

Background

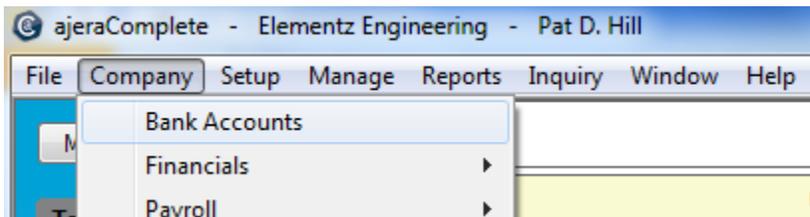
Joint checks have been used for years in the construction industry to protect owners and contractors against liens and claims by second tier subcontractors. The typical scenario is when the owner or prime contractor pays its subcontractors for work billed, but the subcontractor does not pay its subcontractors (second tier subs) or material suppliers. As a result, the owner or prime contractor has to expend resources defending themselves from duplicate claims. Sometimes this results in having to pay the second tier subcontractors then taking measures to recoup the extra payments from the offending subcontractor.

A simple solution to mitigate this risk is to issue joint checks. Joint checks are made payable to both the subcontractor and second tier subcontractors. By doing so, the subcontractor (really the contractor) is guarantying the second tier subs will be paid.

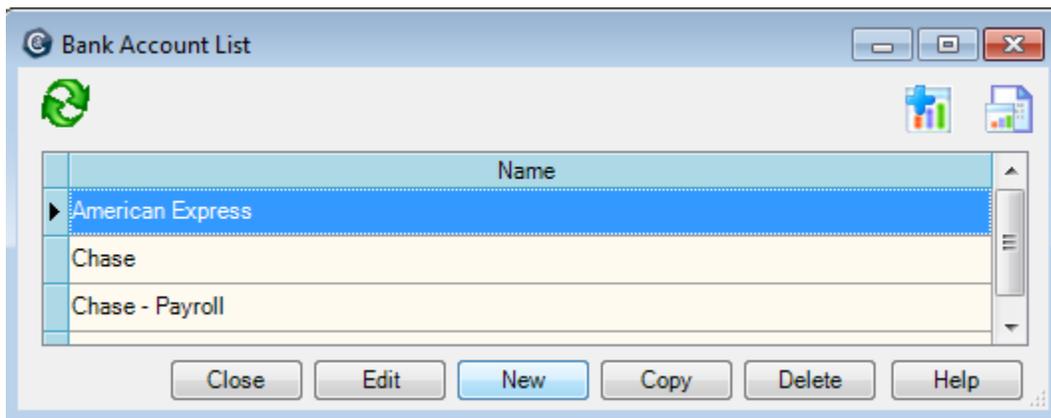
Setup

A Joint Check Clearing bank needs to be setup.

From the Company menu select Bank Accounts.



Click New



Enter the description as “Joint Check Clearing”.

New Bank Account

Status: Active

General | Address | Accounts | Contacts | Attachments | Notes

Name: Joint Check Clearing

Branch: []

Account number: []

Description: []

Last check number: 0

Account type: Bank

Credit limit: 0.00

Vendor: []

Payroll direct deposits

Phone Numbers: [] []

Fax: [] []

Email: []

Website: []

Close Save Cancel Help

Click to the Accounts tab and click the lookup button to on the right side of the Cash account field. Assign an existing account or follow the instructions to add a new account.

New Bank Account

Status: Active

General | Address | Accounts | Contacts | Attachments | Notes

Department: Corporate

Bank

Cash account: []

Bank charges account: []

Interest income account: []

Interest expense account: []

