

B13

Reengineering the Deposit Process

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B13.01 INTRODUCTION

To paraphrase Mark Twain about his physical condition, the rumors of the demise of cash and checks have been greatly exaggerated. Since the mid-1960s, observers have been predicting the checkless and cashless society courtesy of the cold efficiency and convenience of plastic credit and debit cards. But the predictions have not been realized, and are unlikely to be realized for many years to come. Despite the popularity of credit cards, ATM cards, debit cards, direct deposit of payroll, and electronic funds transfers for business-to-business payments, the amount of coin and currency in circulation and the volume of checks issued annually continue to increase.

Meanwhile, most companies and their banks have not changed their procedures for depositing checks, coin, and currency in decades, even though newer technology and techniques can reduce the costs, improve security, and provide earlier deposit of funds. Most deposits still are made over-the-counter in bank branches using paper deposit slips, transported to the bank by staff personnel or by a courier service or armored carrier. The time and amount of human handling that are involved add up to significant costs. For the bank's part, these costs are passed on to the depositor in terms of higher transaction fees.

This chapter examines the deposit process and identifies opportunities to reduce the costs and risks associated with making deposits. The chapter focuses primarily on coin, currency, and check deposits made by retailers and retail-like businesses, although the principles involved here apply equally to non-retail businesses as well.

B13.02 DEPOSIT PROCESSING OVERVIEW

The wellspring of a bank deposit is the proceeds from the sale of goods and services and the collection of accounts receivable. The bank deposit is the vehicle that initiates the transfer of value into the depositor's bank account. Accordingly, the bank deposit must provide:

- Security to prevent (or at least provide evidence of) tampering or alteration of the amount deposited;
- Assurance that the deposit arrived at the bank intact; and
- Documentation of the contents of the deposit.

Banks often receive a deposit and credit the customer's account immediately, subject to verification of the deposit, particularly when the deposit slip is secure within the deposit bag yet separately accessible from the deposit. Coin and currency must be counted physically before final credit is made, and checks must be dispatched into the clearing system as soon as possible. Therefore, it is advisable to separate checks from coin and currency to expedite the processing of both.

B13.03 PAYMENT RECEIPT PROCESS

Typically, payments are received at the point of sale (POS) and entered into a cash register or electronic terminal.

[1] Checks

For check payments, the customer's identification (e.g., driver's license number, store check verification card) is recorded on the check or entered into the register or check veri-

fication system. Many retailers now either maintain a database of issuers of bad checks, or subscribe to third-party services that do so, to identify bad checks. All new checks received are verified against this database, and if there is a match, the check is not accepted at the POS. That avoids a possible loss and additional bank processing and collection charges. Once accepted, the retailer endorses the check manually or through the electronic POS terminal. Federal Reserve Regulation CC provides depositors with specific check endorsement procedures and guidelines that define how and where on the back of a check endorsement is to be made. The aim of Regulation CC is to provide an improved check return process allowing banks to adhere to more rigid check collection and availability standards.¹

[2] Counterfeit Currency

Counterfeit currency is prevalent. Bank counting and verification equipment will typically detect bogus bills, in which case the bank will debit the depositor's account for the entire amount of counterfeit currency deposited and provide the bills to the U.S. Secret Service for investigation. Because the loss of a counterfeit is borne by the depositor, the depositor should employ reliable screening procedures, especially for larger denomination bills. These procedures should include:

1. Checking the corners of bills to prevent a larger denomination bill from being cut and pasted over a small value bill;
2. Using special pen-type markers that, when applied to a bill, change color if a counterfeit is indicated;
3. Keeping pictures of sample counterfeits posted at the POS locations to assist clerks' detection of counterfeits.

B13.04 INTERNAL DEPOSIT CONSOLIDATION

After payment is received at the POS, a business location can utilize several internal deposit preparation processes. From the depositor's perspective, it is important to evaluate the costs associated with making each deposit, including bank charges, and determine the respective benefits.

An internal deposit consolidation system must meet the following objectives:

1. Improve the audit trail and chain of custody. The system must provide a detailed audit trail and record the chain of custody each time money is moved from one location or person to another. The audit trail must be able to show who handled the money and when. The chain of custody must identify the sender and receiver and provide the ability to detect any tampering with the deposit amount or information prior to accepting or giving up custody of the money.
2. Enhance reconciliation of discrepancies. The system must improve the company's ability to reconcile deposit overages or shortages effectively and identify the specific point of custody (i.e., which register or employee) where the shortage or overage occurred.
3. Increase prevention of loss. The system should discourage attempts to pilfer a deposit in process through timely audit points, limited access, and dual custody environments.

