WISCONSIN ACCOUNTING MANUAL
Department of Administration – State Controller's Office

Section	07	REVENUE AND ACCOUNTS RECEIVABLE	Effective Date	9/6/2019
Sub-section	12	Bad Check Returns (NSF Checks) and Deposit Adjustments	Revision Date	9/6/2019
SAM Ref	06-07			

BACKGROUND

During the course of operations agencies receive check payments for taxes, licenses and permits, goods and services rendered, and miscellaneous sources of revenue. Payments that are made by check that cannot be collected because of non-sufficient funds in the payor's account require entries to be made by both the SCO and agencies.

POLICIES

Payments made to state agencies that cannot be collected because of non-sufficient funds (NSF) are subject to an NSF fee as denoted in s. 20.905(2), Wis. Stats. The fee is applicable to payments made via check, electronic funds transfers (ACH or Wire) and debit or credit card. The entity tendering the check or entering into the electronic funds transfer or debit or credit card transaction is liable for the fee. Agencies are encouraged to collect the fee whenever possible to offset the administrative costs of re-collecting NSF payments.

PROCEDURES

The below procedures provide guidance on two scenarios: (1) Returned Bad Checks; and, (2) Deposit Adjustments

Scenario #1 – Bad Check Return

1. Transaction to Record the return of a bad check (NSF Item) – **Completed by SCO**

The SCO records this entry when an item is returned NSF from the enterprise bank. Custody appropriation 99300 is used as the SCO does not know and is unable to trace the original appropriation that was coded when the item was originally deposited by the agency. This entry establishes a receivable in account code 1440000 – "Bad Checks Receivable" and credits cash. It is then the responsibility of the agency to clear this receivable balance.

On the Deposit Control page, the 'deposit type' is set to a value of 8, which denotes a returned check. Additionally, the control total is a negative amount. An example is shown below for a $25.00 return check followed by the accounting lines.

The SCO will also send to the impacted agency a copy of the bad check image along with the deposit id it was originally processed on. This information will be sent via inter-departmental mail.

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<u>D</u>irectly Journalled Payments | **Deposit Control**

Unit	███	Deposit ID	1088	**Delete Deposit**

Accounting Date	09/05/2018		Control Currency	USD
Bank Code	US022	USB Main	Format Currency	USD
Bank Account	1166	███	Rate Type	CRRNT
Deposit Type	8	Ret Chk	Exchange Rate	1.00000000

Control Totals

Control Total Amount	-25.00	Count	1
Entered Total Amount	-25.00	Count	1
Difference Amount	0.00	Count	0
Posted Total Amount	0.00	Count	0
Journalled Total Amount	-25.00	Count	1

Control Data

Received	09/05/2018
Entered	09/05/2018
Posted	
Assigned	MILLESXOQC
User	MILLESXOQC

Save | Return to Search | Previous in List | Next in List | Notify

Directly Journalled Payments | Deposit Control

Fund Code	Appropriation	Account	Account Name	Dept	Debit Amount	Credit Amount	STAR AR Entry Type
10000	99300	1440000	Bad Checks Receivable	XXXXXXXXXX (Agency Clearing)	$25.00		Manually Entered
10000	99300	1000000	Treasurer's Cash			$25.00	Offset

Accounts Receivable (AR) Transaction to record the return of a $25.00 bad check (recorded by SCO).

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2. Transaction to clear the returned item from appropriation 99300 and reverse original AR entry – <mark>Completed by Agency</mark>

Once the agency receives the requisite information from the SCO (inter-departmental mail) and completes internal research on the original processing of the check it will need to clear the returned item from custody appropriation 99300.

In the example above, the agency originally recorded the $25.00 receipt against revenue account code 5920000 – "Miscellaneous Revenue" within their programmatic appropriation 12700. The general journal ("JV") entry to clear the returned item would be as follows:

Fund Code	Appropriation	Account	Account Name	Dept	Debit Amount	Credit Amount	STAR General Journal Entry Type
10000	12700 (Originally Appn)	5920000	Misc Revenue	XXXXXXXXXX (Original Dept Used in Deposit)	$25.00		Manually Entered
10000	99300	1440000	Bad Checks Receivable	XXXXXXXXXX (Agency Clearing)		$25.00	Manually Entered
10000	99300	1000000	Treasurer's Cash		$25.00		Offset
10000	12700	1000000	Treasurer's Cash			$25.00	Offset

General Ledger journal transaction to clear the bad checks receivable established by the SCO in entry #1 and reverse the agency's originally recorded entry to revenue account code 5920000.

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3. Transaction to record re-collection of returned item; and record the collection of the NSF fee – **<mark>Completed by Agency</mark>**

s. 20.905(2), Wis. Stats., allows for the collection of all legal penalties, additions, and charges set by the depository selection board for unpaid drafts. This amount for NSF charges is $20.00. Agencies are encouraged to pursue collection of this charge for bad check returns to offset the administrative costs. All collected NSF fees should be recorded in appropriation 99300, account code 5999000 – "Non-sufficient Funds Charges".

