



XVI - F Dishonored Checks/Other Cash Activities

This chapter includes a discussion of dishonored checks, stale dated checks/warrants, and miscellaneous accounting activities related to cash receipts. These activities require specific procedures for their handling and recording.

DISHONORED CHECKS

Each agency makes an arrangement with their local bank for the replacement of funds for a dishonored check. According to the arrangement, the bank notifies the agency when a check is dishonored. Upon notification, the agency prepares a check payable to the bank for the amount of the dishonored check. The check is immediately deposited at the bank.

Accounting For Dishonored Checks

Step 1 - Determine how the dishonored check was originally posted in CALSTARS. Refer to the batch that posted the dishonored check. The batch number can be determined by referring to the Online History File, a history report, e.g. H06, or to the Report of Deposit. The TC used to post the original deposit determines which General Ledgers (GLs) are impacted as shown in the chart below.

TC	DEBITS GL	CREDITS GL
101	1110	8000
102	1110	8100
104	1110	9000
107	1110	9891
108	1110	3730
109	1110	3400
111	1110	9830
154	1110	3500

Step 2 - Post the automated or manual check payable to the bank and establish an Accounts Receivable. Posting the check essentially reverses the accounting impact of the original deposit transaction. Refer to the chart below to determine which TC is used to post the check.

NOTE: The coding used in the check transaction, e.g., Index, PCA, Object, etc., must be the same that was used in the original deposit transaction.

IF ORIGINAL DEPOSIT TC WAS:	USE THE TC BELOW TO POST AN AUTOMATED CHECK	OR	USE THE TC BELOW TO POST A MANUAL CHECK	TO	DEBIT GL	CREDIT GL
101	292		426		8000	1110
102	293		427		8100	1110
104	294		428		9000	1110
107	N/A		449		9891	1110
108	289		438		3730	1110
109	858		450		3400	1110
111	295		429		9830	1110
154	495		435		3500	1110

Step 3 - Establish an Accounts Receivable for the dishonored check, if appropriate, with the following:

TC 436 – Establish A/R – Dishonored Checks
 Dr. 1315 Accounts Receivable Dishonored Checks
 Cr. 1600 Provision For Deferred Receivables

Reporting Requirements For Dishonored Checks

At year-end, the A-10 entry is required for dishonored checks if they are considered collectible during the next year. Refer to Volume 7, Chapter II for detailed information about this entry.

Each July agencies report the number of dishonored checks for the previous fiscal year to the State Treasurer's Office (STO). This information is used by the STO for negotiating the State's compensating bank balance requirements.

Collection Of Accounts Receivable For Dishonored Checks

Instructions regarding the collection of Accounts Receivable are provided in the State Administrative Manual. Refer to Section 8776 regarding the collection of Accounts Receivables. This section is available on the Internet at <http://sam.dgs.ca.gov/TOC/8700/8776.htm>.

A dishonored check charge can also be collected for a dishonored check. Sometimes a penalty can also be charged. For additional details, refer to Government Code Section 6157 or SAM Section 8043.1. The SAM section is available on the Internet at <http://sam.dgs.ca.gov/TOC/8000/8043.1.htm>.

When a replacement check is received, the Accounts Receivable established with a TC 436 is liquidated with the following:

TC 434 – Liquidate A/R – Dishonored Checks/
Dr. 1600 Provision For Deferred Receivables
Cr. 1315 Accounts Receivable Dishonored Checks

The cash is posted to the appropriate nominal account. Refer to the table in Step 1 of the *Accounting For Dishonored Checks* section (page XVI-F-1) of this chapter for the appropriate TC.

STALE DATED AGENCY CHECKS

Agency checks are stale dated if not cashed after one year. Agency checks are defined as checks issued from an agency's account and include Office Revolving Fund (GL 1130), General Cash, and Trust checks. Most stale dated checks are canceled and remitted as escheat revenue in the fund from which they were drawn. Sometimes stale dated checks (ORF) are cancelled and reissued to employees. Refer to SAM section 8042 for additional information about uncashed or unclaimed agency checks.

Every month agencies should review their K01 Report/Bank Reconciliation and determine which checks are almost a year old. For those checks, follow the procedures described in the next sections.

Stop Payment Notice

A stop payment notice should be sent to the State Treasurer's Office (STO) for all stale dated checks. The notice should be received by the STO at least one week prior to the end of the one-year period. Sending the notice in a timely manner helps prevent the payee from subsequently cashing the check. The Stop Payment Request form, Std. 432, is available on the Internet at http://www.osp.dgs.ca.gov/StandardForms/PDF_Fill_and_Print_Forms_List.htm. Refer to SAM Sections 8042/8045 for additional information.

It is the agency's responsibility, not the STO, to determine if the check has been cashed before issuing a replacement. The SCO/STO (View Direct) has daily information available on deposits and disbursements.

Stale Dated Revolving Fund Checks

Check Not Scheduled For Replenishment

If an ORF check has **not** been cashed and has **not** been claim scheduled for replenishment through the SCO, the check can be cancelled by posting a TC 277R (Salary Advance), TC 278R (Travel Advance) or TC 280R (Expense Advance). Refer to the Command **H.4**, Document File Inquiry screen, for the correct coding information and to Volume 5 for the appropriate TC.