In a single store/single register environment, the store manager simply counts the day's receipts and creates a deposit for the amount in excess of the register's beginning cash bal-

¹ See Chapter B2, Section B2.08[1], for a discussion of the endorsement requirements and check return process under Regulation CC.

ance. Currency is sorted and bundled by denomination and kept separate from checks. A deposit ticket is created listing currency totals by denomination and checks are individually itemized, with a grand total for the amount of the deposit.

Where multiple locations and multiple cash registers or POS terminals are involved, deposit consolidation methods include register pull systems and register deposit systems (see Figures B13-1 and B13-2). Funds are pulled (some term it "stripped") from the registers and POS terminals throughout the day and retained at a secure consolidation point before the bank deposit is prepared.

[1] Register Pull System

A periodic cash pull program limits the exposure of each register to robbery or employee theft. Periodically throughout the day, cash and checks are pulled from each register and sent to a central location in the store in a register pull system. The pulls are made at specific times of day, such as just after high-volume periods (i.e., after lunch hour), or are made once predetermined sales volumes are recorded in a register or POS terminal. The amount pulled usually may be the amount in excess of the register's beginning cash amount or it may be a quick stripping of large denomination bills and checks.

Each pull is reflected in a pull slip showing the amount, time, date, register number, and cashier, and the money and checks are sealed in a tamper-resistant envelope or bag. This ensures a proper chain of custody and a valid audit trail. Envelopes are consolidated at a central place throughout the day. At the end of the day, each register pull envelope is opened, counted, and verified. Any discrepancies or shortages can then be traced back to the register and cashier of origin. Once reconciled, the contents of all the cash pull envelopes are consolidated into a single deposit.

[2] Register Deposit System

A register deposit system creates an "envelope" bank deposit for cash register. At the end of the day, or at the end of each cashier's shift, each register or POS terminal is reduced to a minimum change amount or zero. The amount of cash and checks to be deposited is counted, verified, and sealed in its own tamper-resistant envelope and shown as a separate entry on the store's consolidated bank deposit ticket. In high check volume environments, only cash is enveloped and checks are separately processed.

Once all of the register deposit envelopes are created for the day and each is individually listed on the consolidated deposit ticket, all are sealed together with the deposit ticket in a larger tamper-evident deposit bag.

[3] Drop Safe Deposit System

In high-risk environments, such as 24-hour business locations, drop safe deposit systems can provide improved security of funds and reduced cash handling risks. Each pull envelope generated in the register pull system is sealed, either listed on a store manifest or bank deposit ticket or entered on-line into an internal accounting system, and dropped into a specially equipped safe at the retail site. The drop safe is usually secured within a counter or in the floor and is designed with a one-way chute or receptacle into which the envelopes are placed. The deposit envelope drops into a safe compartment that cannot be accessed by store employees alone.

