

# Community Based Care of Brevard, Inc. Policy and Procedure Manual

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**Series:** Cash Management

**COA:** FIN 2, 7.2, 7.3;  
**RPM 5**  
**CFOP:**

**Procedure Name:** Non-Sufficient Funds  
**Procedure Number:** CM-170  
**Revision #/Date:** (1) 2-04-09  
**Effective Date:** 10/01/04  
**Applicable to:** All CBCB Staff

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**SUBJECT:** Non-Sufficient Funds

**PURPOSE:** To process returned checks, credit cards, and bank drafts in order to expedite collection.

**PROCEDURE:**

## **References**

CBCB Policies/Procedures: AR-630, CM-140, GOV-202, GOV-208

Cash Receipt Mail Log

## **Definitions**

**EFT:** A bank designation for an electronic funds transfer.

**NSF:** A bank designation for non-sufficient funds.

**Strategy Team:** The senior executive body managing CBCB to include the Chief Executive Officer, Chief Financial Officer (CFO), Chief Operating Officer, Chief Personnel and Administrative Officer, and the Chief Compliance and Utilization Management Officer.

## **General**

When a copy of a NSF/returned check and/or a bank notification of an EFT error are received, they are date stamped by the non-accounting personnel opening mail and then forwarded to the Accounting Department for processing.

Notifications received regarding an NSF check or a check that is returned due to the account being closed will be logged in upon receipt as outlined in procedure CM-140 and given to the CFO or their designee. Upon review, this information will be processed as outlined below:

1. The Accounting Department will provide a copy of the information to the appropriate CBCB Operational Department for them to contact the issuer of the NSF check or EFT error.
2. When the information is forwarded, the appropriate Department will proceed to rectify the situation as necessary. There may be times when these types of transactions occur that do not need to be collected. For example: an individual pays for registration to one of CBCB's conferences, but forfeits their place at the conference due to lack of payment. There has been no service or goods delivered, therefore no pursuit of payment is needed.
3. Notification will be given to the Accounting Department on the results of the CBCB Operational Department handling the NSF/returned check or EFT error. Their should be two outcomes:
  - Collection efforts will begin.
  - Verifiable funds have been re-issued to CBCB.
  - There was an error and no funds were due to CBCB.

## Accounting Process

### NSF Checks

1. Upon receiving the NSF paperwork, a journal entry is recorded to recognize an account receivable. This initiates the collections process in procedure AR-630, Collections & Write Offs.
2. The Accounting Department will monitor the accounts receivable account on a monthly basis to ensure compliance with the collections process.
3. After all CBCB collections efforts have been exhausted, the CFO, after consulting with the Strategy Team, will decide which avenue to pursue:
  - Write off the accounts receivable. In this case, the Accounting Department will remove the debt from accounts receivable and recognize the bad debt expense.
  - Debt turned over to a collection agency. In this case, the accounts receivable will remain open as originally recorded until the debt is paid in full. As payment(s) are received from the collection agency, a journal entry is recorded relieving the account receivable. If the collection agency has exhausted all means of collection and is unsuccessful, the CFO will notify the Strategy Team. At that time the accounts receivable may be written off as indicated above under write off accounts receivable.

## EFT Processing Errors

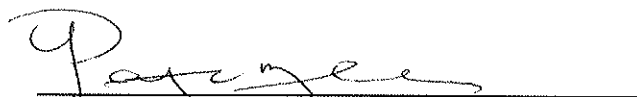
EFT payments are only available to independent living youth, foster parents and adoptive parents. The Accounting Department becomes aware of EFT processing errors in two ways:

1. A call is received by the Accounting Department from one of the payee categories listed above stating that they did not receive their EFT.
  - Verification of the banking information of the payee by the Accounting department staff is performed.
  - If there is a recording error in the EBanking module (EFT processing module) of the payee's banking information, their documents are pulled and reviewed and the banking information is updated as indicated. Any error in a payee's banking information will cause the transaction to be rejected.
  - The Accounting Manager will verify that the transaction rejected by logging onto CBCB's online banking. If a rejection is found, the Accounting Manager will contact CBCB's banking institution for a detailed accounting of the transaction to ensure that the transaction is for the reject in question. We are not notified by our banking institution of EFT rejections.
  - Upon confirmation, the EFT paper check is voided and a pre-printed check is generated on the next weekly check run.
2. During the bank reconciliation process, items are identified as "Return Settle Return-Sett-Automatic" which indicates to the Accounting staff that this is a rejected EFT.
  - The Accounting Manager will contact CBCB's banking institution for a detailed accounting of the transaction to verify who the rejected EFT is for.
  - Upon confirmation, the EFT paper check is voided and a pre-printed check is generated on the next weekly check run.
  - The Accounting Department will contact the payee to inform them of the rejection and that a pre-printed check will be generated on the next weekly check run. At this same time, the Accounting Department will verify the data on file. If there are errors identified, such as bank account closed, new bank, etc. the Accounting Department will forward a new direct deposit form to the payee for completion if they wish to continue on the EFT program.

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BY DIRECTION OF THE CHIEF EXECUTIVE OFFICER:



DR. PATRICIA NELLIUS-GUTHRIE  
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CBC of Brevard, Inc.

APPROVAL DATE: 3/19/09