

Minnesota Management & Budget Statewide Operating Policy

Minnesota Management and Budget, General Accounting
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Recording and Depositing Receipts

Objective

To ensure all state receipts are properly safeguarded, promptly deposited and accounted for, and reported in accordance with Generally Accepted Accounting Principles (GAAP), Minnesota Statutes and other state and federal laws and reporting requirements.

Minnesota Statutes, Federal Laws, and Federal Regulations:

- [M.S. 16A.275, Agency Receipts; Deposit, Report, Credit](https://www.revisor.mn.gov/statute/?id=16A.275) (<https://www.revisor.mn.gov/statute/?id=16A.275>)
- [31 Code of Federal Regulations Section 1010.330](https://www.ecfr.gov/current/title-31/subtitle-B/chapter-X/part-1010/subpart-C/section-1010.330) – Reports Relating to Currency in Excess of \$10,000 Received in Trade or Business (<https://www.ecfr.gov/current/title-31/subtitle-B/chapter-X/part-1010/subpart-C/section-1010.330>)
- [31 Code of Federal Regulations Section 1010.331](https://www.ecfr.gov/current/title-31/subtitle-B/chapter-X/part-1010/subpart-C/section-1010.331) – Relating to Currency in Excess of \$10,000 Received as Bail by Court Clerks (<https://www.ecfr.gov/current/title-31/subtitle-B/chapter-X/part-1010/subpart-C/section-1010.331>)
- [FinCEN IRS Form 8300, Report of Cash Payments Over \\$10,000 Received in a Trade or Business](https://www.irs.gov/pub/irs-pdf/f8300.pdf) (<https://www.irs.gov/pub/irs-pdf/f8300.pdf>)
- [26 Code of Federal Regulations Section 1.6050X-1](https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFR31749dec6d4756f/section-1.6050X-1) – Information reporting for fines, penalties, and other amounts by governments, governmental entities, and nongovernmental entities treated as governmental entities. (<https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFR31749dec6d4756f/section-1.6050X-1>)
- [26 Code of Federal Regulations Section 1.162-21](https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFRc4930337f38ecfd/section-1.162-21) – Denial of deduction for certain fines, penalties, and other amounts. (<https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFRc4930337f38ecfd/section-1.162-21>)
- [26 U.S. Code Section 6050X](https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section6050X&num=0&edition=prelim) – Information with respect to certain fines, penalties, and other amounts (<https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section6050X&num=0&edition=prelim>)
- [26 U.S. Code Section 162](https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section162&num=0&edition=prelim) – Trade or business expenses (<https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section162&num=0&edition=prelim>)

Policy

All state agencies must establish policies and procedures to ensure all receipts are properly safeguarded, deposited in a timely manner, and recorded completely and accurately in the state's accounting system, Statewide Integrated Financial Tools (SWIFT). Revenue must always be recognized in accordance with GAAP unless otherwise established by law.

Agencies are required by federal regulations to report any cash receipts greater than \$10,000 in a single transaction or in related transactions within 15 days after receipt to the IRS (Internal Revenue Service), to provide notification to the individual and/or business as applicable, and to send completed form 8300 to the Internal Revenue Service (IRS). The notification should include the date and amount filed.

Additionally, federal law and regulations require governments to report to taxpayers and to the IRS certain fines, penalties, and other amounts annually. This policy establishes requirements of state agencies to collect and provide to MMB necessary information so that MMB can complete this reporting.

Agency Policies and Procedures

Agencies must develop internal policies and procedures to ensure that receipts are properly safeguarded, deposited and recorded in the state's accounting system, Statewide Integrated Financial Tools (SWIFT), and that adequate separation of duties exists. These duties must be separated as much as possible or mitigating controls must be in place to ensure that receipts are properly safeguarded.

Agencies policies and procedures must follow state statutes and federal regulations as well as address, at a minimum, the following internal controls:

