



Undeliverable or Uncashed is Unacceptable!

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Uncashed checks, or tax forms and checks returned undeliverable! These are some of the most frequent and frustrating challenges for administrators of life income gifts.

With outright gifts, you deposit a donor's check or other form of donation, send an acknowledgement letter, enter the person into your database, and reach out periodically. You certainly try to keep up with people's moves ... but for life income gifts, the stakes are a bit higher.

Your organization must make income payments on a scheduled basis. This requires that you have a current address if mailing checks, and a current bank account for electronic payments. You must send a 1099-R tax form each January reflecting payments made from a CGA (or a K-1 for PIFs and CRTs).

Inevitably, over the course of decades, these life income recipients move, change banks ... and all too often forget to notify you. Instead, you learn that checks are uncashed, or the bank notifies you an ACH failed due to a closed account. Then the search begins for current information. If the person has died or is otherwise incapacitated, getting payments that are owed to someone and/or to an estate can be time consuming.

What to Do?

While standard operating procedures vary for each charity and its administrator, at some point, a charity needs to stop issuing replacement checks and research what has happened to the individual who is entitled to receive those payments.

Some important steps to include in your procedure are:

1. If you think the person is living, call the income recipient and ask if they have the checks, plan to deposit them, or if you need to reissue. You may need to become

a detective by finding links with the missing income recipient and other supporters you know. Many charities ask for an additional contact at the time of the gift application – that’s a smart thing to do!

2. What if there’s no phone number (or maybe it’s disconnected)? Send a certified letter (with signature required).
3. If repeated attempts to call and/or write yield no results, document your efforts in the event the person or their representative comes forth in the future. Sometimes there’s only so much you can do until the individual realizes they have not been receiving their proper payments. They may not be angry with you or your institution and may well appreciate knowing the lengths you went through trying to deliver what’s rightfully theirs.
4. Stop payment on the check(s) and either 1) issue a replacement check, or 2) remit funds to unclaimed funds at the state of residence for the income recipient.

Death search services, such as Lexis Nexis and others, can also provide information on whether someone is living and/or a current address. PG Calc’s *Gift Administration* clients benefit from having all of their life income beneficiaries run through Lexis Nexis on a daily basis, and *GiftWrap* clients can purchase this module separately. What matters is that you can catch the information before too much time goes by ... and avoid the problem of uncashed checks languishing in an account.

For a deeper dive on this topic, please see Jeffrey Frye’s article, “[Missing Persons and Uncashed Checks](#).”