



# WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

Section	06	EXPENDITURES AND TRAVEL	Effective Date	7/1/2015
Sub-section	05	Credit/Debit Card Processing Fees	Revision Date	3/31/2015
SAM Ref	5-15			

## BACKGROUND

State agencies have implemented more than 50 online e-payment applications that receive credit/debit card payments. More than 5 million credit/debit card payments are received by State agencies annually.

State agencies utilize “merchant processors” to process credit and debit card transactions through the processing networks. The merchant processors charge fees for these services. This section provides the procedures that agencies must use to account for credit and debit card processing fees.

## POLICIES

1. Section 20.905(1), Wisconsin Statutes, authorizes the Depository Selection Board (DSB) to determine how credit and debit card processing fees are to be paid. The DSB has issued this policy:

*State agencies may elect to pass credit and debit card processing fees on to their customers as an addition to the total amount due, or pay the fees from their appropriations. In either case, the amount of the gross revenues must be recorded within a state appropriation.*

2. Merchant processors may not debit state bank accounts for the amount of credit/debit card processing fees or net their fees from daily settlements.

## PROCEDURES

The accounting treatment for credit and debit card processing fees depends on whether or not the fees are added as a “convenience fee” at the time of payment.

### **Convenience Fee/Custody Appropriation Model**

If the credit and debit card processing fees are added to the payment amount as a convenience fee, the receipt and disbursement of the fees should be recorded within a “custody account”. Custody accounts (appropriations) are authorized in Section 20.907(5), Wisconsin Statutes. They allow agencies to collect and disburse moneys that are “payable to persons other than the state”. Custody appropriations may only be used to record the revenues and expenditures associated with credit and debit card processing fees paid to the merchant processor.

Custody accounts enable state agencies to recoup the credit and debit card processing fees and pay the merchant processor outside of their budgeted appropriations. This is advantageous, since it may be difficult to predict the amount of payments that will be made via credit and debit cards. The convenience fee/custody appropriation model does not require the agency to increase statutory fees and budgets to accommodate the acceptance of credit and debit cards.



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Under the convenience fee/custody appropriation model, credit and debit card processing fees should be recorded to custody appropriation 945. The following entry should be made to record the receipt of the convenience fees assessed for credit and debit card processing:

DR/CR	GL Unit	Line Amt	Bud Ref	Fd	Appn	Dept	Account	Acct Name
DR	XXXXX	100	FY 2016	XXXXX	94500	XXXXXXXXXX	1000000	Treasurer’s Cash
CR	XXXXX	-100	FY 2016	XXXXX	94500	XXXXXXXXXX	5933000	Credit/Debit Card Fees Collected

*Deposit transactions to record the deposit of \$100 in credit and debit card processing fees that were added to the payment amount as a convenience fee.*

When the state agency has received and reviewed the monthly invoice from the merchant processor, it should issue an ACH payment in A/P:

DR/CR	GL Unit	Line Amt	Bud Ref	Fd	Appn	Dept	Account	Acct Name
DR	XXXXX	100	FY 2016	XXXXX	94500	XXXXXXXXXX	7760000	Credit/Debit Card Fees
CR	XXXXX	-100	FY 2016	XXXXX	94500	XXXXXXXXXX	1000000	Treasurer’s Cash

*A/P transactions to record the payment of monthly credit and debit card processing fees.*

Year-end reconciliation - over/under collection of convenience fees

During the 13<sup>th</sup> month, the agency must make an adjusting entry so that at fiscal year-end, the custody appropriation shows an equal amount of credit revenues and debit expenditures (note: there may be a small revenue balance remaining in the custody appropriation because of a timing difference at the end of June). Agencies should make every effort to pay their June invoices by fiscal year-end. However, if this is not possible, the amount of convenience fee revenues collected for the June invoice may remain in the custody appropriation at fiscal year-end. The agency should adjust the custody appropriation using one of the two entries below.

If revenues exceed expenditures after the most recent invoice has been paid, the excess revenues must be transferred to the agency’s GPR-earned or SEG-earned appropriation:

DR/CR	GL Unit	Line Amt	Bud Ref	Fd	Appn	Dept	Account	Acct Name
DR	XXXXX	1,000	FY 2016	XXXXX	94500	XXXXXXXXXX	5933000	Credit/Debit Fees Collected
CR	XXXXX	-1,000	FY 2016	XXXXX	10000	XXXXXXXXXX	5933000	Credit/Debit Fees Collected
CR	XXXXX	-1,000	FY 2016	XXXXX	94500	XXXXXXXXXX	1000000	Treasurer’s Cash
DR	XXXXX	1,000	FY 2016	XXXXX	10000	XXXXXXXXXX	1000000	Treasurer’s Cash

*Transactions to transfer excess year-end revenue from the credit/debit card custody appropriation to the GPR-earned or SEG-earned appropriation.*



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If revenues are less than expenditures after the most recent invoice has been paid, the excess expenditures must be transferred to the agency’s budgeted appropriation where the program revenues were deposited:

DR/CR	GL Unit	Line Amt	Bud Ref	Fd	Appn	Dept	Account	Acct Name
DR	XXXXX	1,000	FY 2016	XXXXX	13100	XXXXXXXXXX	7760000	Credit/Debit Fees
CR	XXXXX	-1,000	FY 2016	XXXXX	94500	XXXXXXXXXX	7760000	Credit/Debit Fees
CR	XXXXX	-1,000	FY 2016	XXXXX	13100	XXXXXXXXXX	1000000	Treasurer’s Cash
DR	XXXXX	1,000	FY 2016	XXXXX	94500	XXXXXXXXXX	1000000	Treasurer’s Cash

*Transactions to transfer excess year-end expenditures from the credit/debit card custody appropriation to the agency’s budgeted appropriation for the program.*

**No convenience Fee/Budgeted Appropriation Model**

If the agency does not add a convenience fee to the payment amount for the amount of the credit and debit card processing fees, the amount of the fees must be recorded directly to a budgeted appropriation. Agencies should use account 7760000 to record the monthly payment to the merchant processor.

**ESTABLISHING CUSTODY APPROPRIATION 94500**

Agencies should contact the State Controller’s Office to establish custody appropriation 94500.