

Returned Checks Procedures

Handling and Accounting for Checks Returned Unpaid by the Bank

All checks returned unpaid by the bank are charged back to the department originally receipting the checks. This is accomplished by a Debit Memo (DM) issued by the Office of the Bursar. Upon receipt of the DM, the department will attempt collection of the debt plus a \$30.00 service charge for each returned check. When collection is made, a new receipt will be written for the amount of the debt, including the \$30.00 service charge. The department deposits the monies via a normal deposit in CASHNet.

Following are detailed instructions for this procedure:

1. When a check is returned by the bank, the Bursar's Office will initiate a DM charging the cost object to which the department normally receipts their income.
2. The check attached to a departmental copy of the DM will be sent to the department for collection. A second departmental copy will be returned as well. The SAP journal entry number is referenced on the DM to allow reconciliation to SAP.
3. If the department maintains accounts receivable records, the DM should be posted as a charge to the account of the customer or client.
4. Within 10 days of the receipt of the DM, contact the maker to collect the funds. The longer you wait to make contact the harder it is to collect.
5. If the check was returned because of "insufficient" or "uncollected funds," it has been presented for payment and returned at least twice as a paper item and possibly a third time as an electronic item. It cannot be redeposited again.
6. There is a \$30 service charge for each check returned. If the customer says it was the bank's error, we will waive \$10 of the service charge upon receipt of a letter from their bank attesting to that fact. The remaining \$20 is a hard charge which cannot be waived.
7. Payment, including service charge, must be by money order or cashier's check; and, if they pay in person, they may pay cash.
8. Payment should be received within 7 days from the date we notified them of their indebtedness.
9. When payment is received, the department may issue a new receipt crediting the accounts charged on the DM and include that with their regular deposit or prepare a separate deposit for that payment only.
10. Both copies of the DM should be marked in the "Ret'd Ck Paid" box with the date and number of the receipt just written. One of the copies, marked paid, should be included with the remittance or deposit to the Bursar. The other copy should be kept in the department.
11. The check copy may be returned to the maker when it has been redeemed. Mark on the face of the check "Void" and on the back mark "Void" thru the endorsement. Do not mark the check until the maker has paid the debt and the \$30 service charge.
12. If the department is unable to collect within a reasonable amount of time (30 days from the date of the DM) contact the Bursar's Office for advice on what further collection efforts may be employed.

The above procedures and restrictions are not subject to waiver or change by the department or office involved. Need for interpretation should be discussed with the Bursar.