Check Scheduled For Replenishment

If an ORF check has **not** been cashed, but **has been** scheduled for replenishment by the SCO, follow the steps below:

Step 1 - Post the following entries:

1. TC 877 - To cancel stale dated Revolving checks (Fund 0998).
 Dr 1130 Revolving Fund Cash
 Cr 3110 Due to Other Funds (Subsidiary *nnnn0000*)

AND

- 2a. TC 478 - To record the electronic remittance from ORF (Fund 0998) to the fund from which the ORF replenishment warrant was drawn.
 Dr 3110 Due to Other Funds (Subsidiary *nnnn0000*)
 Cr 1130 Revolving Fund Cash

The electronic remittance advice, Form CA 21A, is typically coded to an escheat revenue account (Source 161000 or 261900) unless the advance was issued in error. Under that circumstance, the cash is remitted as an abatement.

NOTE: A unique subsidiary record should be established to identify the original check payee for each stale dated check should payment be subsequently requested.

OR

- 2b. TC 418/421 – To reissue the ORF check to the employee
 Dr 3110 Due to Other Funds (Subsidiary *nnnn0000*)
 Cr 1130 Revolving Fund Cash

NOTE: The first four digits (*nnnn*) of the Subsidiary for the entries above is the fund from which the ORF reimbursement warrant was issued.

Step 2 - When the SCO CRA document is received, post the following entry:

TC 136 - To record receipt as escheat revenue to the fund from which the
ORF reimbursement warrant was drawn.
Dr 1140 Cash in State Treasury
Cr 8000 Revenue/Operating Revenue (Source 161000/261900)

OR

TC 116 – Record SCO Collection of Abatements
Dr 1140 Cash in State Treasury
Cr 9000 Expenditures (Source 580100/580200)

NOTE: If the stale dated check displays on the Command **A.2.3** – Perform Bank Reconciliation screen (OC Table Check File Indicator is set to **Y**), reconcile the stale dated check off of the outstanding Check File.

Exhibit XVI-F-1 displays the accounting events for stale dated Revolving Fund checks.

EXHIBIT XVI-F-1
 STALE DATED CHECKS
 REVOLVING FUND CASH

ACCOUNTING EVENT	TRANS CODE		GL IMPACT					
	AUTO	MANUAL	DR	CR				
1. Cancel Stale dated Revolving Fund check		877	1130	3110				
2. Record electronic remittance from ORF to fund from which ORF reimbursement was drawn		478	3110	1130				
3. Record Controller's receipt		136	1140	8000				
4. If payee requests payment:								
Record revenue refund claim schedule	271	270	8000	3021				
CALSTARS system generated transaction		360	3021	3020				
Claim paid by SCO - CD102		252	3020	1140				
Fund 0998								
	1130 ORF Cash		3110 Due to					
	(1) 100	100 (2)	(2) 100	100 (1)				
Fund from which ORF reimbursement was drawn								
	1140 CIST		3020 Claims Filed		3021 Claims in Proc		8000 Revenue	
	(3) 100	100 (4c)	(4c) 100	100 (4b)	100 (4b)	100 (4a)	(4a) 100	100 (3)

Stale Dated General Cash Checks

Follow the steps below for stale dated General Cash checks:

Step 1 - Cancel the stale dated General Cash check and record an electronic remittance to SCO.

1. TC 873 - To cancel stale dated General Cash checks and record escheat revenue.

Dr 1110 General Cash
Cr 8000 Revenue/Operating Revenue (Source 161000/260900)

AND

2. TC 124 – Electronic Remit to SCO General Cash (to electronically remit to the SCO)

Dr 1115 General Cash Remittance in Transit
Cr 1110 General Cash

Step 2 – Post the following entry when SCO records the receipt:

TC 127 - Record SCO Receipt of Electronic Remittance (record entry when SCO Notification is received)

Dr 1140 Cash in State Treasury
Cr 1115 General Cash Remittance in Transit

NOTE: If the stale dated check displays on the Command **A.2.3** – Perform Bank Reconciliation screen (OC Table Check File Indicator is set to **Y**), reconcile the stale dated check off of the outstanding Check File.

Exhibit XVI-F-2 displays the accounting activities for stale dated General Cash checks.

Stale Dated Agency Trust Checks

If an agency trust check (GL 1120) has **not** been cashed, the check is cancelled by posting a TC 185R.

NOTE: If the stale dated check displays on the Command **A.2.3** – Perform Bank Reconciliation screen (OC Table Check File Indicator is set to **Y**), reconcile the stale dated check off of the outstanding Check File.