- The same employee should not establish and obtain receipts, maintain accounts receivable records, prepare deposits for the bank, enter receipts into SWIFT, perform the receipts reconciliation, and maintain physical custody of the receipts.
- Agencies should maintain a receipt log or similar documentation which includes sufficient information to ensure all receipts received are deposited and, if the need arises, to reconstruct a deposit, i.e. check lost in transit or by the bank.
- Receipts should be deposited intact as received; receipts are not to be used for making change or for petty cash.
- An employee separated from the receipting and receipts entry process should review and approve the daily deposits before the bank deposit is made.
- An employee separated from the receipting, depositing, and receipts entry should reconcile the deposits to SWIFT on a minimum of a monthly basis to ensure receipts have been deposited completely and accurately recorded in SWIFT.
- All reconciling discrepancies must be resolved timely to ensure accuracy in reporting.
- All receipts must be restrictively endorsed as soon as received.
- Receipts must be physically safeguarded in a proper manner until deposited. When funds are received throughout the day, the agency should establish a cut-off time for the daily deposit. All funds received after the designated cut-off time must be included in the following day's deposit. For example, all funds received by 1:00 p.m. are deposited the same business day. Funds received after 1:00 p.m. are deposited the next business day and must be properly physically safeguarded until deposited.
- Cash receipts greater than \$10,000 in a single transaction or related transactions are identified and reported to the Internal Revenue Services within 15 days and notification sent that this has been filed with the IRS to the payor.
- Receipts resulting from certain fines, penalties, or other amounts must be tracked and reported to MMB, so that MMB can complete necessary reporting to the taxpayer and the IRS.

Cash Receipt Greater than \$10,000

All agencies are required by federal regulations to report a cash receipt of more than \$10,000 in a single transaction or related transactions from a single payor to the federal government by filing [IRS/FinCEN Form 8300, Report of Cash Payments Over \\$10,000 Received in a Trade or Business](#). This form must be submitted to the IRS within 15 days of cash received. If the 15th day falls on a Saturday, Sunday or a holiday, agencies must file the report on the following business day. Agencies must also send a notification to the payor that this form has been filed with the IRS.

Receipts Resulting from Certain Fines, Penalties, and Other Amounts defined under 26 U.S. Code Section 162(f)

The federal Tax Cuts and Jobs Act of 2017 modified 26 U.S. Code Section 162(f) to expand the federal income tax non-deductibility rules for certain payments made by an individual, trust, estate, partnership, association, company, or corporation to the government (state) resulting from a suit or agreement. The Act also established section 6050X, which requires governmental entities to report fines, penalties, and other amounts incurred under 162(f), via IRS Form 1098-F and via a written statement to the payor. Code of Federal Regulations Section 1.6050X-1 requires reporting if the aggregate amount the payor is required to pay pursuant to all orders or agreements relating to the violation of any law, or the investigation or inquiry equals or exceeds \$50,000. Special rules apply when multiple payors are involved, as prescribed in Code of Federal Regulations Section 1.6050X-1.

26 U.S. Code Section 162(f)(1) provides generally that a payor may not take a deduction for any amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or governmental entity in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law. Under Code of Federal Regulations Section 1.162-21(e)(5), "suit, agreement, or otherwise" includes, but is not limited to: suits; settlement agreements; orders; non-prosecution agreements; deferred prosecution agreements; judicial proceedings; administrative adjudications; decisions issued by officials, committees, commissions, or boards of a government or governmental entity; and any legal actions or hearings which impose a liability on the taxpayer or pursuant to which the taxpayer assumes liability."

26 U.S. Code Section 162(f)(1) does not apply to routine investigations or inquiries, such as audits or inspections, of regulated businesses that are not related to any evidence of wrongdoing or suspected wrongdoing, but are conducted to ensure compliance with the rules and regulations applicable to those businesses (Code of Federal Regulations Section 1.162-21(a)(3)(ii)).

Exceptions to 26 U.S. Code Section 162(f) include the allowance of deductions for amounts that the payor establishes were paid or incurred as restitution (including remediation of property) or to come into compliance with a law (establishment requirement), and are identified in a court order (order) or settlement agreement (agreement) as restitution, remediation, or amounts paid or incurred to come into compliance with a law. Other exceptions include amounts related to private party suits and amounts related to deductible taxes and interest on the penalties. However, amounts paid for restitution, remediation, and compliance are still reportable on the Form 1098-F even though they can be used as deductions.

State agencies must provide to Minnesota Management and Budget (MMB) annually information about receipts resulting from certain fines, penalties, and other amounts that must be reported pursuant to 26 U.S. Code Section 6050X. MMB will report amounts to the taxpayers via written statements and to the IRS via Form 1098-F. Agencies must develop internal procedures to track and provide the necessary information to MMB. See *MMB Statewide Operating Procedure 0602-01.3. Receipts for certain fines, penalties, and other amounts*, linked below, for more information about the required procedures.

