** Transfer of remaining funds to the Treasury Designated Concentration Account less any outstanding fees yet to be paid from the bank account being closed, including any fees to be incurred with the final transfer request. A Cashier's check or account balance transfer will be completed dependent upon the bank's policy for account closure.

**a** If the bank requires that a check be issued in order to close the account, upon receipt of the check, the agency will create a Revenue Transmittal (RT) document in SAP and send the check to the Treasury Designated Concentration Account for deposit and posting of the RT.

**b** If the bank will transfer the account balance via ACH, provide details of the Treasury Designated Concentration Account to receive the funds. Agency verifies receipt of remaining balance and creates an RT document in SAP to record the transfer to a Treasury bank account.

**4** Verifies account is closed with the bank.

**5** Notifies Treasury and BAFM of the account closure to update their records and concurrently updates the agency's bank account records file.

**(2)** To close a Treasury Maintained Bank Account:

**(a)** Agency:

**1** Notifies Treasury to close the account.

**2** Follows up with Treasury and provides any requested information in a timely manner.

**3** Updates the agency's bank account records file when Treasury notifies them of the closure.

**(b)** BAFM updates its central file of accounts when Treasury notifies BAFM of the closure.

## CHAPTER 5. DEPOSITING CHECKS, MONEY ORDERS, AND CASH.

Agencies collecting checks, money orders, and Cash shall minimize the number of times checks, money orders, and Cash are handled by different individuals before deposit.

### 5.1 Checks and Money Orders.

**a.** Checks and money orders must meet the following criteria before deposit:

**(1)** Contain a valid payee.

**(2)** Contain a valid date.

**(3)** Contain numeric amounts that agree with written amounts.

**(4)** Contain the Originator's signature.

**(5)** Be payable at a US bank or payable in US dollars.

**Note:** Items that do not meet all the criteria must be returned to the Originator for replacement.

**b.** Nonstandard Checks or Money Orders shall be sent to financial institutions via courier. All other checks and money orders that meet the criteria in Section 5.1 a. shall be transmitted to financial institutions using ICL technology.

**c.** Agencies shall update accounting records in SAP and forward checks and money orders to the Commonwealth Central Depository Facility on a timely basis unless approved to use another bank or the PennDOT Depository Facility. Locations with minimal collections must deposit weekly or when the amount to be deposited reaches $500. **Note: Accounting records and deposit slips must be updated and created on the same day**.

**d.** Agencies shall use a Deposit Transit Slip to forward checks and money orders to the Commonwealth Central Depository Facility. A Deposit Transit Slip for each deposit can be printed from SAP after the deposit has been recorded.

**e.** The Check Status Inquiry Resolution document provides steps needed to verify the status of a check, obtain a copy of a cashed check, cancel a check payment, and handle checks that have been lost, stolen, stale dated, or damaged.

### 5.2 Standard Check Endorsement.

The *Federal Expedited Funds Availability Act*, *12 U.S.C. Ch. 41, as amended*, identifies standards for the content and placement of check endorsements. Agencies will comply with the published standards by adhering to the following:

**a.** All checks will be endorsed upon receipt by Commonwealth agencies. Any exceptions will be reviewed and approved by OCO.

**b.** Checks, including Third Party Checks, forwarded to the Commonwealth Central Depository Facility must include "FOR DEPOSIT ONLY", Commonwealth of PA or the agency name, and a document control number on each check. The document control number may be the STD-420 number, the STD-419 number, the SAP Accounting Document Number, or an Agency Control Number.

Sample agency endorsement:
FOR DEPOSIT ONLY
COMMONWEALTH OF PA
95001234
**OR**
DEPT OF EDUCATION
FOR DEPOSIT ONLY
94001234

**c.** Use of Agency Control Numbers must be reviewed and approved by OCO. Number ranges used by an agency must not be duplicated, either by another agency, or by another series of documents created by the same agency. Every Agency Control Number must be unique.

**d.** All agencies in receipt of Third Party Checks payable to a Commonwealth employee or a bureau, division, section or unit of a Commonwealth agency must have the check endorsed by the employee or with the name of the bureau, division, section, or unit of a Commonwealth agency before "FOR DEPOSIT ONLY", Commonwealth of PA or the name of the agency and the document control number.

Sample agency endorsement:
John Smith
FOR DEPOSIT ONLY
Commonwealth of PA
95002345
**OR**
Bureau of Teacher Certification
Dept of Education
FOR DEPOSIT ONLY
94002345

**e.** Agency endorsements must be placed on the reverse side of checks and money orders in the area designated for endorsements, generally 1.5 inches from the trailing edge, using black, blue or purple ink. Agency endorsements should not be placed in the area reserved for financial institution use.

