Back-dating voids for bounced checks

Email from tax collector

> I've had a couple of checks returned from the bank due to insufficient funds. I run into problems when I run a report because of chronological time. I've made a deposit for the next batch before the reversal takes place. My report shows when the initial payment was made, but the voided payment occurred after the next deposit was made. Is there a way to run a report based on my batch number? This way, the initial deposit and returned check cancel out when I make a disbursement. Is there another way to do this? One reversal occurred in the next month because my deposit was July 31. My monthly reports are off because the reversal occurred in August and doesn't show in my July report. Any help with that one too? Currently, I'm voiding the original payment.

Our Response

As long as you have enough funds in your account to cover the disbursement check, the easiest way to handle this situation is to just let the program handle it.

Let's say you get $10,000 in payments in July. Among these is a $500 payment that ultimately bounces. You get notified by the bank in August and void it in the system. Your July disbursement will show $10,000, even though only $9,500 is available in the account based on the checks you deposited in July. However, the July report is not due until August 10. So, on August 5, you deposit an additional $2,000 in payments that will appear on the August report. Thus, by the time you send in your July report, there is $11,500 in the account—more than enough to cover the $10,000 July disbursement. August's report will include the $500 reversing entry for the void, and everything will be back in sync.

Let's continue the example through the end of August. We'll assume you get another $8,000 in payments for August (for a total of $10,000 in August). At the end of August, you would have $9,500 in the account:

- $10,000 in deposits for July
- less $500 for the bounced check
- less $10,000 for the July disbursement
- plus $10,000 in deposits for August

Your August disbursement report would show a matching $9,500:

- $10,000 in deposits for August
- less $500 for the reversing void entry (for the check that bounced in July)

At the beginning of the tax year, that's usually the best way to handle it. Typically, you have enough payments coming in that your undisbursed deposits from the future month will cover any bounced checks from the monthly reporting period (i.e., the previous month).

At the end of the tax year, though, you will sometimes run into a situation where there are not enough

funds in the account to write a disbursement check that includes the bounced check. In that case, you would create a collection record for dates that include the void of the bounced check, then go into the ledger and back-date the report month (Rpt Yr/Mon) on the collection record with the void so that it appears on the same report as the original payment. If you do that, though, you have to be really careful not to create Collection records with overlapping dates in the Ledger. That's why it's typically easier to just let the voided payment come out in the wash the following month, assuming you have enough money in the account to do that.

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