

Procedure for Recording Returned Checks to a Receivable Account and Writing Off Unresolved Amounts

Identification of Returned Checks:

Receive returned checks and/or notification from the bank indicating non-sufficient funds (NSF) or any other reason for the return.

Immediately mark the returned checks with the date received for tracking purposes.

Communication with Payee:

Contact the payee immediately upon receipt of the returned check to inform them of the issue.

Notify the payee of the need to resolve the returned check and request them to make the payment promptly.

Certified Mail Notification:

Prepare a certified mail notification to the payee regarding the returned check.

Include details such as the amount of the returned check, reason for return, and instructions for resolving the issue.

Ensure to retain proof of mailing and delivery for record-keeping purposes.

Recording Returned Checks in Receivable Account:

Provide a copy of the NSF Notice and a copy of the check to the Senior Accountant to make a Journal Entry in Tyler ERP with the details of returned checks.

The Journal Entry will include information such as check number, date of original transaction, revenue account that is impacted, amount, reason for return, and customer/payee details.

Follow-Up and Resolution:

Regularly follow up with the payee to inquire about the status of the returned check and resolution efforts.

Document all communication with the payee regarding the returned check.

Replacement Check Recorded:

Cashier will record the repayment in a batch in Tyler ERP. The entry will debit the cash account and credit the NSF check receivable account and credit the NSF returned check revenue line.

Monitoring Period:

Maintain a monitoring period of 12 months from the date of receipt of the returned check.

Continuously track the progress of resolution attempts during this period.

Writing Off Unresolved Amounts:

At the end of the 12-month monitoring period, review the status of unresolved returned checks.

If the returned checks remain unresolved after diligent efforts, prepare to write off the outstanding amounts as bad debt.

Approval Process for Write-Off:

Obtain necessary approvals from management or relevant authorities before proceeding with the write-off process.

Recording Bad Debt Write-Off:

Document the write-off of the unresolved returned checks in the receivable account.

Adjust the accounts receivable balance by the amount of the write-off and adjust the subsidiary account (Business License, Property Taxes, other) and revenue account as required.

Closing Records:

Close out the records associated with the unresolved returned checks, ensuring proper documentation and filing for audit purposes.

Continued Monitoring:

Maintain records of the written-off amounts and periodically review them for potential recovery opportunities, e.g. business license renewal or property tax liens.

Process Improvement:

Conduct periodic reviews of the returned check handling process to identify any areas for improvement.

Implement necessary changes to enhance efficiency and effectiveness in handling returned checks and resolving outstanding issues.

By following this procedure, the organization can effectively manage returned checks, diligently pursue resolution with payees, and appropriately write off uncollectible amounts after a reasonable period.

ADDENDUM

Sample of Letter to Payee

Journal entry to record NSF Check



CITY OF
FORESTPARK
a city for every season

March 22, 2024

Verdin Properties, LLC
675 Seminole Avenue Suite 301
Atlanta, GA 30307

Dear Sir or Madam:

You are hereby notified that check number #1000 issued by you on February 08, 2024, drawn upon Regions Bank payable to City of Forest Park has been dishonored.

Pursuant to Georgia Law, you have (10) days from receipt of the notice to tender payment of the full amount of the check, plus a service charge, payable **Cash, Money Order or Certified Check**.

Check Amount	\$ 11,801.37
Service Charge	\$ 35.00
Amount Due	\$11,836.37

Unless this amount is paid in full within (10) days, you will be turned over to Collections.

Sincerely,

Chaunda Melson
Financial Service Tech
404 366-4720 Ext. 323



Journal Entry Input

File Edit Functions Options Help Chat



Journal No# Posting Date

Packet Reversing Date

Description

Receipt

Entry Notes

Account Reference

Description

Project Amount

FN	Account	PJ	Line	Reference	Description	Amount
100	00-0000-11-19			CK #xxxxxx	RECORD RETURNED CHECK	999.66
999	00-0000-11-11			Misc 012345	RECORD RETURNED CHECK	999.66CR

Transaction Balance

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