Credit card

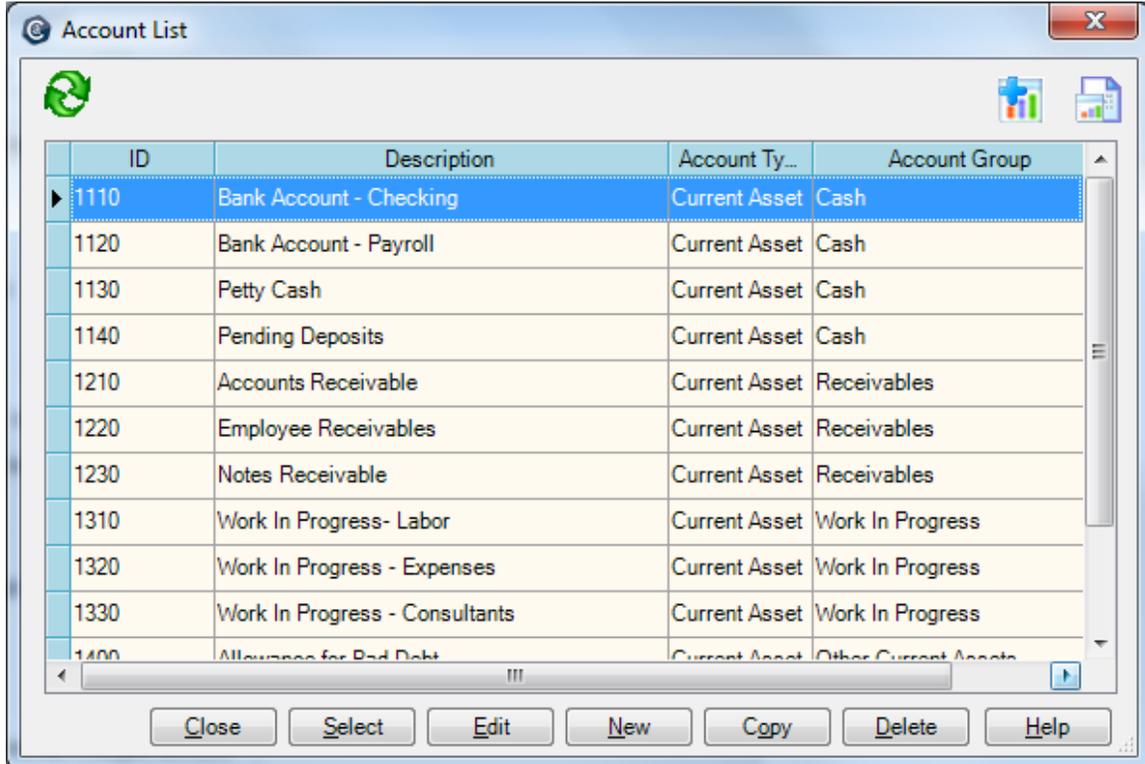
Payable account: []

Late charges account: []

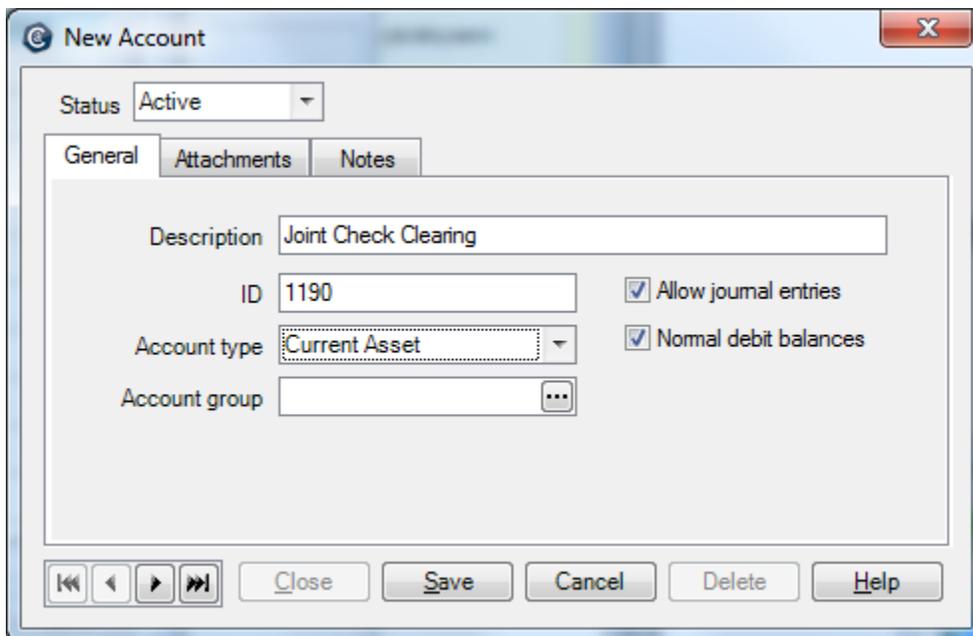
Interest charged account: []