**5.3 Cash.**

**a.** Agencies must deposit Cash in a Treasury bank account, obtain a receipted bank deposit slip, and update accounting records in SAP for the amount recorded on the receipted bank deposit slip.

**b.** Receipted bank deposit slips must be retained in a secure agency location in accordance with the Commonwealth's record retention schedule and *Management Directive 210.05 Amended, The Commonwealth of Pennsylvania State Records Management Program*.

**c.** The following desk manuals provide procedures for the depositing of Cash receipts and are incorporated by reference:

**(1)** *Revenue Processing Desk Procedure Manual.*

**(2)** *Processing Refund of Expenditures Desk Procedure Manual*.

## CHAPTER 6.  REMITTANCE OF WITNESS FEES.

### 6.1 Policy.

**a.** If an employee is required to testify in a court case as part of the employee's work duties arising out of the employee's Commonwealth employment, the employee is not on leave but is in regular employment status and may not receive both compensation and a Witness Fee.

**b.** All Witness Fees received by an employee for testimony in a court case, which is part of the work duties of the employee's employment, must be remitted to the Commonwealth upon receipt, and deposited to an SAP Revenue General Ledger (GL) account, in accordance with responsibilities and procedures established by this directive.

### 6.2 Procedures.

**a.** The employee receives a Witness Fee and remits such fee to the agency Human Resource (HR) office.

**b.** The agency HR office documents the remittance of the Witness Fee and maintains documentation in the employee's personnel file.

**c.** The agency HR office forwards the Witness Fee to the Agency Revenue Processor for deposit.

**d.** The Agency Revenue Processor deposits the fee to a miscellaneous Revenue code/SAP Revenue GL Account in accordance with responsibilities and procedures established by this directive.  If necessary, the Revenue codes/SAP Revenue GL Accounts are requested through the agency fiscal or budget office before being submitted to BAFM.

## CHAPTER 7. RETURNED CHECKS.

Checks returned to agencies are to be processed and distributed according to the following procedures.

**7.1 BAFM:**

**a.** Retrieve Returned Check data from Treasury Designated Depository Bank account(s).

**b.** Work with the appropriate agency to reverse or offset the accounting transactions relating to Returned Checks.

**c.** Distribute Returned Checks to the appropriate agency sources.

**7.2 Agencies:**

**a.** Reverse the accounting transactions relating to Returned Checks.

**b.** Institute procedures to recover appropriate amounts due.

## CHAPTER 8. FEDERAL GRANTS, CONTRACTS, AND AGREEMENTS.

**8.1 Policy.**

**a.** Agency heads and BAFM are jointly responsible for developing plans for Cash management functions relating to federal grants, contracts, and agreements.

**b.** Agencies shall monitor Cash on hand at subrecipient level for compliance with state and federal policy.

**c.** Drawdowns must be made in compliance with the *Cash Management Improvement Act of 1990 (CMIA 90), 31 U.S.C. §§ 6501 et seq.*

**d.** For federal programs covered by the CMIA 90 using the CMIA Grant Drawdown System (GDS), for federal programs covered by the CMIA 90 not using the GDS, and for CMIA 90 programs with special funding arrangements as described in the current state/federal CMIA agreement, BAFM will maintain the following documentation to support drawdowns of federal funds:

**(1)** Report of Drawdowns Processed by Funding Source.

**(2)** Federal draw system confirmation.

**8.2 Procedures.**

**a.** BAFM shall:

**(1)** Establish letter of credit, requisition of Cash, or other invoicing system.

**(2)** Prepare drawdowns, requisitions, and invoices for receipt of funds.

**(3)** Process drawdowns daily for federal programs covered by *CMIA 90.*

**(4)** Monitor Cash on hand at Commonwealth level for compliance with state and federal policy.

**b.** Agencies shall monitor program income and sale of property.

**This directive replaces, in its entirety, *Management Directive 230.7 Amended, dated August 6, 2010*; *Management Directive 305.2 Amended*, dated, May 22, 2009**; ***Management Directive 305.5 Amended,* dated May 22, 2009; *Management Directive 305.8 Amended*, dated June 11, 1997; *Management Directive 305.10 Amended*, dated January 23, 1989; *Management Directive 305.11 Amended,* dated April 23, 2012; *Management Directive 305.15* dated August 30, 1989 and updated portions of *Management Directive 305.12 Amended,* date January 25, 1999.**