Figure B13-1
Register Pull System

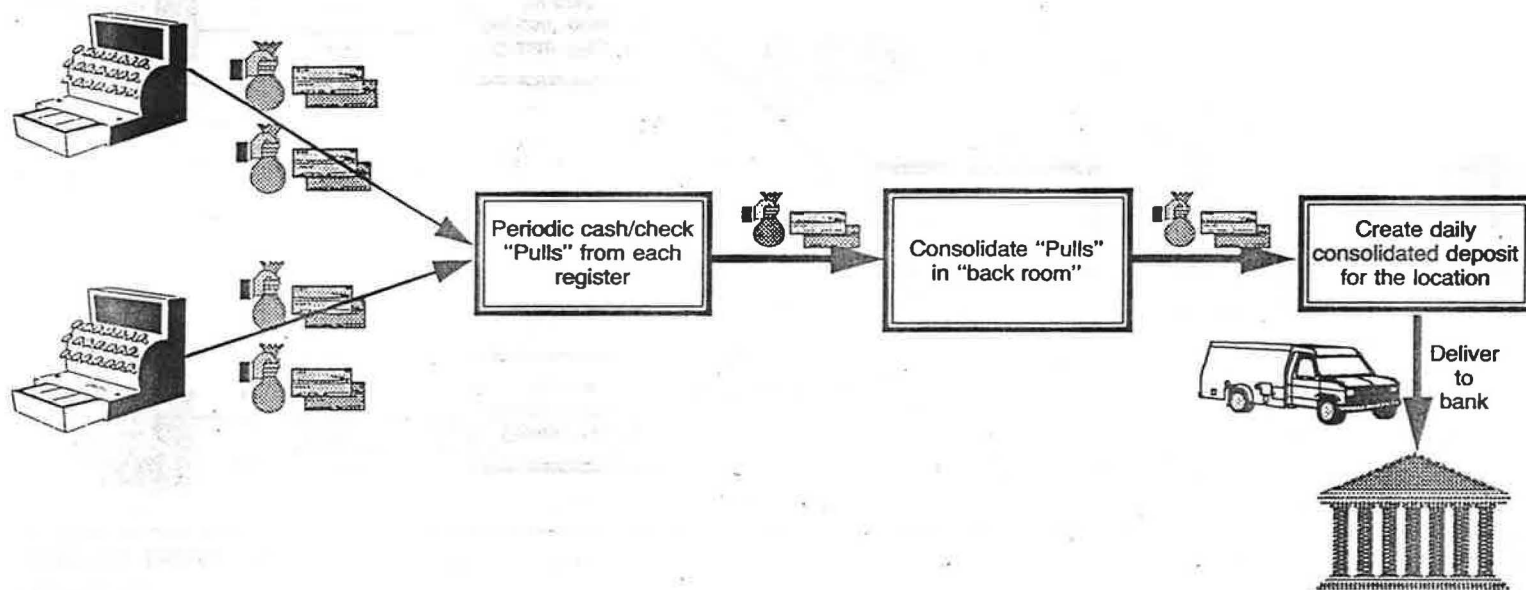
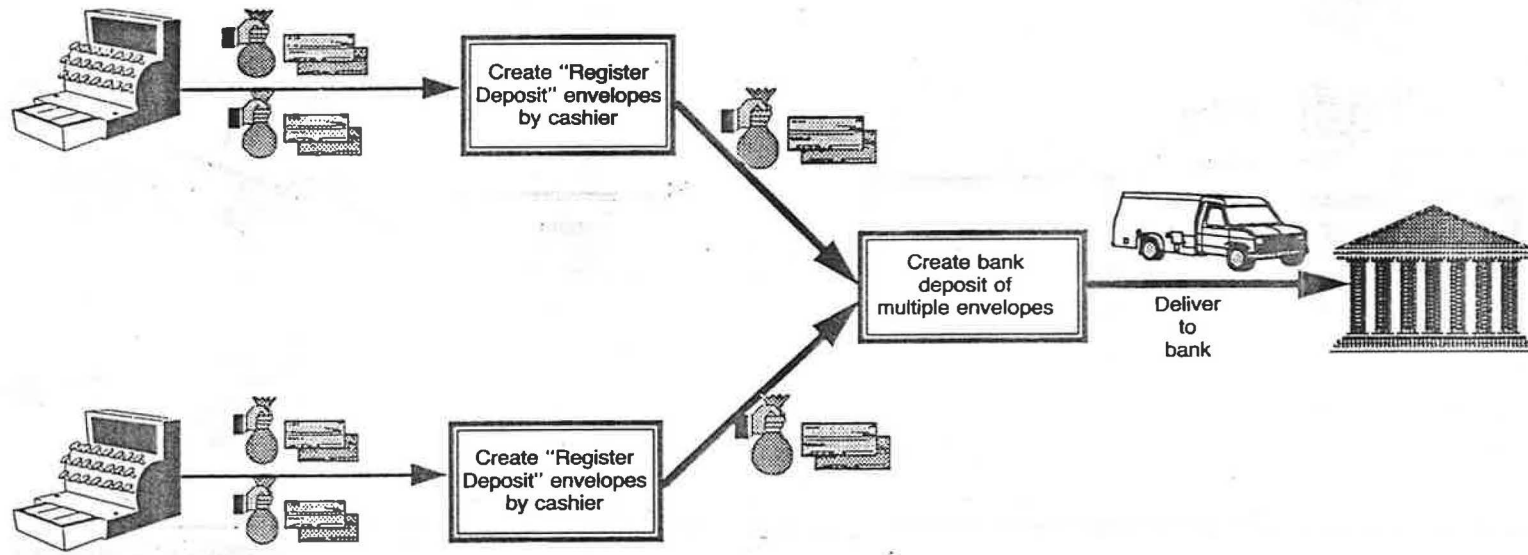


Figure B13-2
Register Deposit System



Drop safe systems should require dual-access security. Once the envelope is dropped into the safe, store personnel should not be able to access the safe without a supervisor's key or access code. Alternatively, a drop safe system can limit store access until an armed carrier service is present to provide secondary security access.

