

CASH: CHECK CONTROLS

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CASH: CHECK CONTROLS

I. INTRODUCTION

This chapter outlines the procedures required to maintain optimum control over the procurement, storage, and use of blank check stock. The chapter also contains procedures for processing checks, including check signing control for both manual and facsimile signatures. The procedures apply to payroll revolving funds, general revolving funds at all campuses, and UCRS revolving funds at Systemwide. Because of organizational and staffing differences among the various accounting offices, not all aspects of the procedures outlined are equally applicable at each location. Some modifications to reflect local circumstances, therefore, may be permissible. However, the responsible accounting officer should be prepared to justify any such departures should questions arise during audits, etc. (It should be noted that for purposes of this chapter the term accounting officer also applies to the person with functional responsibility for the disbursement of retirement funds.)

While the specific procedures outlined below do not apply to the three Department of Energy Laboratories, the basic control policies that underlie these procedures pertain equally to all University activities.

II. PROCEDURES FOR BLANK CHECKS

A. PROCUREMENT

- ** 1) It is strongly recommended that all orders for blank payroll, vendor, and retirement system checks are made using a purchase requisition by the UC Printing Services. The quantities ordered are based on estimates of requirements obtained from the office with custodial responsibility for the check stock (i.e., the local campus data processing center, the campus accounting office, or the UCRS accounting office). Accounting offices and data processing centers that print checks may make their own arrangements for acquiring check stock if there are circumstances that necessitate an alternate supply method, the action is authorized by the appropriate accounting officer, and the other general controls outlined in this procedure are followed.

- 2) The requisition must specify that (a) the checks be delivered directly to the designated address (not through the receiving department) and (b) the printer provide a detailed manifest of the numerical sequence of checks shipped and the check numbers of any checks missing from the sequence. The original of this manifest must accompany the shipment and a copy must be attached to the printer's invoice.
- ** 3) The signed requisition is sent to the Berkeley Campus Purchasing Department or local purchasing department, in the case where the accounting office or data processing center has elected to order their own check stock, for solicitation of bids and issuance of a purchase order. The order must include the specifications indicated above regarding delivery and the shipment manifest.
- ** 4) All check stock ordered should include an adequate combination of safety features designed to protect against the possibility of forgery or fraudulent modification of the check once printed and distributed. Organizations should err on the side of more than less protective features. Accounting offices and data processing centers not ordering through UC Printing Services are strongly encouraged to consult with them on security features appropriate for their needs and check supplier's capabilities.

B. STORAGE

- 1) Each data processing center or accounting office that writes checks must designate a storage custodian (and an alternate) who is responsible for storage and issuance of blank checks.
- 2) When a shipment of blank checks is delivered by the printer, the storage custodian receives it and immediately verifies the sequence numbers and missing numbers indicated on the manifest that accompanies the shipment. Any discrepancies must be reported immediately to the accounting officer.
- 3) After verification of the numbers, the storage custodian stores the blank checks in a secured area separate from other forms supplies. Access to this area must be limited to the storage custodian (and alternate) only; the area must be kept locked when not in use.

II. PROCEDURES FOR BLANKS CHECKS (Cont.)

C. BLANK CHECK CONTROL RECORD

- 1) Each accounting officer shall establish and maintain a control record of the receipt and use of blank check stock drawn on the payroll, general, or retirement revolving funds for which he/she has accounting responsibility. This record must be maintained by the control clerk who can not also be the storage custodian. The record must be detailed enough to show the use and final disposition of each check number for the sequences received. (See Appendix, Exhibit I, for a suggested control record format.)
- * 2) When blank checks are ordered, UC Printing Services or a local purchasing department in the case where an accounting office or data processing center has elected to order their own check stock, forwards a copy of the purchase order to the applicable accounting officer(s) upon whose revolving fund the checks will be drawn. The date and number of the order and inclusive sequence numbers of the checks ordered must be entered by the control clerk in the accounting office control record.
- 3) Upon delivery of the blank checks, and after verifying the shipment manifest against the numbers of the checks (see B.2) above), the storage custodian will send the responsible accounting officer a written report of the receipt accompanied by the manifest and a copy of the report of discrepancies, if any.
- 4) The control clerk must make appropriate entries in the control record to reflect delivery of the blank checks, including delivery date, check sequence numbers, and any missing numbers indicated on the manifest. If any discrepancies are noted between the inclusive check sequence numbers ordered and the numbers received that are not accounted for either by missing numbers listed on the manifest or by the discrepancy report sent to the accounting officer by the storage custodian, the accounting officer must take immediate steps to determine the reason(s) for such discrepancies.

