

Procedure for 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 issued by the Office of the Bursar. Upon receipt of the debit memo, 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.

Following are detailed instructions for this procedure:

1. When a check is returned by the bank, the Bursar's Office will initiate a debit memo charging the cost object to which the department (**Exhibit A**) normally receipts their income.
2. The check attached to the audit copy (**green**) of the debit memo will be sent to the department for collection. The departmental copy (**pink**) will be returned to the department with a SAP journal entry number referenced to allow reconciliation to SAP.
3. If the department maintains accounts receivable records, the debit memo should be posted as a charge to the account of the customer or client.
4. Within 10 days of the receipt of the debit memo, 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 returned at least twice as a paper item and possibly returned a third time as an electronic item so it cannot be redeposited.
6. There is a \$30 service charge for each check returned. If they say 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 in the format of **Exhibit B** crediting the accounts charged on the debit memo and include that with their regular deposit or prepare a separate Bursar Advice (**Exhibit C**) for that payment only.
10. The green and pink copy of the debit memo should be marked in the "check redeemed" box along with the date and number of the receipt just written. The green copy should then be included with the remittance or deposit to the Bursar. The pink copy should be kept in the department.
11. The check 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 has not collected within a reasonable amount of time (30 days from the date of the debit memo) 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.