At the end of the business day, or at intervals during the day, the safe's contents are removed under dual custody and a deposit is immediately created. The contents of each envelope can be verified upon opening the safe and the total contents of all the envelopes can be consolidated into one deposit. Another option is to leave each sealed envelope intact, list each individually on the bank deposit ticket, and place all of the envelopes in a larger tamper-evident bank deposit bag.

CASH MANAGEMENT SUGGESTIONS:

1. *Minimize the number of individual envelopes deposited.* Deposit verification by envelope is time-consuming and costly for the bank to process and will be reflected in the bank's activity or account analysis charges.
Unless there is a significant number of deposit discrepancies or the retail site is in a high-risk environment, the incremental bank costs associated with envelope processing can be greater than the reduction in losses from discrepancies.
 2. *Verify the deposit total only, not by envelope.* One way to realize the benefits of a drop safe or register deposit consolidation system is to indicate on the deposit slip a single deposit total for all the envelopes combined without requiring the bank to verify totals by envelope. If the bank is not required to verify deposits by envelope, the processing charges can be reduced.
 3. *Minimize deposits of small denomination bills and coin.* If the depositing locations order change from the bank, they should be instructed to minimize the orders for coin and one dollar and five dollar bills that are, in turn, deposited to the bank. Banks typically charge by volume for cash deposited and change ordered. The less currency and coin that is deposited, the less cash deposit and change order fees will be assessed.
 4. *Seal currency in tamper-evident envelopes or bags* whenever it changes hands to keep the currency intact and provide evidence of tampering. Whenever cash is removed from a register, moved from one location to another, or changes hands, tampering can occur.
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B13.05 DEPOSIT PREPARATION AND CREATION

Deposit preparation should be governed by a combination of the depositor's operating procedures, internal audit policies, and the depository bank's requirements. The internal requirements are determined by policies and procedures defined by the treasury, store operations, accounting, audit, and loss-prevention departments. All deposit procedures must be well documented and deposit preparers should be trained on the process.

Basic bank deposit preparation procedures should include counting and sorting currency by denomination as well as counting and summing the value of checks and other deposit instruments. Other deposit instruments may include food stamps, gift certificates, discount coupons, and the like. The total of each should reconcile to the beginning cash position and any change orders received. Beyond that, each procedure should ensure the requirements are being met for a secure process that prevents (or at least indicates) tampering or alteration

of the amount deposited, assures that the deposit arrives at the bank intact, and provides documentation of the contents of a deposit.

CASH MANAGEMENT SUGGESTIONS:

1. *Separate the deposit preparation process into duties completed by two employees*, one of whom is supervisory. This can reduce discrepancies and losses associated with theft. Also, it enables a supervisor to check the accuracy and proper preparation of the deposit, which can keep bank costs down and ensure timely bank credit.

Some retailers require deposit preparation in an open area visible to other employees. This, too, can deter internal theft and discourage robbery.

2. *Minimize procedural belt and suspenders*. Eliminate those procedures that are mostly manual, redundant, and costly processes in favor of those that are electronic, automatic, and low-cost. Loss prevention and audit procedures are essential to effective deposit systems. However, under certain circumstances, these procedures may provide slightly improved risk management, but the incremental reduction in losses may be less than the added cost incurred to maintain the system.

An example is the frequently prescribed audit procedure that requires that a depositing location obtain a bank-stamped duplicate deposit ticket. This validated receipt either is retained by the store or mailed to corporate accounting. The cost of this procedure, including the time of the store accounting personnel, the cost of the duplicate deposit ticket, and mailing expenses can be significant. Additionally, banks are increasingly assessing charges for providing validated deposit receipts.

All of these costs must be weighed against other less expensive and more efficient processes. For example, the same deposit validation information can be obtained centrally through bank balance reporting services that are accessed by terminal, personal computer, and phone lines; by daily deposit reconciliation services delivered by fax, data transmission, or phone; and by daily deposit reports or daily bank statements.²

3. *Prepare "clean" and "split" deposits*. In many instances, banks charge lower fees and provide improved availability for clean and split deposits. A "clean" deposit is one that is prepared in strict accordance with the bank's requirements. Banks also prefer "split" deposits where currency is deposited separately from checks and other deposit instruments. Many banks also require separate access to the deposit ticket without breaking the integrity of the deposit bag's secure currency compartment. This allows the bank's staff to process the deposit credit while keeping the currency sealed and unaltered until they are ready to verify the deposit.
4. *Verify deposit totals*. Double check the accuracy of the deposit contents and deposit ticket arithmetic. Banks often assess punitive charges for deposit adjustments.
5. *Use customized deposit tickets*. Multisite businesses that make deposits into one bank account, rather than maintaining separate deposit accounts, should use deposit tickets on which the serial field in the magnetic ink character recognition (MICR) line (which is usually located at the left end of the line) is imprinted with the store's location number. In this way, multilocation deposits can be consolidated into one deposit account and reported and reconciled by store or location numbers. The bank should be instructed that all adjustments also must be reported by store or location number. In addition, store personnel should be instructed that deposit tickets must not be shared among locations. Each deposit ticket is unique to its intended site and that is a crucial distinction.