- 5) As the blank checks are used, the control clerk must make appropriate entries in the control record, including quantities, sequence numbers, dates of checks written and signed, and the sequence numbers of checks canceled, voided, or for any other reason not issued. This information is obtained from the check transmittal memo (for checks written by the data processing center), the check signer control report, and check cancellation notices.
- 6) The control clerk is responsible for checking the control record carefully and, if any unaccounted breaks in the sequence numbers are noted, for informing the accounting officer and taking immediate steps to determine the cause.

D. CONTROL OF ISSUANCE AND RETURN OF BLANK CHECKS

The storage custodian is responsible for establishing and maintaining a blank check stock control sheet for each shipment of blank checks received (see Appendix, Exhibit II, for suggested format) to record the delivery date and inclusive check sequence numbers for each shipment of blank checks received. All numbers missing from the sequence also must be entered on the control sheet when a shipment is received. The date and the signatures of the persons issuing and receiving blank checks must be recorded for each such transaction. In addition, the date and inclusive sequence numbers must be recorded for all unused checks returned to stock after issuance. *When blank checks are returned to the storage custodian, verification of the last check written must be made to ensure that the sequence is maintained.*

** E. TESTING CHECK STOCK

Each accounting office or data processing center is responsible for complying with their disbursing bank's requirements for testing of new check stock prior to putting it into production to ensure that the check stock will process correctly at the bank.

III. PROCEDURES FOR CHECK PROCESSING

A. TRANSMITTAL OF CHECKS

- 1) When checks are transmitted from one processing point to another (e.g., after being written at the data processing center and transported to the accounting office) they must be accompanied by a transmittal document. The transmittal document, in duplicate, must show the revolving fund on which the checks are drawn, the date of the transmittal, the check dates, the quantity (count of checks transmitted), the beginning and ending numbers of the checks in the transmittal, a list of the numbers of all the checks in the transmittal, and a list of all check numbers missing from the sequence. An explanation must be provided for each missing check number (e.g., a check not received from the printer, canceled, or voided).
- 2) Upon receipt of the checks at the next processing point, the responsible person verifies that the count of the checks received agrees with the count shown on the transmittal document, signs both copies of the document, and returns the duplicate to the originating point. The original of the document is forwarded to the accounting office control clerk.
- 3) The accounting office control clerk enters into the control record the quantity, the inclusive (beginning and ending) check numbers, and the transmittal document data under the heading "CHECKS WRITTEN", and files the transmittal document.
- 4) If any discrepancies are noted, the responsible control clerk must make an immediate investigation and inform the accounting officer.

B. CHECK SIGNING CONTROLS

- 1) Vendor checks written for \$100,000 or less, and payroll checks for \$20,000 net or less, are machine-signed using plates bearing facsimiles of the authorized signatures. Vendor checks for amounts exceeding \$100,000, and payroll checks in excess of \$20,000 net, must be signed manually by

the authorized signers. However, a facsimile signature may be used for pressure-sealed or out-sourced vendor checks of \$100,000 or more when the appropriate internal controls are in place, i.e., proper documentation, verification, and approvals as defined below.

