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**MEMORANDUM**

**To:** State Agency Cabinet Secretaries, Chief Financial Officers and Financial Personnel

**From:** James B. Lewis, State Treasurer *JBL*  
Orlando A. Romero, State Cash Manager *OR*

**Date:** February 8, 2007

**Subject:** Directive 2007-01: Timely Deposits to State Treasury

Please note that this directive supersedes all previous directives and instructions issued by the State Treasurer's Office (STO) regarding cash deposits. Pursuant to Section 6-10-3 NMSA 1978, it is the duty of every official or person in charge of any state agency receiving any money in cash, check, draft or otherwise for or on behalf of the state or any agency, to forthwith and before the close of the next succeeding business day after receipt to remit the money to the Treasury. This cash deposit requirement also governs the entry of deposits into SHARE.

The STO has identified several agencies that are not complying with Section 6-10-3 NMSA 1978. To provide accurate and timely bank reconciliations and cash balances, the STO has implemented specific controls regarding cash deposits that are effective immediately. You will need to develop and implement controls within your agency to ensure that all monies received by your agency are remitted and recorded in accordance with the following cash depositing and reconciliation process and the attached workflow diagram and control points.

The STO is assessing agencies' cash depositing processes to determine whether additional training is necessary. If you have any questions regarding this directive or the cash depositing and reconciliation process, please do not hesitate to call the following staff members in the STO Cash Management Division for support. Your cooperation and prompt attention to this matter are greatly appreciated. Thank you.

**STO Contacts:** Orlando Romero, State Cash Manager – 955-1150  
Steve Gonzales, Bureau Chief – 955-1131

Victor Vigil, General Manager – 955-1151  
Barbara Abeyta, Bureau Chief – 955-1159

xc: Mark F. Valdes, Deputy State Treasurer  
Roy Soto, State Chief Information Officer  
Katherine B. Miller, Secretary, DFA  
Anthony I. Armijo, Director, Financial Control Division, DFA  
Hon. Luciano "Lucky" Varela, Chairman, LFC  
David Abbey, Director, LFC

## **CASH DEPOSITING AND RECONCILIATION PROCESS:**

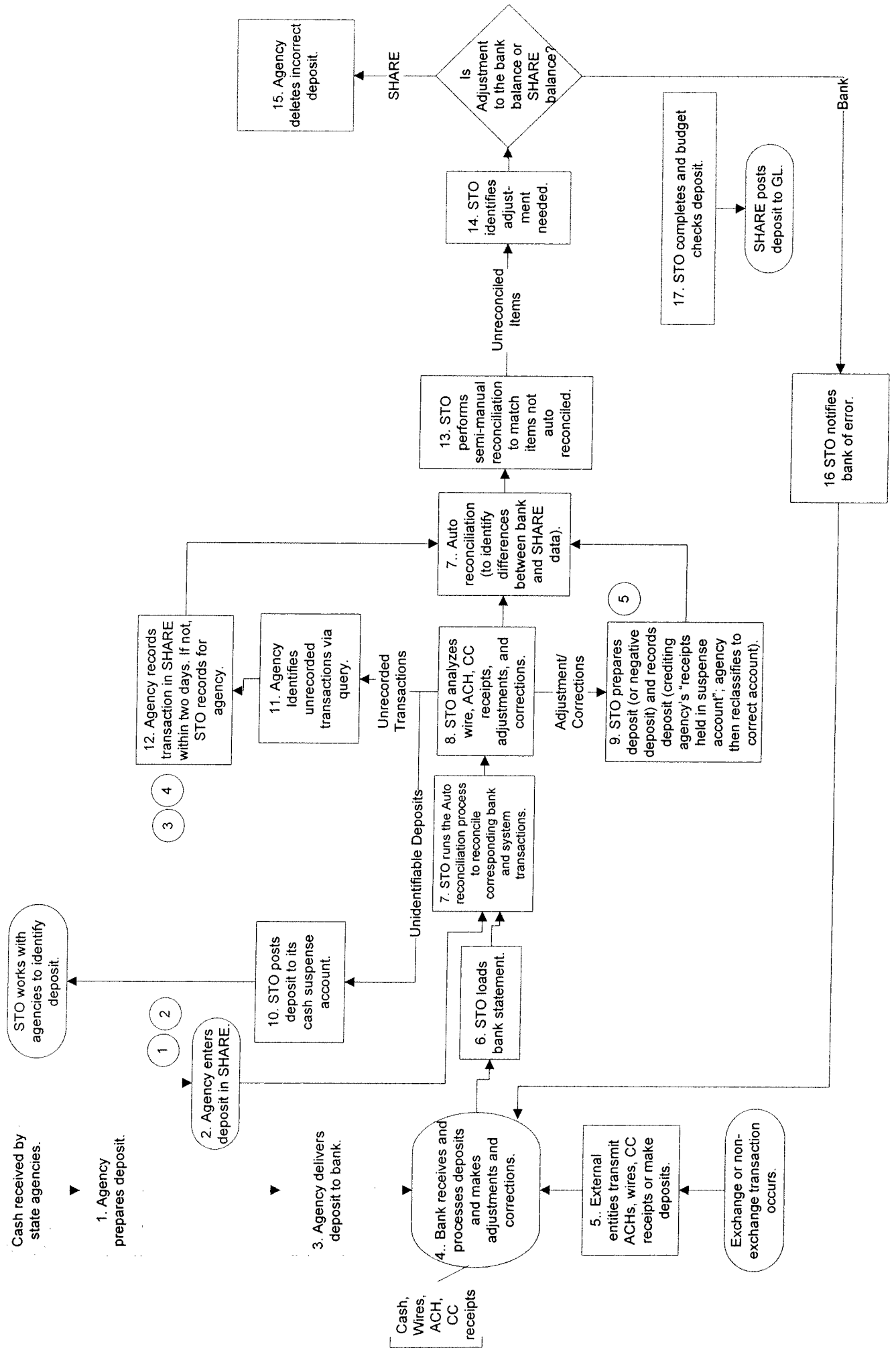
1. Agencies must prepare physical bank deposits for agency receipts (including lock box deposits) and transfer receipts and deposit slip to bank.
2. Agencies must make a deposit entry in SHARE on the same day as the deposit is delivered and/or posted to the bank. Agencies shall NOT enter deposits into SHARE without having either the 10-digit deposit ticket identification (“ID”) or the 15-digit bank assigned reference ID. Agencies will credit their suspense account if the proper remitting account (*i.e.*: revenue, receivable, abatement, expenditure refund) is unknown at the time the deposit is made. **Agencies are responsible for entering all deposits into SHARE.** This procedure will be enforced through system controls, which allow only 10 or 15 digit deposit IDs to be entered into SHARE.
3. Agencies are required to deliver deposits directly to the bank or arrange for pick-up by courier.
4. The bank receives and processes deposits and makes adjustments and/or deposit corrections. The State Treasurer’s Office (“STO”) is responsible for entering all bank adjustments and corrections into SHARE and will notify each agency of any bank-initiated deposits when the bank notifies STO. STO will provide the agency with information on the SHARE entries created by the STO.
5. External entities will transmit ACH, wires, credit card receipts or make deposits.
6. STO will load the daily bank statement into SHARE from the previous day.
7. STO is responsible for running the auto reconciliation process to reconcile corresponding bank and system transactions.
8. STO will analyze wire, ACH, credit card receipts, adjustments and corrections.
9. For deposit adjustments and corrections, STO will prepare the deposit (or negative deposit) and record the deposit to the agency’s general operating fund and receipts held in the suspense account.
10. For unidentified deposits, STO will post the deposit to the cash suspense account and will work with agencies to identify deposits and initiate transfers to agencies if needed.
11. Agencies are required to utilize the query (**NMS\_BK\_REF\_FOR\_DEPOSIT\_ID\_MD**) to identify unreconciled deposits for which a corresponding SHARE deposit has not been entered. This situation would indicate a violation of step 2 (above) and corrective action must be taken by the agencies.
12. Agencies are responsible for entering deposits into SHARE within two (2) business days after posting the deposit to the bank using the 10-digit or 15-digit bank reference ID, which is available by query on SHARE. If an agency does not enter a deposit into SHARE within two (2) business days of making the deposit to the bank, then STO will post the deposit to the agency’s general operating fund and receipts held in the suspense account. After the deposits are reconciled by STO, the agencies will be required to reclassifying the deposits through journal entries.