² These services are described in detail in Chapter B5, at Section B5.07.

6. *MICR encode the dollar amount on each check before depositing*, for high-volume check depositors. Banks provide a significant discount for processing checks that have been encoded for the dollar amount already by the depositor—this saves the bank work. Encoding equipment can pay for itself quickly with high-volume check depositors, usually large supermarket chains and some utilities. It is important to maintain encoding quality, as banks will assess surcharges if their check reject rate exceeds acceptable levels owing to weak signal strength of the MICR ink.
 7. *Train employees in proper preparation and delivery of deposits* and keep bank deposit procedures up to date. Each store or field site operations manual should keep bank deposit procedures up to date.
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B13.06 DEPOSIT PACKAGING

Companies use a variety of deposit packaging to secure deposits for transport to the bank. The traditional canvas bags are being rapidly replaced predominantly by plastic bags as well as with paper envelopes and even brown paper bags. The plastic bags are sealed by either cold seals, heat seals, or adhesive seals.

Deposit packaging must secure and protect the deposit from abuse and the elements and provide features that indicate tampering, unauthorized access, or theft. Neither canvas nor plastic bags are impervious to tampering or intrusion. However, plastic bags can show evidence of tampering more readily than canvas bags, whose fibers can be parted and restored by a skilled perpetrator.

Advanced generation plastic deposit bags typically are used only once each and provide various features that indicate tampering, such as a change in color of the seal or a hole in the bag. The bags can be numbered uniquely with a tear-off receipt that is retained by the depositor as a component of the audit trail.

CASH MANAGEMENT SUGGESTIONS:

1. *Use the plastic bags provided by the depository bank.* Banks typically test the deposit bags they provide for durability and security. Also, the bank's volume purchasing power may enable it to provide deposit bags to customers at a lower unit cost than the depositor could obtain itself. Furthermore, some banks provide deposit bags to customers at no explicit charge; however, they normally include the cost in their processing fees.
2. *Use high-quality bags that meet the bank's requirements.* Banks can be finicky about bags that they did not provide. It may make sense for a company to buy its own custom-designed deposit bags if it has sufficient volume (usually more than 100,000 deposit bags used annually). If so, the company first should obtain the bank's deposit bag specifications, and make sure the bank will accept the vendor's deposit bag product before buying.

Also, make sure that the company's loss-prevention, audit, and store operation departments test the bags to ensure durability and adequate tamper evidence under adverse conditions. Pennies saved on deposit bags can cost thousands of dollars in undetected tampering, theft, and shortages.
3. *Utilize self-sealing tamper-evident plastic deposit bags.* Cold-sealed plastic deposit bags with security adhesive closure systems have become the predominant deposit

packaging over the past several years. Self-sealing deposit bags typically are less costly and more effective than any other deposit packaging available.

4. *Consider dual pocket plastic deposit bags.* Many banks require two-pocket deposit bags with separately sealed security compartments, one for currency, the other for checks and deposit documentation. This enables the bag to travel to the bank as one unit, and for the bank to access the pocket's contents separately while retaining the integrity of the currency pouch. This provides the bank with significant production efficiencies that can reduce the bank's costs. The costs are, of course, reflected in the bank's pricing.
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B13.07 DEPOSIT TRANSPORTATION

Once the deposit has been prepared and sealed securely inside a tamper-evident bag, it is ready to be carried to the bank. A depositor can utilize one of three primary transportation alternatives in delivering a deposit to the bank.

- **Employee transportation**—The most common method by far for delivering daily business deposits to the bank is for an employee to make the deposit during banking hours over-the-counter in the bank branch, or after hours in the bank's night drop facility.

The cost of employee transportation includes not only auto mileage expense, but also the employee's wages and lost productivity or sales associated with the employee being absent from the store or office. In many cases, this can be up to an hour per day, which is usually more costly than an armored service's daily charge.