- An exception report should be created which includes an invoice number or other means to retrieve the original backup to the check;
 - The listing should be approved and signed by an authorized University official before the release of a check;
 - Any rejected checks on the listing should be identified and removed from the batch or check listing and voided, and any related general ledger entries should be reversed;
 - All checks that are out-sourced or printed off-site shall be signed with facsimile signature plates only; and
 - The bank reconciliation should emphasize and follow up on all checks over \$100,000 to ensure that they have cleared within 30 days.
- 2) The accounting officer is responsible for the safe keeping of the check facsimile signature plates and may delegate this responsibility to an appropriate staff member (other than the storage custodian or the signed checks custodian). This delegation must be in writing.
- 3) When checks are signed, the signature plates and/or keys are removed from the place of storage and inserted in the check signing machine. Before operation, the number in the counter on the machine is checked by someone other than the person responsible for the check signing operation to verify that it is the same as the number recorded at the end of the previous check signing operation. If there is a discrepancy, the accounting officer will investigate immediately to determine the reason.

III. PROCEDURES FOR CHECK PROCESSING (Cont.)

B. CHECK SIGNING CONTROLS (Cont.)

- 4) After the number on the counter has been verified, it is recorded as the beginning number and the check signing process may be started. When the last check has been signed, the number on the counter is recorded as the (new) ending number. The difference between the beginning and ending numbers must equal the count of the checks signed.
- 5) After all the checks are signed, they are turned over to the person delegated by the accounting officer as the signed checks custodian. The signed checks custodian is responsible for all checks in process for distribution. At this point, the check signer report is prepared. The report includes the date, the types of checks signed (payroll, vendor, retirement, or "rush"), the check sequence numbers on the counter, the campus at which they were signed, and the signatures of the responsible staff members. If there are any discrepancies between the count of the checks signed and the number recorded on the counter, a full explanation must accompany the report. The report is sent to the control clerk in the accounting office. (A second and third copy of this report may be prepared for use as the transmittal document to accompany the checks sent to another accounting office for distribution--see A.1) above, and C.1.a) below.)
- 6) Upon receipt of the check signer report, the control clerk enters the check sequence numbers and dates on the control record under "CHECKS SIGNED", along with any items reported as void or canceled. If any check numbers are not accounted for or any other unexplained discrepancies are noted, an immediate inquiry is made to determine the reason, and corrective action is taken as determined by the accounting officer.

C. DISTRIBUTION OF SIGNED CHECKS

1. Payroll

- a) If checks for campuses are signed at a different campus accounting office, they must be accompanied by a transmittal document, in duplicate, when sent to another campus for distribution. (See A.1) above.)

- b) The accounting office responsible for distribution of payroll checks will designate one person (and an alternate) as the check custodian responsible for the safe-keeping of the signed checks until they are distributed to the payees. This check custodian receives the signed checks, verifies the count of the checks against the transmittal document, signs both copies of the document, returns the duplicate to the originating office, and files the original. If any discrepancies are noted on the checks as received and as indicated on the transmittal document, the receiving accounting officer will make an immediate inquiry to determine the reasons and will report the finding(s) to the campus accounting office signing the checks.
- c) The campus accounting office signing the checks files receipted copies of the transmittal documents with the control record.
- d) When a check is given to any person other than the payee outside of the normal check distribution procedures, a signed receipt, indicating the payee's name, must be obtained from the person receiving the check.
- e) Completely processed signed checks awaiting distribution or departmental representative pick-up must be kept in a locked storage place accessible only to the check custodian (or alternate). In addition to the signature required, the date of the checks and the number of checks picked up should be indicated on the receipt.

2. General Revolving Fund and Retirement System Revolving Fund

- a) Checks must be signed in the accounting office on the campus or location.
- b) A general revolving fund check or retirement system revolving fund check may not be mailed or otherwise given to any person other than the payee or an authorized University

III. PROCEDURES FOR CHECK PROCESSING (Cont.)C. DISTRIBUTION OF SIGNED CHECKS (Cont.)2. General Revolving Fund and Retirement System Revolving Fund (Cont.)

employee acting within the recognized scope of assigned responsibilities, unless specific instructions in writing were received from the payee. Any person other than the payee, who receives a check, including an authorized University employee, must sign a receipt for it. A check may not be given to a University employee who approved or caused its issuance.