Close Save Cancel Help

To add a new account, click the New button



Enter the description as show. Assign an account number to flow with the existing chart of accounts.



Click Save when finished.

Assign the remaining accounts based on your chart of accounts.

New Bank Account

Status: Active

General | Address | Accounts | Contacts | Attachments | Notes

Department: []

Bank

Cash account: 1190 Joint Check Clearing

Bank charges account: 8330 Bank Charges

Interest income account: 9110 Interest Income

Interest expense account: 8530 Interest Expense

Credit card

Payable account: []

Late charges account: []

Interest charged account: []

Close Save Cancel Help

Click Save. The new bank account should appear as shown below.

Bank Account List

Chase - Payroll

Joint Check Clearing

VISA - Chase

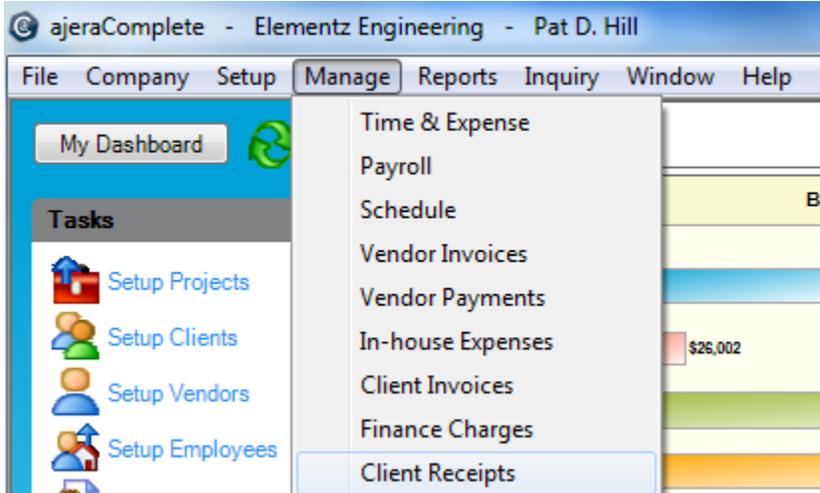
Close Edit New Copy Delete Help

Workflow

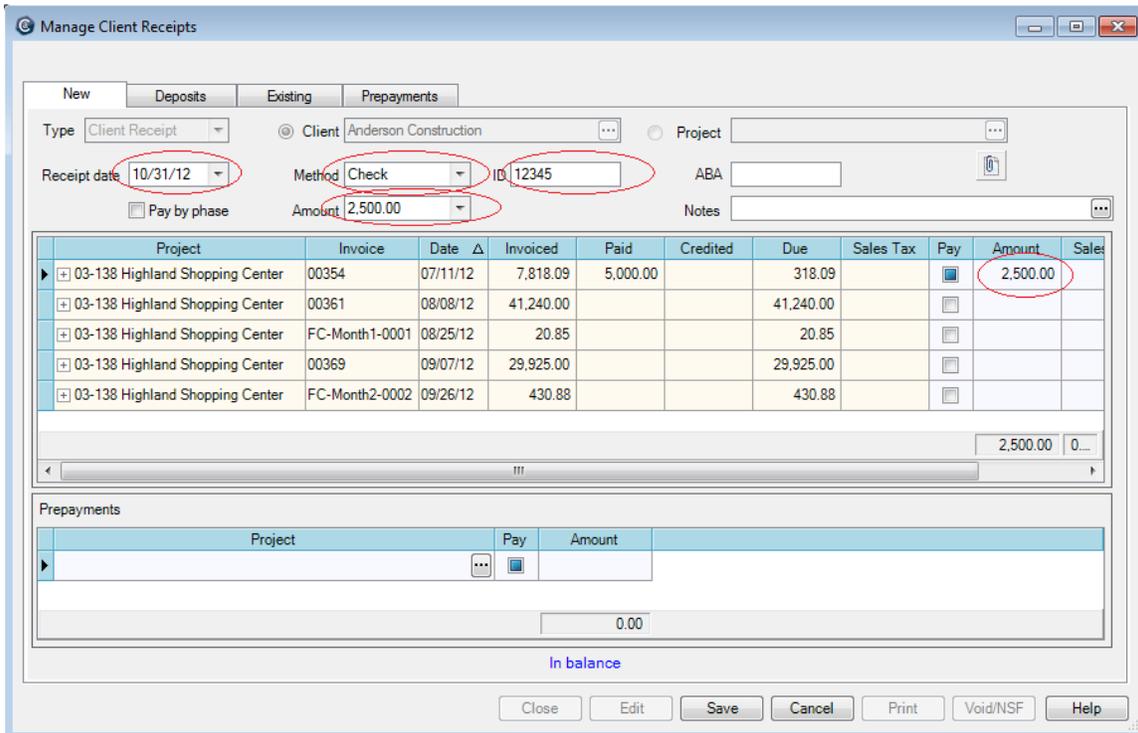
When joint checks are issued, they are typically not deposited into the subcontractor bank. They are typically endorsed by the subcontractor and forwarded on to the second tier sub for deposit into their bank. The following assumes that scenario.

Step 1 – Record the receipt and deposit of the Joint Check.

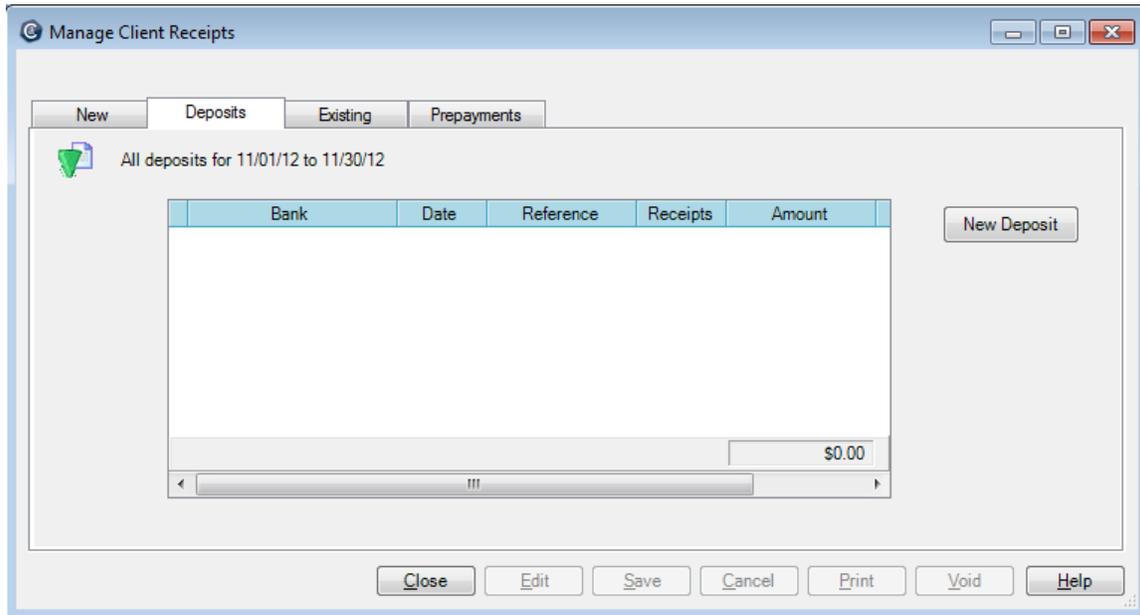
From the Manage menu, select Client Receipts