- **Armored carrier service**—Increasingly, many companies are employing armored carrier services to provide daily pickup of their deposits and delivery to the bank. These carriers use armed guards and armored trucks to transport the deposit to the bank's central cash vault or bank branch. The armored carrier's charges depend on the frequency of service and the average amount of money deposited (which determines the carrier's liability). Distance from the pickup site to the bank usually is not a factor when both are located within the same metropolitan area.
 - **Third-party courier service**—Alternatively, high-volume depositors of checks can use unarmed couriers to pick up their deposits and deliver them directly to the bank's check processing site. Courier services usually refuse to carry coin and currency, and their charges generally are lower than armored couriers.
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CASH MANAGEMENT SUGGESTIONS:

1. *Use armored carrier services* for cash deposit transportation, especially in metropolitan areas. Armored carrier services are price-competitive and may cost less than to have an employee transport the deposit to the bank.
2. *Carry insurance coverage* for the liability associated with the risk of requiring an employee to transport cash deposits to the bank. The company assumes liability if an employee is injured, or worse, while transporting the company's deposit to the bank. This liability can be far greater than the loss of the deposit to a robber.
When an employee makes the daily bank deposit, use such basic precautions as varying the time and route of the trip to the bank, concealing the deposit bag well, and making night drops with two people or, if possible, before dark.
3. *Implement stringent procedures with the armored carrier*, including requiring positive identification of all carrier employees. If there is a new driver or any unusual

occurrence, such as a different vehicle, call the carrier to verify the change before releasing the deposit.

4.

Double check the integrity of the bag closure unless the carrier is opening a drop safe under dual custody. The deposit should be prepared in advance of the carrier's arrival. A plastic bag adhesive seal must cure for at least a few minutes to reach full strength. Also check to make sure the bag does not have any tears or holes.

5.

Operate in an area that is monitored or visible to others. Hand the deposit bag to the armored carrier in a monitored area or in an area open and visible to others. Deposit pickup in concealed areas can be susceptible to robbery.

6.

Retain the uniquely numbered tear-off strip from the plastic deposit bag. Most adhesive closure plastic deposit bags provide a tear-off receipt printed with a unique number that is also printed on the body of the bag. In discrepancy investigations, the bag's receipt number can be compared with the number of the bag received by the bank to make sure the bag was not switched in transport.

7.

Emphasize to employees to give up the deposit without hesitation if a robbery occurs. The personal safety of employees always is the paramount consideration when compared to preservation of the company's cash.

B13.08 BANK DEPOSIT PROCESSING

[1] Acceptance of Deposit

Banks provide business customers multiple ways to make their physical (compared to electronic) deposits, including various deposit services. The primary methods for a company to make its daily bank deposit are as follows:

- **Over-the-counter branch deposit**—Many banks provide a merchant teller window within their major branches for use by only commercial or business customers.
- **Night drop branch deposit**—Most banks provide a key-locked night drop receptacle accessible from outside the branch for commercial deposits made after banking hours.
- **Direct cash vault deposit**—Major cash management banks typically provide central cash vault services that allow delivery of large cash deposits directly to the bank's central cash vault. Usually, only armored carriers are allowed into the bank's central cash vault, and the bank may have a minimum average daily cash deposit amount required to use this service.
- **Direct check processing deposit**—Most major banks provide central check processing services that allow high-volume check depositors to deliver their check-only deposits directly to the bank's check processing site. Armored carriers and unarmored couriers usually deliver these check deposits.
- **Other deposits**—Third-party cash processors such as armored carriers and nonbank check processors often provide deposit-taking services, including receiving, counting, and verifying the deposit, check clearing, and bank settlement. These third-party services provide the bank with the verified cash or check deposit amounts for credit to the depositors bank account.

The use of one or all of these deposit-taking services depends on the relative locations of the depositor and the bank, timing and frequency of deposits, and the amount of funds involved.

CASH MANAGEMENT SUGGESTIONS:

1. *Maximize deposits to the bank's central processing facilities.* Bank service charges can be reduced by up to 50 percent when deposits are made directly to the bank's central cash vault or check processing center instead of to a branch.

Large-volume depositors often find that the savings in bank service fees more than offset the incremental carrier charges. Also, most banks provide extended deposit deadlines or accelerated availability of funds for deposits made directly to their operation centers.

2. *Use the bank's expedited in-branch commercial deposit service.* Many major cash management banks offer expedited branch deposit service to commercial depositors. This expedited service enables a depositor to drop off its deposit at the branch and get a temporary receipt quickly. The deposit is verified later in the branch or central cash vault, and any adjustments are made usually within 48 hours. This centralized processing and post-verification provides the bank with significant improvements in operational efficiency, which results in lower costs. Many banks pass on this cost saving in the form of lower bank charges to the depositors that use the expedited deposit service.
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[2] Verification and Credit Posting

Each bank maintains its own specific deposit credit policy. The cash manager should know when and where the bank verifies deposits, and how long after a deposit is received that adjustments, if any, will be made. The cash manager should also be aware of the bank's policy regarding the timing of the grant of credit to the depositor's account. Timing of the credit to the account can vary by the deposit-taking location. Once received, the bank counts and verifies the deposit and credits the amount to the depositor's bank account.