EXHIBIT XVI-F-2
 STALE DATED CHECKS
 GENERAL CASH

ACCOUNTING EVENT	TRANS CODE		GL IMPACT																				
	AUTO	MANUAL	DR	CR																			
1. Cancel Stale dated General Cash check		873	1110	8000																			
2. Electronic remittance to SCO		124	1115	1110																			
3. Record Controller's Receipt of electronic remittance		127	1140	1115																			
4. If payee requests payment:																							
Record revenue refund claim schedule	271	270	8000	3021																			
CALSTARS system generated transaction		360	3021	3020																			
Claim paid by SCO - CD102		252	3020	1140																			
 General Cash Fund																							
<table style="margin: auto; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">1110 Gen Cash</td> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">1140 CIST</td> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">1115 General Cash Remittance In Transit</td> <td colspan="2" style="text-align: center; border-bottom: 1px solid black;">3020 Claims Filed</td> </tr> <tr> <td style="text-align: center;">(1) 100</td> <td style="text-align: center;">100 (2)</td> <td style="text-align: center;">(3) 100</td> <td style="text-align: center;">100 (4c)</td> <td style="text-align: center;">(2) 100</td> <td style="text-align: center;">100 (3)</td> <td style="text-align: center;">(4c) 100</td> <td style="text-align: center;">100 (4b)</td> </tr> </table>	1110 Gen Cash		1140 CIST		1115 General Cash Remittance In Transit		3020 Claims Filed		(1) 100	100 (2)	(3) 100	100 (4c)	(2) 100	100 (3)	(4c) 100	100 (4b)							
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(4b) 100	100 (4a)	(4a) 100	100 (1)																				

STALE DATED SCO WARRANTS

State Controller's warrants are stale dated according to the following criteria:

- ✪ when they are not cashed for one year;
- ✪ when they are unclaimed; and,
- ✪ when the payee cannot be located.

Each stale dated warrant is cancelled and credited to an escheat revenue account in the fund from which it was drawn. When a warrant is stale dated, SCO issues a JE. When the JE is received, post the following entry:

TC 136 - Record SCO Collection of Revenue (Not Billed)
Dr 1140 Cash in State Treasury
Cr 8000 Revenue/Operating Revenue (Source 161000/261900)

Refer to SAM section 8281 for additional information about State Controller's warrants.

SUBSIDIARY LISTING FOR ESCHEAT REVENUE ACCOUNTS

Agencies must keep a record (outside of CALSTARS) of all amounts credited to and disbursed from each escheat revenue account. The subsidiary listing must include all cancelled agency checks, cancelled SCO warrants, and repayments (disbursements) to the original payee. Each record in the listing should contain the check/warrant number, payee name, amount, check/warrant date, and any other information available to help identify the original check/warrant payee. If a replacement warrant is later issued, the claim schedule number, warrant number, and amount should be posted to the corresponding record.

ESCHEAT REVENUE CLAIM SCHEDULES

If a payee requests payment within two years of the check/warrant cancellation date, the agency must submit a revenue refund claim schedule to the SCO payable to the payee. The claim should be scheduled against a prior year revenue escheat account with the following entry:

TC 270/271 - To return those funds deposited in the escheat revenue
account to the original check payee.
Dr 8000 Revenue/Operating Revenue
Cr 3021 Claims in Process

SALES TAX

Agencies are required to collect sales tax on publications or other goods sold to the public. The sales tax amount is recorded in CALSTARS with the following entry:

TC 161 – Record Collection of Sales Tax – Not Billed
Dr 1110 General Cash
Cr 3110 Due To Other Funds Or Appropriations

NOTE: The first four digits of the Subsidiary is 0094.

Quarterly or annually this entry is liquidated with the following entry to pay the Board of Equalization:

TC 162 – Record Remittance of Sales Tax – Manual Check
Dr 3110 Due To Other Funds Or Appropriations
Cr 1110 General Cash

OR

TC 275 – Record Remittance of Sales Tax – Auto Check
Dr 3110 Due To Other Funds Or Appropriations
Cr 1110 General Cash

CASH SHORTAGES

A cash shortage occurs when the amount on the deposit slip is more than the actual cash in the deposit. When a cash shortage is discovered, the bank typically notifies the agency. The agency then gives the bank a check for the amount of the shortage. An entry is posted to CALSTARS to debit the receipt account and credit the cash account. Refer to the Volume 5 for the appropriate TC to record the cash shortage.

CALSTARS agencies account for cash shortages in GL 1316-Accounts Receivable Cash Shortages. Note that GL 1316 does not have Document File support. If the cash is recovered, two transactions are required. One transaction liquidates the receivable and the other transaction applies the cash recovery. If the cash is not recovered and authority is given for write-off, TC 139 is posted to write-off the receivable. Refer to SAM Sections 8070 - 8072.3, 10411 and 10613 for more information about Cash Shortages.

CASH OVERAGES

Cash Overages occur when the amount on the deposit slip is less than the actual cash in the deposit. CALSTARS accounts for cash overages in GL 3710-Cash Overages. A cash overage is recorded in CALSTARS with the following entry:

TC 113 – Record Cash Receipts – Cash Overages
Dr 1110 General Cash
Cr 3710 Cash Overages

When the cash overage is identified as Revenue, post the following entry:

TC 165 – Record Cash Overage As Revenue
Dr 3710 Cash Overages
Cr 8000 Revenue/Operating Revenue

OR

When the cash overage is refunded, post the following entry:

TC 200 – Record Refund Cash Overage To Payer
Dr 3710 Cash Overages
Cr 1110 General Cash