METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Return Check

Effective Date: April 1, 2007
Revision Date: September 16, 2025
Policy Number: 3.10
Sponsor: Office of the Treasurer

Purpose

The purpose of this policy is to establish uniform procedures for the Metropolitan Government in managing checks that are deposited into Metro's bank accounts and subsequently returned as uncollected. This includes guidelines for collection efforts, processing returned items, and criteria for writing off uncollectible checks.

Definitions

Bank Account: Any account at a banking institution receiving deposits in the form of checks made payable to Metropolitan Government or departments or agencies of the government.

Collection Service Provider: Any vendor contracted by Metro to assist in collection of returned checks.

Re-presentment: Any electronic or paper method of re-submitting a check for payment.

Returned Check: Any check deposited in a Metro bank account that is returned against that account resulting in funds no longer being available to Metro. This includes but is not limited to non-sufficient funds, closed accounts and stop payments.

Write Off: Formal accounting process of removing the value of a check that was deposited but later returned by the bank (e.g., due to non-sufficient funds, closed account, or stop payment) and is determined to be uncollectible. When collection efforts fail or it becomes unreasonable to pursue recovery, the amount is removed from the accounts receivable balance and recorded as a bad debt expense or loss.

General Policies

The Metropolitan Chief Accountant and Collection Officer shall be responsible for managing the returned check process and may use the services of third-party collection service providers to assist in the collection of returned checks in a manner consistent with Metro's procurement laws and regulations. Fees associated with these services shall be the fiscal responsibility of the department accepting the original check. The Chief Accountant shall act as the coordinator between the collection service providers and departments and agencies to ensure timely efforts are made to collect on returned checks.

Collection of Returned Checks

When a check deposited into a Metropolitan Government bank account is returned unpaid by the issuing bank (due to non-sufficient funds, account closure, stop payment, etc.), the following steps shall be taken to pursue collection:

<u>Notification and Documentation</u>

The department receiving notice of the returned check must document the return and retain all relevant information (check copy, return reason, deposit batch, etc.).

The payer should be notified in writing of the returned item and the reason provided by the bank.

Revocation of permits, licenses, etc. that were purchased with the check; reinstatement of tax liability in cases where such checks were used to pay taxes or such other action as may be permitted by law. Departments and Agencies shall take such steps only with the prior approval of the Department of Law.

Re-presentment (if applicable)

If the check was returned due to insufficient funds, the Chief Accountant or department may attempt re-presentment once or twice, depending on the circumstances and banking practices.

Re-presentment should occur within 30 days and should not be attempted if the account has been closed or the check was returned due to a stop payment.

Collection Actions

If re-presentment fails or is not applicable, the department shall initiate formal collection procedures, which may include:

- Issuing a demand letter to the payer.
- Requesting replacement payment in the form of certified funds (money order, cashier's check).
- Applying any applicable returned check fees in accordance with Metro's fee schedule or ordinance where applicable.

Write-off Process

If all reasonable collection efforts have been exhausted and the amount is deemed uncollectible, the department may request a write-off in accordance with the procedures established by the Department of Finance.

All write-offs require appropriate documentation and approvals and must comply with audit and reporting standards.

Recordkeeping and Audit

All records related to returned checks (including collection efforts and correspondence) must be retained for a minimum of three years.

Returned checks are subject to audit by the Department of Finance and the Office of Internal Audit.
The department or agency shall enter the return check into the general ledger via journal entry, within the accounting string in which the revenue was originally recorded, by month end.

Exceptions to this Policy

This policy shall not apply to departments or agencies that use external contracted collection services.

Applicable Local, State or Federal Regulations

Metro. Charter art. 8 ,§ 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

Metro. Code Part II, Title 5, Division 1, Chapter 5.04.012

Tenn. Code Ann. § 47-29-102

Associated Policies

Finance Department Policy 3.4 Cash Deposit

Finance Department Policy 1.1 Accounts Receivable

Finance Department Policy 1.3 Revenue Recognition

Effective Date

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.

Approvals

Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

Jenneen Reed

Director of Finance

Date: September 16, 2025