

UNCASHED CHECKS



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A guide to determining the types of unclaimed property you need to track and report.

Uncashed checks are checks that have not cleared the holders' bank account. Examples of uncashed checks include checks that are: outstanding, written-off, stale-dated, or returned by the post office (RPO).

General Checks

Uncashed general checks are abandoned two years after the issue date. Common sources include accounts payable, expenses, vendor payments, shareholder dividends, and customer refunds.

Payroll

Uncashed payroll checks are abandoned two years from the date payable to the employee. Unclaimed payroll reportable after two years includes these types: regular paychecks, employee commissions, returnable garnishments, deferred compensation, and bonuses. Your company is responsible to report unclaimed payroll property even though it may be handled by an external payroll service.

Review Checks Regularly

Research outstanding checks on a regular basis. Statistics show that a check is likely to become unclaimed property if it remains outstanding for six months. Document your adjustments to remove aged outstanding checks. Consider setting up a liability account to control and track checks that remain uncashed past six months. For proper aging, keep a listing of the checks by payee, amount,

and issue date, rather than the date removed from the bank account.

We encourage you to make reasonable efforts to contact the owner and refund outstanding checks. Unless you have made contact with the owner, reissuing your aged checks just prior to abandonment does not restart the abandonment period.

Watch for "Buried" Checks

If you issue a high volume of checks you may miss unclaimed checks that become "buried" in your outstanding check report.

- If your outstanding check report sorts by month and day, but not by year, older checks may move from the top of the report into the middle.

Payroll is Two Year Property

Two common reporting errors –

- Payroll checks were not reported after two years of abandonment.
- The business did not verify that their outside paying agency properly reported.

Note: It is the holder's responsibility to make sure payroll checks are reported.

Proving It's Not Unclaimed

Even when the physical check is not returned to you as undeliverable, the uncashed check will still become unclaimed property without some explanation. To prove a check is not unclaimed, you need to research older uncashed checks.

When you research old checks, make a note to show when checks are:

- reissued,
- issued in error, or
- cancelled as a duplicate payment.

Suggested Procedures

Develop a written procedure for handling uncashed checks and follow the procedure on a consistent basis. When you reconcile a bank account, document how you research the check.

- Did you transfer it to an unclaimed property liability account?
- Did you reissue the check?
- What was the replacement check number?
- Was the liability paid on another invoice?

Documenting the reasons for adjusted stale-dated checks is important but it doesn't have to be time consuming. It can be as easy as writing the replacement check or invoice number out to the side of the voided check on

your outstanding check report. In more complicated cases, you may want to keep the relevant correspondence from the owner or write a brief explanation of what occurred.

Vendor to Vendor Payments

Uncashed checks issued to other businesses are also considered unclaimed property. As part of your outstanding check research, you may send a letter to a vendor payee to acknowledge if they received the funds. The letter should provide the vendor payee the option of receiving the funds. We will accept a signed acknowledgement from the payee as proof that the funds are not unclaimed.

SUMMARY

Remember all checks are presumed abandoned after two years. Resolve your outstanding checks on a frequent basis and make notes if you void or reissue checks.

If you issue a large volume of checks each month, check the entire outstanding check report for "buried" stale-dated checks that can shift down in the normal sorting process of the report.

Finally, a consistent procedure for handling unclaimed checks will provide evidence in an audit.



Comments and questions should be addressed to ND State Land Department, Unclaimed Property Division, P. O. Box 5523, Bismarck, ND 58506-5523. You may also call us at (701) 328-2800 or visit our web site at www.land.state.nd.us .