Below, the transaction lines are presented to show the $20.00 NSF charge collection along with the re-collection of the original item. At the end of the fiscal year the SCO will transfer all 5999000 revenues from appropriation 99300 into a statewide GPR-earned appropriation.

Fund Code	Appropriation	Account	Account Name	Dept	Debit Amount	Credit Amount	STAR General Journal Entry Type
10000	12700 (Originally Appn)	5920000	Misc Revenue	XXXXXXXXXX (Original Dept Used in Deposit)		$25.00	Manually Entered
10000	99300	5999000	Non-sufficient Funds Charges			$20.00	Manually Entered
10000	99300	1000000	Treasurer's Cash		$20.00		Offset
10000	12700	1000000	Treasurer's Cash		$25.00		Offset

AR Direct journal transaction to record the re-collection of agency revenues and record the collection of NSF fee.

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Scenario #2 – Deposit Adjustments

A deposit adjustment occurs when an agency submits a deposit to the enterprise bank and the amount recorded on the deposit slip is different than the underlying total of checks deposited. In the scenario below, the agency processes a deposit in STAR for $226.85 when the actual total of checks is only $225.00.

1. Transaction to record a deposit adjustment – **Completed by SCO**

The SCO records this entry when the enterprise bank alerts the SCO of a variance between the stated amount presented for deposit (e.g. Deposit Slip) and the amount of checks/cash presented for deposit.

On the Deposit Control page, the 'deposit type' is set to a value of 6 or 7, which denotes a credit or debit memorandum. Additionally, the control total is a negative amount. An example is shown below for a $1.85 debit memorandum followed by the accounting lines.

The SCO will also send to the impacted agency a copy of the relevant information along with the deposit id it was originally processed on. This information will be sent via inter-departmental mail.

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Directly Journalled Payments | **Deposit Control**

Unit ▮▮▮▮▮   Deposit ID   778   Delete Deposit

Accounting Date   02/06/2018   Control Currency   USD
Bank Code   US022   USB Main   Format Currency   USD
Bank Account   1166 ▮▮▮▮▮   Rate Type   CRRNT
Deposit Type   7   DebitMemo   Exchange Rate   1.00000000

Control Totals

Control Total Amount	-1.85	Count	1
Entered Total Amount	-1.85	Count	1
Difference Amount	0.00	Count	0
Posted Total Amount	0.00	Count	0
Journalled Total Amount	-1.85	Count	1

Control Data

Received	02/06/2018
Entered	02/06/2018
Posted	
Assigned	MILLESXOQC
User	MILLESXOQC

Save   Return to Search   Previous in List   Next in List   Notify

Directly Journalled Payments | Deposit Control

Fund Code	Appropriation	Account	Account Name	Dept	Debit Amount	Credit Amount	STAR AR Entry Type
10000	99300	1470000	Deposit Adjustment Account	XXXXXXXXXX (Agency Clearing)	$1.85		Manually Entered
10000	99300	1000000	Treasurer's Cash			$1.85	Offset

Accounts Receivable (AR) Transaction to record the debit memorandum of $1.85 (recorded by SCO).

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2. Transaction to clear the deposit adjustment from appropriation 99300 – <mark>**Completed by Agency**</mark>

Once the agency receives the requisite information from the SCO (inter-departmental mail) and completes internal research on the original processing of the deposit it will need to clear the deposit adjustment receivable balance from custody appropriation 99300.

In the scenario above, the agency originally recorded the $226.85 deposit against revenue account code 5920000 – "Miscellaneous Revenue" within their programmatic appropriation 12700. The general journal ("JV") entry to clear the deposit adjustment would be as follows:

Fund Code	Appropriation	Account	Account Name	Dept	Debit Amount	Credit Amount	STAR General Journal Entry Type
10000	12700 (Originally Appn)	5920000	Misc Revenue	XXXXXXXXX (Original Dept Used in Deposit)	$1.85		Manually Entered
10000	99300	1470000	Bad Checks Receivable	XXXXXXXXX (Agency Clearing)		$1.85	Manually Entered
10000	99300	1000000	Treasurer's Cash		$1.85		Offset
10000	12700	1000000	Treasurer's Cash			$1.85	Offset

General Ledger journal transaction to clear the deposit adjustment receivable established by the SCO in entry #1 and true-up the agency's originally recorded entry to revenue account code 5920000.

Questions/Requests for Deposit Information:

Questions on these procedures and requests for deposit information on bad checks and deposit adjustments can be directed to the following shared e-mail box monitored by SCO-Cash Management: DOACashReceipts@wisconsin.gov.