When a depositor hands a deposit over the counter to a teller, the teller can count and verify the deposit immediately and memo-post the transaction on-line to the account. Actual account credit is provided later in the evening, however, when the deposit ticket is processed through the bank's proof of deposit department.

Alternatively, in an expedited environment, a receipt for the over-the-counter deposit is provided immediately but the deposit is counted and verified, and provisional credit is granted, later. The immediate count and verification of deposits typically is time-consuming and costly. The bank verifies the deposit at its central vault, usually within 24 to 48 hours. This built-in delay enables the bank to match its capacity with the volume peaks and valleys.

Deposit credits involve the following terminology, although definitions may vary by bank:

- **Ledger Credit**—Ledger credit is the total amount of the deposit credited to the depositor's account prior to the day's deadline. Deposits received after the ledger credit deadline are deemed to have been made on the next bank business day.

Ledger credit deadlines usually vary by deposit-taking location. For example, a bank's night drop service may have a 2 P.M. ledger credit deadline, while a cash-only deposit made directly to the bank's central cash vault may be given same-day ledger credit if it is received by 7 P.M.

- **Provisional or memo-post credit**—In an expedited deposit-processing environment, the bank may provide provisional memo-posted credit to the depositor's account at the time the deposit is accepted. The credit is provisional upon, and subject to, the bank's final count and verification. If the bank's verification process subsequently determines a discrepancy, the bank will enter an adjustment (debit or credit) to the depositor's account as of the date of the deposit.

- **Collected funds**—Cash deposits made before a specific ledger deadline are immediately available for use by the customer and are included in that business day's ending collected balance. Check deposits and other noncash items are subject to delayed use according to the bank's availability schedule. Noncash or check deposits are assigned zero, one, two, or three days' delay in usage, or float. The number of days of float, or availability, is based on the time of day the deposit is received and the bank's clearing time for that item.

Banks provide same-day availability (zero float) for checks drawn on an account at their own bank, which are called "on-us" items. Checks drawn on other local banks usually take one day to clear, and checks drawn on out-of-state or small-country banks typically can take two to three days to clear.

CASH MANAGEMENT SUGGESTIONS:

1. *Increase the frequency of deposits.* Depositors with high dollar volumes of checks should consider two or more deposits daily to increase funds availability, and, therefore, cash flow.
 2. *Make sure that deposits meet the bank's ledger deadlines.* Deposits missing ledger credit deadlines are not credited until the following day, delaying the availability of funds for operations, investment, or debt reduction.

For those locations that frequently miss same-day ledger deadlines, management should consider changing deposit preparation procedures, modifying transportation arrangements, or changing to a bank or deposit service that provides more favorable deadlines. Also, investigate the carrier and bank to determine if the depositing location, carrier, or bank is causing the problem.
 3. *Ensure proper deposit preparation.* Banks may defer posting of the credit if the deposit is not correctly prepared. Banks tend to process clean deposits first.
 4. *Select the bank with the latest ledger deadline and business hours.* Ask candidate banks to identify their branches that are closest to the company's depositing locations or recommend a low-cost armored carrier currently servicing other nearby depositors.
 5. *Encode the dollar amount of checks in the MICR line before depositing.* Banks often will accept encoded check deposits later than unencoded checks.
 6. *Maximize on-us deposits.* Select the depository bank that represents the largest proportion of on-us checks in the company's average deposit mix. Major banks capture significant market share of checking account business, and, as a result, a high percentage of the checks that are deposited into that bank. On-us checks, drawn on the depository bank, receive immediate availability. It makes sense, therefore, to deposit to the bank that represents the highest percentage of dollars in the company's average deposit. Of course, such other factors as price or convenience may offset this availability advantage.
 7. *Instruct the bank to provide quick notification of large deposit adjustments.* Set a reasonable limit, perhaps \$100, and initiate corrective procedures for locations incurring consistent high-dollar adjustments. Most banks can make a phone call or send a fax to advise deposit adjustments, especially debits for shortages.
 8. *Visit the bank.* The cash manager should visit the depository bank branch, central cash vault, or check processing center while the bank is processing the company's deposit. This visit can help to pinpoint depositing problems by location, which enables specific corrective action.
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B13.09 DEPOSIT REPORTS, RECEIPTS, AND RECONCILIATIONS

