

**STATE OF GEORGIA
ACCOUNTING PROCEDURES MANUAL**

SECTION: FOUR - OTHER PROCEDURAL TOPICS
TOPIC: OUTSTANDING CHECKS
ACCOUNT RANGE: 262000

GEORGIA LAWS

44-12-193. When property held, issued, or owing in ordinary course of holder's business presumed abandoned.

All tangible and intangible property, including any income or increment thereon, less any lawful charges, that is held, issued, or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five years after it became payable or distributable is presumed abandoned, except as otherwise provided by this article. Property is payable or distributable for the purpose of this article notwithstanding the owner's failure to make demand or to present any instrument or document required to receive payment.

44-12-206. When unpaid wages presumed abandoned.

Unpaid wages, including wages represented by unrepresented payroll checks owing in the ordinary course of the holder's business, that have remained unclaimed by the owner for more than one year after becoming payable are presumed abandoned.

ACCOUNTING PROCEDURES

GENERAL PROCEDURES

The "Disposition of Unclaimed Property" Act (OCGA § 44-12-190 through 44-12-235) provides for procedures to be followed for those holding property for someone else, but contact has been lost with that owner. Outstanding checks to both individuals and vendors are defined by the Act as an example of the type of property to which this Act applies. Additionally, this Act applies to all State organizations.

In general, the Disposition of Unclaimed Property Act requires that unclaimed property be reported and remitted to the Department of Revenue on an annual basis after a defined holding period has expired. The holding period is the time that must elapse before the property is considered abandoned. The duration of the holding period depends on the type of property being held.

For outstanding checks written to individuals for the payment of wages (e.g., personal service expense), the Act defines that a one (1) year holding period is required before that payment is deemed to be unclaimed property. For all other outstanding checks such as payments to vendors for goods and services rendered or to individuals for travel, etc., the Act defines that a five (5) year holding period is required before the payment is considered to be unclaimed property.

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This guidance is provided for all State organizations in regards to how outstanding checks should be accounted for. Although this guidance was written with the “Disposition of Unclaimed Property” Act in mind, it is not guidance for complying with Act itself. The forms and instructions for reporting and remitting unclaimed property should be obtain directly from the Department of Revenue.

An outstanding check is any check that has not cleared the bank and that has not been cancelled or voided. Outstanding checks may be one of two types: 1) uncashed or 2) unclaimed. An uncashed check is one that has been mailed or delivered to the payee but which remains outstanding. Uncashed checks are those which are no longer in the possession of the issuing organization. An unclaimed check is one which is pending delivery to the payee; this includes checks that have been mailed out but then returned to the issuing organization. Unclaimed checks are those which are in the possession of the issuing organization.

State organizations should review outstanding checks on each bank account on a monthly basis as a part of their normal bank reconciliation procedures. In addition, during the month August each year, State organizations should attempt to notify the payee at their last known address about any outstanding check written in a prior fiscal year for \$50.00 or greater. If these attempts are not successful in getting the checks to clear the bank, all checks over a year old (both those for \$50.00 and more and those less than \$50.00) should be cancelled or voided.

When canceling or voiding these checks, it is essential to keep record of which checks were originally issued for personal service expense (e.g., wages) separate from all others. The entry^(A) to account for the cancellation or voiding of the checks for personal service expense would be:

	<u>Debit</u>	<u>Credit</u>
101xxx Cash in Banks Payroll Account xxxxxx	\$ xxx	
^(A) 262056 Funds Held for Others – Payroll Checks Uncashed/Unclaimed		\$ xxx

The sum of the face value of the cancelled or voided checks for personal service expense must be remitted to the Department of Revenue annually (by November 1) as unclaimed property. The entry to record this would be:

	<u>Debit</u>	<u>Credit</u>
262056 Funds Held for Others – Payroll Checks Uncashed/Unclaimed	\$ xxx	
101xxx Cash in Banks Operating Account xxxxxx		\$ xxx

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The entry^(A) to record the canceling or voiding of all outstanding checks (except for personal service expense) is:

	<u>Debit</u>	<u>Credit</u>
10xxxx Cash in Banks xxxxxx	\$ xxx	
^(A) 262002 Funds Held for Others – Checks Uncashed/Unclaimed		\$ xxx

The sum of the face value of all of the cancelled or voided checks must be remitted to the Department of Revenue annually (by November 1) as unclaimed property once they have met a five (5) year holding period requirement. If a check does clear the bank after being cancelled or voided, the above entry would just be reversed for the amount of the check that cleared. After the five (5) year holding period requirement, the entry to record the remittance of unclaimed property to the Department of Revenue would be:

	<u>Debit</u>	<u>Credit</u>
262002 Funds Held for Others – Checks Uncashed/Unclaimed	\$ xxx	
101xxx Cash in Banks Operating Account xxxxxx		\$ xxx

All unclaimed checks in the possession of the issuing organization should be physically marked or stamped “CANCELLED” when they are cancelled or voided from the accounting system to prevent them from being deposited or cashed.

^(A) If your accounting system automatically generates a credit to the account you originally debited when a check is cancelled or voided, you will need to post a debit to that original account when making this credit to the liability account (either 262002 or 262056).

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