



# Minnesota Management & Budget Statewide Operating Policy

Minnesota Management and Budget, General Accounting  
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## Returned Items

### Objective

To ensure adequate controls and related activities are established in both policy and practice to effectively and efficiently reduce state accounts for returned items, penalties and interest are assessed for returned items, and returned items are processed and accounted for in accordance with Generally Accepted Accounting Principles (GAAP), Minnesota Statutes including [604.113 Issuance of Worthless Check](https://www.revisor.mn.gov/statutes/?id=604.113) (<https://www.revisor.mn.gov/statutes/?id=604.113>) and [16A.055 Commissioner's Duties](https://www.revisor.mn.gov/statutes/?id=16A.055) (<https://www.revisor.mn.gov/statutes/?id=16A.055>), and other state and federal laws and reporting requirements.

### Policy

All state agencies must properly identify returned items, which are generally returned checks, and process them to reduce state accounts in the state's accounting system, Statewide Accounting and Financial Tools (SWIFT) in a timely manner. The returned items should be processed as a direct reduction using a direct journal or an accounts receivable item in SWIFT to properly reduce the state accounts. The returned items should be processed within 5 business days of receipt from Minnesota Management & Budget (MMB).

Agencies also should assess penalties and interest on returned items in accordance with Minnesota statutes.

Additionally, agencies should establish internal policies and procedures for managing returned checks in accordance with Minnesota statutes and MMB Statewide Operating Policy 0102-01 - Internal Control.

### Definitions

#### Returned Item

A check, draft, order of withdrawal, or similar negotiable or nonnegotiable instrument.

#### Returned Check

A check which has been returned from a banking institution either directly to an agency or through the MMB Treasury Division for but not limited to the following: Non-Sufficient Funds(NSF), Stop Payment, Account Not Found, Refer to Maker, Endorsement Missing, Devaluation of "Check," Fraudulent, etc.

### Related Policies and Procedures

[MMB Statewide Operating Procedure 0605-01.01 Returned Items Processing](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0605-01-01-returned-items-procedure.pdf) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0605-01-01-returned-items-procedure.pdf>)

[MMB Statewide Operating Policy 0102-01 Internal Control](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.pdf) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.pdf>)

## **See also**

Accounts Receivable Advanced Training Manual (AR-BI3) and AR3 Addendum Non Treasury NSF for Direct Journals will be located on the [SWIFT Training Support Materials page](http://mn.gov/mmb/accounting/swift/training-support/support-resources/courses/index.jsp) (<http://mn.gov/mmb/accounting/swift/training-support/support-resources/courses/index.jsp>)