



## 85.22

# Deposit Adjustments and Returned Payments

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### 85.22.10

May 1, 1999

### About these procedures

These procedures cover items returned or adjustments made by the bank for the following reasons:

- Non sufficient funds (NSF) checks
- Missing signature(s) on check
- Stop payment placed on check
- Account closed
- Deposit adjustment found during bank's proof process
- Other reasons causing return of checks or adjustments to the state's bank accounts

### 85.22.20

July 1, 2008

### Documentation for deposit adjustments

85.22.20.a

An agency is to maintain adequate detail records to document a bank deposit adjustment. For deposit adjustments resulting in an amount due the state (e.g., NSF checks), document the following information in subsidiary records:

- Name of maker and amount.
- Date of check and bank upon which it was drawn.
- The date of the **initial** deposit of the check subsequently returned and the Revenue Source and Sub-source (if applicable) codes or other account coding to which the check was **initially** credited.

85.22.20.b

For adjustments to cash in treasury/treasury trust accounts to reflect a returned item or bank adjustment, document the following:

- The number identifying the Cash Receipt Journal Summary (A8-A) showing Office of the State Treasurer's (OST) adjustment to cash in the bank to reflect the item returned or adjustment by the bank.

- The date and coding of the subsequent redeposit of the returned item, if such subsequent collection is actually realized or the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the subsequent redeposit.

Refer to further Subsection 85.54.52 for collection information related to NSF checks.

**85.22.30**

July 1, 2009

**Deposit adjustments - treasury and treasury trust accounts**

For **Treasury and Treasury Trust accounts**, when notified by the bank that an adjustment has been posted to the state's bank account, OST will prepare a Cash Receipt Journal Summary (A8), in the name of the agency that **initially** deposited the returned item. OST will record the adjustment in Account 01P, "Suspense Account," adjusting GL Codes 4310 "Current Treasury Cash Activity (OST Only)" and 7110 "Receipts In-Process." OST will send the agency a copy of the Cash Receipt Journal Summary along with the NSF check, deposited item returned, or Deposit Adjustment Notice. The deposit adjustment current document number will start with "ADJ."

The agency is to record the deposit adjustment or returned check:

- Using the Cash Receipts Journal Summary (A8) prepared by OST, clear receipts in process in Account 01P and establish a receivable for the amount of the returned item. Refer to Subsection 85.24.50 for an illustrative entry.
- Clear the receivable in Account 01P by a journal entry adjusting the GL Code where the amount was originally recorded in the agency's operating account. This is normally revenue, but may be expenditure recovery or receivable liquidation. If a revenue, use either Revenue Source Code 0940 "Deposit Adjustments and Returned Checks" or the revenue source code used on the initial deposit. OST will clear Account 01P with the journal entry reflecting the adjustment. Refer to Subsection 85.24.50 for an illustrative entry.

At fiscal year end, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue, or expenditure/expense GL code.

Deposit subsequent collection of amounts for which a journal entry adjustment was posted with a Cash Receipt Journal Summary (A8). Refer to Subsection 85.24.60 for an illustrative entry.

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**85.22.40**

July 1, 2009

**Deposit adjustments - local accounts**

For **Local accounts**, redeposit returned items as soon as possible. Items returned a second time and other bank deposit adjustments are posted to accounting records by debiting/crediting GL Codes 1110 "Cash in Bank." A receivable is to be established for deposit adjustments resulting in amounts due the state (e.g., NSF checks).

For other types of adjustments, the cash entry is offset by debiting/crediting GL Codes 3210 "Cash Revenues" for revenues, 6510 "Cash Expenditures/Expenses" for expenditure recoveries, or other coding as appropriate. For revenues, use either Revenue Source Code 0940 "Deposit Adjustments and Returned Checks" or the revenue source code used on the initial deposit. Subsequent redeposit of amounts for which a deposit adjustment was recorded should be coded in a manner consistent with the original adjustment.

At fiscal year end, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue, or expenditure/expense GL code.

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**85.22.50**

July 1, 2009

**Returned payments – AFRS ACHs**

An AFRS ACH payment may be returned electronically to the state. Reasons for the return could include:

- The bank account was closed,
- A duplicate payment was made, or
- The payment was made to the wrong vendor.

When an AFRS ACH payment is returned, OST informs OFM who, in turn, informs the paying agency. OFM prepares the cash receipt document (A8 form or equivalent), crediting the returned money to the paying agency and account(s). OFM sends the cash receipt document to both OST and the paying agency for entry into AFRS. (The exception is DSHS who prepares their own cash receipt document and sends it directly to OST.) OFM contacts the vendor to alert them of the return and obtains updated bank account information, if applicable. The paying agency determines if the payment will be reissued. Refer to Subsection 85.24.65 for an illustrative entry and to Subsection 85.36 for information on AFRS ACHs.