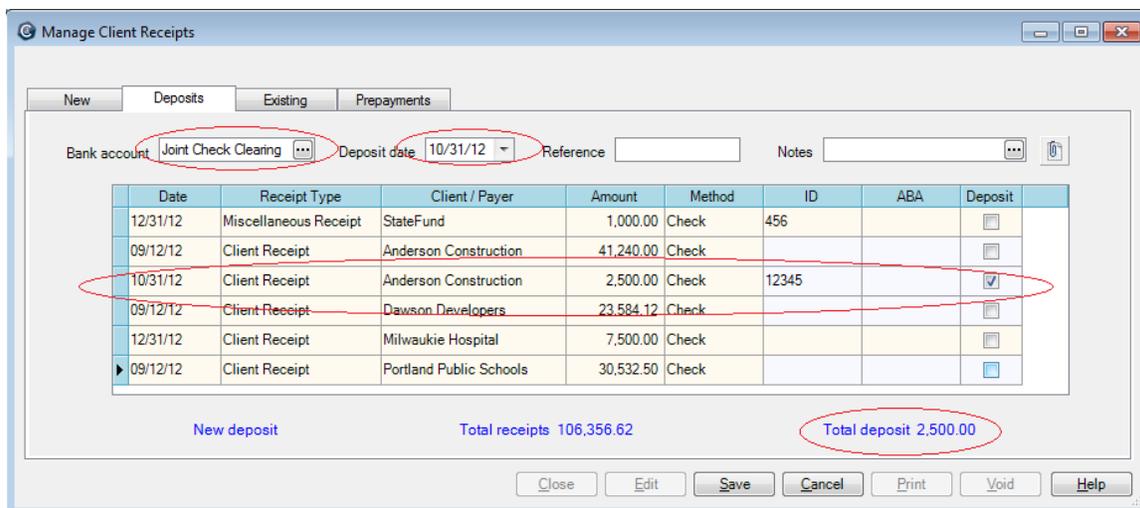
Enter the appropriate receipt data as shown. The check number should be the joint check number. Click Save when finished.



Click to the Deposit tab, and click New Deposit.

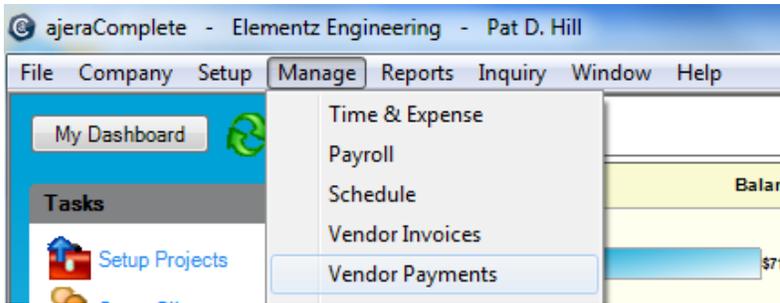


Select the Joint Check Clearing bank, enter the deposit date and select the joint check receipt entered in the previous step. Click Save when finished.