Companies and their banks use numerous internal and external methods to exchange deposit receipts, information, reports, and reconciliations, including:

- **Report of Deposit**—Deposit reporting services enable depositing locations to report their deposits by telephone or computer terminal on a same-day basis. This information can be consolidated and reviewed by the cash manager to identify deposits by location and locations that did not make a deposit. Banks and third-party services provide such deposit reporting services.
- **Register reporting**—POS terminals can provide the ability to input the day's deposit into a queue, which then can be transmitted to a central database and used the same as deposit reporting information. Some multilocation retailers remotely and automatically poll their POS terminals from headquarters during the night and upload sales and deposit data.
- **General ledger reporting**—General ledger systems may provide deposit reporting capabilities. Usually, general ledger reports are used for accounting and not cash management applications because they are not timely; however, some general ledger systems may have on-line capability to provide timely deposit information.
- **Balance reporting**—Banks provide balance reporting services accessed by touch-tone phone, terminal, or personal computer. The balance reports can provide detailed information by depositing location (if the location number is MICR imprinted on the deposit ticket), including deposit amounts, float assignment by deposit, adjustments, and other related deposit activity. Most balance reporting information is available on the morning of the business day after the deposit is made. Some banks can provide intraday deposit reporting.
- **Duplicate deposit ticket**—The original deposit ticket accompanies the deposit to the bank, and most depositors retain a copy. In many cases, depositors also obtain a bank-stamped triplicate as a receipt of the deposit.
- **Carrier receipt**—A receipt is issued by the armored carrier or courier acknowledging pickup and delivery of a particular deposit.
- **Deposit bag receipt**—Each plastic deposit bag has a tear-off receipt containing a unique number. This number identifies the deposit bag in the event of its loss or a discrepancy when the bank verifies the bag's contents.
- **Deposit reconciliation**—Banks and other third-party services can provide partial or full reconciliation services that can improve the accuracy and speed of deposit reconciliation. The company can use electronic data interchange (EDI) to collect the deposit data from the depository banks. Partial reconciliation services list deposits made in multiple formats and media, including electronic.³

Full reconciliation services require the depositor to input deposit data, and then the bank matches and reconciles the company's data to the bank's data.
- **Bank statement**—The most common deposit information verification source is the standard monthly bank statement. However, the time lag between the making of the deposit and receipt of the bank statement usually is too long to provide an adequate control, particularly where field deposits involving currency are involved.

CASH MANAGEMENT SUGGESTIONS:

1. *Eliminate duplicate reporting of deposit information.* Companies often use several of the services described above, which can add unnecessary costs. Make sure the information received is used. A good banker or consultant can suggest ways to streamline a deposit reporting program.

³ See Chapter B8 for a detailed discussion of deposit verification and reconciliation procedures.

2. *Ensure timely deposit verification.* Deposit verification should be received as close to the actual time of deposit as possible. Timely information can be used to access the deposited funds for cash management purposes, to provide an audit trail, and to detect problems sooner, including fraud.
 3. *Use EDI to receive deposit information.* Accessing deposit information electronically will increase the accuracy of the information and make it more useful sooner. Files of electronic data can feed a deposit database that can be used for cash flow forecasting.
 4. *Use customized plastic deposit bags.* Plastic deposit bags that are custom imprinted with the company's name and depositing location can assist tracking and tracing efforts for lost or misrouted deposits. Many banks print bar codes on the deposit bags to identify the origin and destination of bags and to assist in the processing and tracking of deposits.
 5. *Use deposit reconciliation services.* Using deposit tickets in which the deposit location is MICR encoded, together with partial or full reconciliation services, can reduce the effort required to reconcile deposit accounts and analyze deposit adjustments. The cost of the MICR encoding and reconciliation services usually is more than offset by the benefits they provide, especially for multilocation depositors.
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B13.10 CONCLUSION

The cash manager should review the company's internal cash processing, deposit preparation, deposit transportation, and deposit reporting and verification procedures. This review should evaluate how the company makes deposits to its banks with the objective of reducing costs and risks while improving funds availability.

Many retailers incur significant internal, transportation, and bank processing costs that are related to making their daily deposits. Although retailers spend millions of dollars annually on merchandise loss prevention, many have not improved their internal store deposit-making procedures. The result is high deposit processing costs and unacceptable risks, which are usually overlooked until a loss occurs or bank charges skyrocket.

Banks have introduced more efficient deposit-taking services and implemented new technologies that improve their cash and check handling operations.