

## **NON-SUFFICIENT FUNDS (NSF) CHECKS**

School District of Okaloosa County

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The following is an overview of the NSF process:

It is suggested that the different stages be kept in separate sections of a classification folder. It is not required that your school follow this method exactly; however, there should always be a folder that can be balanced to your school's 6.694.000 NSF Check Holding account. (See 'Reconciling the NSF Account' below.)

### 1. Section 1 – NSF Checks Pending

- (a) The bank sends the NSF check to the collection agency. The collection agency will notify the bookkeeper via e-mail.
- (b) Once NSF notice is received, the bookkeeper prints two copies of the notification and places them in a folder for bank reconciliation.
- (c) When the bank statement is received, the bookkeeper will compare the NSF notifications to the bank statement.
- (d) The bookkeeper enters a journal entry/adjustment for each NSF check using the date on the bank statement. See example on "JOURNAL ENTRIES – TRANSFERS & ADJUSTMENTS" Section III.C.
  - 1) Each NSF check must be entered as a separate journal entry and must include details such as name and check number. Be sure to use the date that is on the bank statement.
  - 2) The adjustment decreases the checking account and the '6' NSF Check Holding account.
  - 3) One copy of the notice is used as the backup for this adjustment.
- (e) The second copy of the notice is filed in Section 1 of the NSF folder. The bookkeeper will note the adjustment number and date on the NSF notice.
- (f) If the bank has charged a NSF check fee, the fee must be entered as a separate journal entry/adjustment. NSF check fees will decrease the checking account and the '9' General account.

### 2. Section 2 – NSF Checks Paid

- (a) The collection agency will notify the bookkeeper once the NSF check has been paid by direct deposit.
- (b) Once the paid NSF check/deposit notice is received, the bookkeeper prints two copies of the notification and places them in a folder for bank reconciliation.
- (c) When the bank statement is received, the bookkeeper will compare the deposit notifications to the bank statement.
- (d) The bookkeeper enters a journal entry/adjustment for each paid NSF check using the date on the bank statement. See example on "JOURNAL ENTRIES – TRANSFERS & ADJUSTMENTS" Section III.D.
  - 1) Each paid NSF check must be entered as a separate journal entry and must include details such as name and check number. Be sure to use the date that is on the bank statement.

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- 2) The internal funds software provides a drop-down menu from which the bookkeeper will choose the appropriate NSF check.
  - 3) The adjustment increases the checking account and the '6' NSF Check Holding account.
  - 4) One copy of the notice is used as the backup for this adjustment.
- (e) The bookkeeper will remove the original NSF check notification from Section 1 – NSF Checks Pending, attach the paid notification to the front, and note the adjustment number and date on the paid notification. This packet is then filed in Section 2 – NSF Checks Paid of the NSF folder.
- (f) If the collection agency has reimbursed the original bank charge for the NSF check, the bookkeeper will enter a journal entry/adjustment to increase checking and increase the '9' General account.
3. Section 3 – NSF Checks Unpaid
    - (a) If a NSF check has not been reimbursed within 30 days, the school must contact the collection agency.
    - (b) If a check does not qualify for reimbursement, the collection agency must notify the school by e-mail.
    - (c) The bookkeeper will move the original NSF check notification from Section 1 – NSF Checks Pending to Section 3 – NSF Checks Unpaid, attaching the non-reimbursement notification to the front of the packet.
  4. Section 4 – Worthless (Uncollectible) Checks Pending
    - (a) Once each quarter, the school shall request permission to write off any checks in Section 3 – NSF Checks Unpaid.
    - (b) The bookkeeper shall prepare a memo from the principal requesting the School Board's approval to write off the checks. The memo shall include a list of the worthless checks with the following information: name, check number, amount, and account.
    - (c) A "Worthless Check Information Worksheet" must be completed for each check. Each worksheet shall include the original check and signed green return receipt or undeliverable letter. (See Sample – Worthless Check Information Worksheet)
    - (d) All worksheets are to be attached to the memo and submitted to Accounting and Financial Reporting.
    - (e) A copy of the memo, copies of the checks, and copies of any paperwork should be filed in Section 4 – Worthless (Uncollectible) Checks Pending.
  5. Section 5 – Worthless Checks Written Off
    - (a) When the memo is received from Accounting and Financial Reporting approving the request to write-off checks, the bookkeeper will enter a journal entry/transfer for each check.

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- 1) These journal entries/transfers will increase the '6' NSF Check Holding account and decrease the account that originally received the funds.
  - 2) Delete the returned check from the list of "Returned Checks Not Repaid" by going to "Journal Entry," "Returned Check," choosing the check that is being written off, and clicking "Remove."
  - 3) A copy of the memo must be used as backup for the adjustment.
- (b) The bookkeeper will attach the approval memo to the front of the request memo and move the paperwork from Section 4 – Worthless (Uncollectible) Checks Pending to Section 5 – Worthless Checks Written Off.

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### Recovered Checks – Receiving Funds After Write-Off

1. Should an individual come to the school to pay for a check that has been written-off, the school may not accept the funds. The school must direct the individual to make payment at Accounting and Financial Reporting.
2. Any funds received after a check has been written-off shall be returned to the school by Accounting and Financial Reporting.
3. The District check shall be receipted on a MCF by the office staff.
4. When the receipt is entered into the accounting software, the funds shall be placed into the account that was decreased when the NSF check was written-off.

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### Reconciling the NSF Check Holding Account

1. The '6' NSF Check Holding account shall be reconciled before the close of the fiscal year and submitted to Finance with the June reports. In addition, it is recommended that the '6' NSF Check Holding Account be reconciled at least quarterly. NSF Check Reconciliation form shall be used for the reconciliation process.
    - a. Step 1 – Enter the NSF checks that are pending (Section 1 – NSF Checks Pending in the example). These are checks that are pending reimbursement by the collection agency.
    - b. Step 2 – Enter the checks that the collection agency will not reimburse (Section 3 – NSF Checks Unpaid in the example).
    - c. Step 3 – Enter the checks that have been requested to be written off but permission has yet to be received (Section 4 – Worthless/Uncollectible Checks in the example).
    - d. Step 4 – Print a general ledger of the '6' NSF Check Holding account and enter the balance. The difference should be zero. If it is not, the discrepancy must be investigated and corrected.
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