- c) Completely processed signed checks awaiting distribution must be kept in a locked storage place accessible only to the check custodian (or alternate).

3. "Rush" Checks

- a) So-called "rush" checks are checks written in the accounting office, rather than as part of the regular check writing. When using a typewriter with a correction device (such as an IBM typewriter with "lift-off" correction tape) to type on check stock, cloth typewriter ribbons should be used instead of carbon ribbons because the correction device on the typewriter is not compatible with cloth ribbons. This procedure helps to ensure that a check could not be altered without the alteration being detected.
- b) When "rush" checks are written by a person other than the check custodian and signed, they must be turned over to the check custodian for safekeeping pending distribution. The requirement of locked storage is the same for "rush" checks as for the other types of checks. The same person who writes the checks must not also be responsible for storage and distribution.
- c) Restrictions on distribution to persons other than the payee are the same for "rush" checks as for other checks.

D. VOIDED OR CANCELED CHECKS

A voided check is a check spoiled in the process of preparation, before it is recorded monetarily in a reimbursement schedule.

A canceled check is a check recorded monetarily in a reimbursement schedule which is reversed from the University's accounting records and is not paid by the bank.

Voided or canceled checks must be thoroughly defaced by prominently imprinting the word "VOID" or "CANCELED" with a rubber stamp across the payee's name area. Both voided and canceled checks must be retained until completion of the external audit for the year in which they were defaced.

The check numbers of all voided or canceled checks and the date of the action must be reported in writing to the accounting office control clerk for entry in the control record under the heading "VOID/CANCELED". For checks voided or canceled during processing, this notification may be made as part of the transmittal documents or the check signer report.

E. STOP PAYMENT ORDERS

The accounting officer is responsible for approval of all orders to stop payment of a check after it has been issued. This responsibility may be delegated in writing to an accounting office staff member, with a copy provided to the bank for information and guidance. The bank's acknowledgment of the stop payment order should be sent to the accounting office control clerk.

F. STORAGE OF PAID, VOIDED AND CANCELED CHECKS

Paid checks returned with the bank statements must be kept, along with any voided and canceled checks, in locked storage until completion of the external audit for the year in which they were written. These checks may be accessible only to the accounting officer or his/her designated alternate (ordinarily, the staff member assigned responsibility for reconciling the revolving fund account).

IV. RESPONSIBILITIES

Vice President--Financial Management is responsible for prescribing policy and guidelines for the security of blank check stock during storage, processing, and distribution.

Designated office, either the data processing center or the accounting office, is responsible for the security of all machine-written blank check stock for the payroll, general, and retirement revolving funds during storage, writing, and transmittal to the appropriate accounting offices.

Accounting officers are responsible for the security of "rush" check stock during storage and writing, the security of all checks (written by the data processing center or in the accounting office) during the signing and distribution process, and the maintenance of control records for all checks printed for payroll, general, or retirement funds within their jurisdiction. Accounting officers are responsible for ensuring that the revolving fund bank accounts are reconciled promptly. The staff member assigned to do this reconciliation must not be the storage custodian and must not be involved in any part of the preparation, distribution, or cancellation of checks.

University Auditor is responsible for periodic review of blank check storage facilities, processing, control procedures, and records maintained by the campus data processing centers and accounting offices in accordance with this Accounting Manual chapter.

V. REFERENCES

Accounting Manual chapter

[C-173](#) Cash: Cash Controls

[C-173-78](#) Cash: Unclaimed and Uncashed Checks

Business and Finance Bulletin

[BUS-49](#) Cashiering Responsibilities and Guidelines

University Controller Joseph A. Pastrone, Memorandum to
University Forms Coordinator Crawford on "Vendor Rush" Check
Stock, July 27, 1981.

Original Accounting Manual chapter first published 1/1/80.
Revised 6/15/85, 4/15/86, 8/15/87, 6/30/94, 3/31/95, 3/31/96,
3/31/97, 3/31/98, 6/30/98, and 9/30/07; analyst—Rich Powell.