**CASH DEPOSITING AND RECONCILIATION PROCESS (cont.):**

13. STO performs the semi-manual reconciliation to clear transactions that did not auto-reconcile.
14. For unreconciled transactions, STO will determine the necessary SHARE adjustment required (Bank or SHARE). STO will create direct journal deposit entries for all bank adjustments (*i.e.*: returned items) and corrections (*i.e.*: keying errors) for which there is no corresponding SHARE transaction. STO will forward each agency the supporting information for each entry and, if needed, the agency can reclassify the entry through journal entries.
15. Agencies are responsible for investigating unreconciled, “stale-dated” deposits (greater than 7 days) to confirm that the bank received the physical deposit or to confirm that STO recorded the deposit against the agency’s suspense account. Agency deposits should be deleted from SHARE if they are not reconciled within 7 days.
16. STO is responsible for notifying the bank of any items that cannot be reconciled as a result of bank errors. The bank will then provide an adjusting transaction from which the STO can reconcile the original transaction.
17. STO is responsible for ensuring budget sufficiency for reconciled deposits. If the budget is insufficient, then:
  - a. **STO will reclassify the accounting distribution to the agency’s general operating fund and receipts held in suspense account and provide notification to the agency (expedite posting to ledger); or**
  - b. **The agency is responsible for either executing a budget adjustment or correcting the accounting distribution. If budget is insufficient, STO will post the deposit to the agencies suspense account.**

# Cash Depositing and Reconciliation Process

## Flow Diagram



## Cash Depositing and Reconciliation Process

### Control Points

Control Point	Description	Responsible Party - Transaction	Responsible Party - Verification	Frequency	Query
1	Verify All Agency Initiated Deposits are either reconciled or deleted within 7 days.	Agency	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_1
2	Verify All Agency Initiated Deposits are Reconciled on the First Business Day Following the Day of Deposit	Agency	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_2
3	Verify All Bank Initiated Deposits are Reconciled on the Second Business Day Following the Day of the Bank Statement Load - Agency	Agency	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_3
4	Verify All Agency Initiated Deposits are Reconciled on the Third Business Day Following the Day of the Bank Statement Load - STO	STO	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_4
5	Verify All Miscellaneous Transactions are Reconciled on the Second Business Day Following the Bank Statement Load	STO	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_5
6	Verify All Recon Trans are marked complete & Budget Checked	STO	STO – Primary DFA – Secondary	Daily – After Auto-recon process	NMS_CM_DEPOSIT_CONTROL_6