



<b>Section</b>	<b>07</b>	<b>REVENUE AND ACCOUNTS RECEIVABLE</b>	<b>Effective Date</b>	<b>3/1/2015</b>
<b>Sub-section</b>	<b>05</b>	<b>Refund of Expenditures</b>	<b>Revision Date</b>	<b>3/14/2016</b>
<b>SAM Ref</b>	<b>6-6</b>			

**BACKGROUND**

This sub-section establishes policies for the recording of receipts of cash or credit memos that could be considered refunds of expenditures.

Statutory Reference:

Section 20.001(5) Wis. Stat. states:

Any amount not otherwise appropriated under this chapter that is received by a state agency as a result of an adjustment made to a previously recorded expenditure from a sum certain appropriation to that agency due to activities that are of a temporary nature or activities that could not be anticipated during budget development and which serves to reduce or eliminate the previously recorded expenditure in the same fiscal year in which the previously recorded expenditure was made may upon request of the agency, be designated by the secretary of administration as a refund of an expenditure. Except as otherwise provided in this subsection, the secretary of administration may designate an amount received by a state agency as a refund of an expenditure only if the agency submits to the secretary a written explanation of the circumstances under which the amount was received that includes a specific reference in a statutory or nonstatutory law to a function of the agency under which the amount was received and the appropriation from which the previously recorded expenditure was made. A refund of an expenditure shall be deposited by the receiving state agency in the appropriation account from which the previously recorded expenditure was made. Except as otherwise provided in this subsection, a state agency which proposes to make an expenditure from moneys designated as a refund of an expenditure shall submit to the secretary of administration a written explanation of the purpose of the expenditure, including a specific reference in a statutory or nonstatutory law to a function of the agency under which the expenditure is to be made and the appropriation from which the expenditure is to be made. After submission and approval of an estimate of the amount proposed to be expended under s. 16.50 (2), a state agency may expend the moneys received from the refund of the expenditure. The secretary of administration may waive submission of any explanation required by this subsection for categories of refunds of expenditures or proposed refunds of expenditures.

**POLICIES**

1. This statute applies to receipts related to expenditures charged to sum certain appropriations. Other appropriation types are not covered by this statute. The following appropriations are not sum certain appropriations and are not covered by this statute: program revenue continuing, segregated revenue revolving continuing, and sum sufficient. See also s. 20.001(6)(b) Wis. Stat. for use of “applied receipts” related to sum sufficient appropriations.



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2. Additionally, situations where expenditures are recorded, for convenience, in one agency, fund or appropriation and are later allocated to another agency, fund or appropriation should not be considered refunds of expenditures under s. 20.001(5) Wis. Stat. Generally accepted accounting principles define these as reimbursements that should be recorded as credits to the expenditures. The reallocation of these expenditures should occur in the same fiscal year as the recording of the original expenditures. Since these transactions are not covered by the refund of expenditure definition in s. 20.001(5) it is not necessary for an agency to request DOA approval to allocate these expenditures.

3. Definition:

S. 20.001(5) defines those conditions necessary to classify a receipt as a refund of an expenditure. This statute indicates a receipt of cash or a credit memo must meet all the following conditions to be considered a refund of an expenditure:

- It must relate to a previously recorded expenditure (a specific recorded expenditure) (i.e. an invoice or invoices, for a specific amount for a specific good or service). Amounts received as a result of established rates or estimated costs do not meet this requirement.
  - It must be of a temporary and not recurring nature or relate to an activity that could not have been anticipated during budget development.
  - The approval of the Department of Administration is required to record a refund of an expenditure. This approval is obtained either by submitting a written request and receiving DOA approval or by having the item included in the approved list of refunds of expenditures. The list of approved refunds of expenditures is included later in this document. The statute requires that written requests include the appropriation involved, the circumstances under which it was received and a reference to a statutory or nonstatutory law to a function of the agency under which the amount was received.
4. In addition to meeting the above definition a receipt related to an expenditure from a sum certain appropriation must also be received in the same fiscal year as the expenditure to be recorded as a refund of an expenditure (credit to an expenditure code).
5. Since non-sum certain appropriations are not covered by s. 20.001(5) the requirement that the receipt be received in the same fiscal year as the expenditure does not apply. However, all other criteria to be recorded as a refund of expenditure must apply for the receipt in a non-sum certain appropriation to be recorded as a refund of expenditure.