Daily Deposits

In accordance with Minnesota Statute 16A.275, all state agencies must deposit receipts totaling \$1,000 or more in state depository bank accounts established by MMB Cash Management on a daily basis unless a waiver has been granted by MMB. MMB will grant a waiver to the daily deposit requirement in limited situations where there is a minimal risk and the cost of making the deposit exceeds the lost interest. Daily deposit waivers must be renewed biennially.

Agencies are responsible for accurately recording the following information in SWIFT which includes, but is not limited, to the following:

- Receipt deposits must be recorded in SWIFT on the same business day as the bank deposit. This process enables the state to effectively manage short-term investments, avoid potential overdrafts, and assist MMB in completing daily reconciliations.
- Receipts must be deposited using the correct dates:
 - ACCOUNTING DATE – Defaults to the current date and should NOT be changed. The accounting date represents the accounting period that the transaction will post to in the General Ledger.
 - Exception: Deposit entries processed between July 1 and the system hard-close must be analyzed for the appropriate fiscal year, and the accounting date must be changed to facilitate accurate fiscal year end reporting.
 - Example-1: If you receive a check and deposit it at the bank on June 30, but do not enter it into the system until July 1, dates will be as follows: Accounting Date–June 30, Entry Date–July 1, Received Date–June 30
 - Example-2: If you receive a check on July 12 for a service completed on or before June 30 and deposit it at the bank that same date change the SWIFT dates to be as follows: Accounting Date–June 30, Entry Date–July 12, Received Date–July 12
 - RECEIVED DATE – The date on which the receipt is deposited (“received”) at the bank; date must be changed if necessary.
 - ENTERED DATE – The date that the receipt was actually input into the SWIFT; defaults to the current date and must not be changed.
- Receipts must be deposited using the correct amount:
 - CONTROL TOTAL AMOUNT – Amount must reconcile to the bank deposit slip.
- All receipts must be deposited with a depository bank. For offices located on the capital complex, receipts should be deposited with the MMB Fiscal Services.
- Receipts must also be reviewed and reconciled to the bank at least monthly.
- Reconciling items must be resolved in a timely manner, at a minimum monthly.
- Complete and reconcile the bank deposit to the SWIFT deposit entry. The reconciliation process should include the following:
 - The daily receipt log to actual receipts
 - The bank deposit slip to actual receipts
 - The bank deposit slip to the SWIFT deposit
- When a payment relates to a SWIFT Accounts Receivable module transaction, and the agency uses the ITEM(S), the accounts receivable item number, Customer ID and Business Unit must be entered as a worksheet or using the Payment Predictor process to manage payment application for the receipt.
- When payment does not relate to a SWIFT Accounts Receivable module transaction, the correct account string information must be entered as a Direct Journal Deposit Entry for the receipt.

Definitions

State depository bank (Bank)

Local bank used to deposit state funds; all depository banks must be approved by MMB in accordance with Statewide Operating Policy 0601-01 New Deposit Accounts.

Cash

Coins or currency and excludes personal checks, cashier's checks, bank drafts, traveler's checks or money orders for purposes of [IRS/FinCEN Form 8300, Report of Cash Payments Over \\$10,000 Received in a Trade or Business](#).

Related Transactions

Transactions payor (customer) makes two or more transactions in a 24-hour period or installment payments received in a 12-month period totaling more than \$10,000 in cash.

Related Policies and Procedures

[MMB Statewide Operating Procedure 0602-01.1 Daily Deposit Wavier Exemption Request](#)

(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0602-01-01-daily-deposit-waiver-procedure.pdf>)

[MMB Statewide Operating Procedure 0602-01.2 Cash Receipt Greater than \\$10,000](#)

(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0602-01-02-cash-receipt-greater-than-10000.pdf>)

[MMB Statewide Operating Procedure 0602-01.3 Receipts for Certain Fines, Penalties, and Other Amounts](#)

(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0602-01-03-receipts-for-certain-fines-penalties-other-amounts.pdf>)

[MMB Statewide Operating Policy 0102-01 Internal Control](#)

(<https://mn.gov/mmb-stat/documents/internal-control/annual-certification/internal-control-system-policy.pdf>)

[MMB Statewide Operating Policy 0501-01 Managing and Financial Reporting of Accounts Receivable](#)

(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf>)

[MMB Statewide Operating Policy 0601-01 New Deposit Accounts](#)

(<https://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0601-01-new-deposit-accounts-policy.pdf>)

See also

[Accounts Receivable Quick Reference Guides](#) (<https://mn.gov/mmb/accounting/swift/training-support/trainingguides/accounts-receivable.jsp>)

[IRS Form 8300 Reference Guide](#) (<https://www.irs.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide>)