The following chart identifies how a receipt should be recorded if it meets the above definition of a refund of expenditure. If the above definition is not met the receipt cannot be recorded as a refund of expenditure



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Accounting Treatment:

<b>Appropriation Type</b>	<b>Timing of Receipt</b>	<b>Proper Accounting Treatment</b>
<b>Sum Certain Appropriations</b>		
GPR - Annual, Biennial or Continuing	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	GPR - Earned-Revenue code 5949000
PR – Annual, Biennial	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Revenue code 5949000 in PR appropriation
SEG - Executive-Annual, Biennial or Continuing	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Unassigned Revenues SEG - Revenue code 5949000 (equivalent to GPR - Earned appropriation in SEG fund)
SEG - Revolving – Annual, Biennial	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Revenue code 5949000 in SEG Revolving appropriation
<b>Non-Sum Certain Appropriations</b>		
PR - Continuing	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Credit to appropriation and code of related expenditure.
SEG - Revolving-Continuing	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Credit to appropriation and code of related expenditure.
Sum Sufficient - GPR, PR SEG-Executive or SEG- Revolving	Same FY as expenditure	Credit to appropriation and code of related expenditure.
	Different FY than expenditure	Credit to appropriation and code of related expenditure.



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## PROCEDURES

### List of Approved Refunds of Expenditures:

Receipts related to the following situations are considered to meet the definition of a refund of an expenditure and **if received in the same fiscal year** as the expenditure can be recorded as reductions to an expenditure code without requesting Department of Administration approval. If not received in the same fiscal year the above chart indicates the accounting treatment for these receipts.

*Examples of receipts that comply with the definition of a refund of expenditure (provided they are **received in the same fiscal year** as the original recording of the expenditure):*

- Vendor adjustment of price
- Return of a product for refund
- Redeposit of checks written in error
- Refunds for overpayments or overcharges by vendor
- Receipts from agency interchange agreements
- Reimbursements for personal use of telephones
- Reimbursements for travel or other non-state expenses (other than grant reimbursement programs).
- Reimbursements from DOA for fleet car expenses. The expenses would normally be charged on the state fleet charge card, however in these instances the card was not accepted. DOA reimburses the agency because these costs are part of the fleet rates.
- Reimbursements from Unions for employee time spent in union meetings. These are refunds of expenditures only if someone was required to work in place of the employee.

In some of the above instances these reimbursements can be received from a party different from the one paid for the expenditure.

### List of Receipts That are Not Refunds of Expenditures:

In accordance with S. 20.001(5) receipts that are not identified in the above listing must receive written approval from the State Controller's Office (SCO) in order to be recorded as refunds of expenditures. Receipts that do not receive this approval should be recorded as revenues.

*Examples of receipts that **do not** meet the definition of a refund of expenditure:*

- Sales of permanent property



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- Witness fees
- Sales of surplus items
- Revenue bond reimbursements
- Real estate rentals
- Equipment rentals
- Sales of publications
- Pay phone commissions
- Registration fees for agency sponsored conferences
- Charges for copies
- Charges/sales where the amount charged is based on a calculated rate or an estimate of the costs
- Employee reimbursements for personal use of state vehicles (the rate charged for reimbursement is an established rate not directly associated to the cost)
- Amounts received from the Work Supplementation Program (WSP) for hiring WSP individuals. These are subsidies or grants intended to cover the hiring and training costs.

### Request for Approval to Record a Refund of an Expenditure:

An amount received by an agency (related to a sum certain appropriation), which the agency contends is a refund of expenditure but which does not appear on the approved list, must be recorded in a revenue account and a written request for approval to record the receipt as a refund of expenditures must be submitted to the State Controller’s Office (SCO). The request must include a detailed explanation supporting the agency's contention that the receipt meets the statutory definition of a refund of expenditure and should identify the appropriation involved. The request must also include a reference to a statutory or nonstatutory law for the function of the agency under which the expenditure was made. The SCO shall determine whether the receipt meets the definition of a refund of expenditure. The agency will be informed how to account for this receipt. These requests should be addressed to: Jim Behrend, State Controller’s Office, 5th Floor, 101 East Wilson Street or sent by e-mail.

## PROCEDURES

### Refunds of Expenditures That Exceed the Appropriation Expenditure Balance

If a qualifying refund of expenditure transaction exceeds the appropriation expenditure balance, the excess must be recorded into revenue account 5949000 – Refund Prior Year Expenditures, until such time that the appropriation expenditures are sufficient to offset the refund amount (notwithstanding the between-year rules above). At that time, a GL journal transaction should be processed to debit account 5949000, and credit the expenditures.