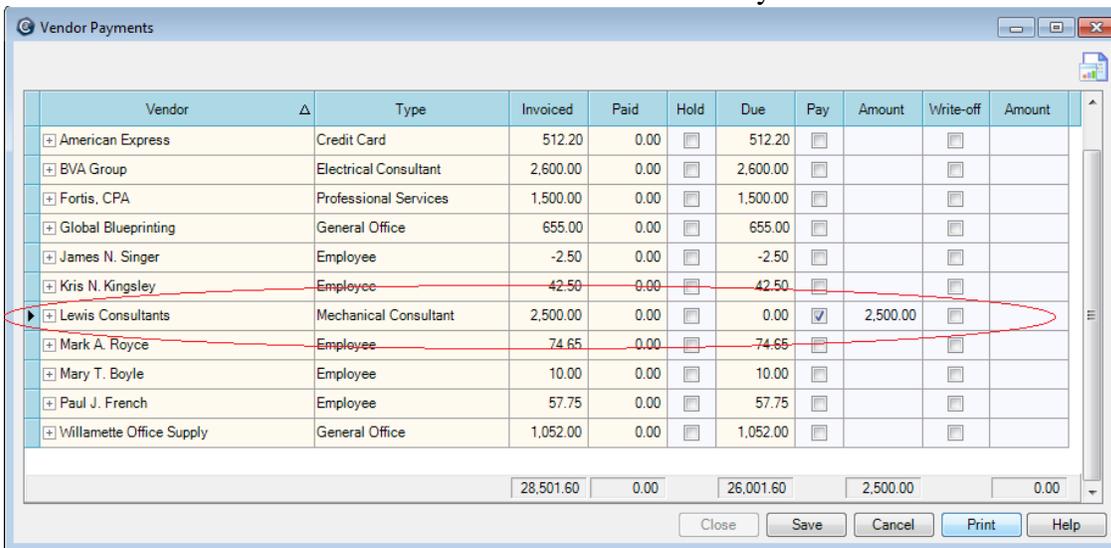


Step 2 - Record the vendor payment.

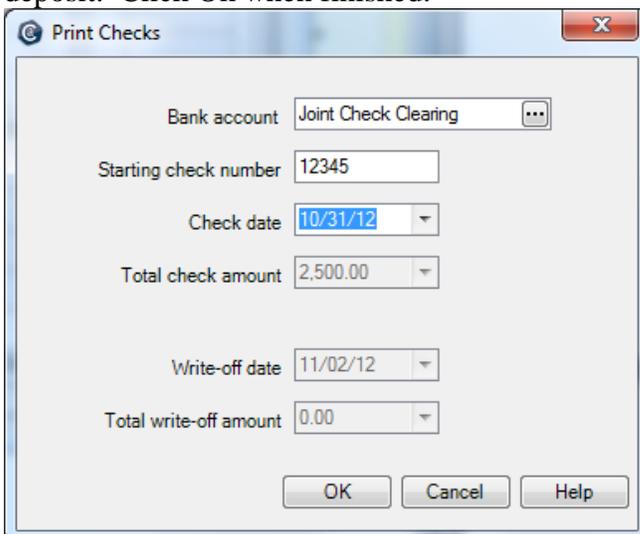
From the Manage menu, select Vendor Payments.



Locate the invoice that needs to be cleared and click the Pay button.

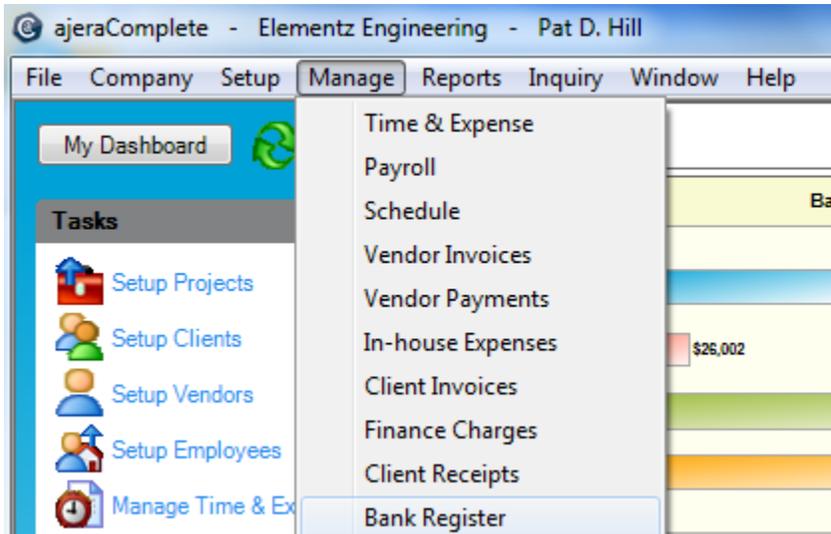


Select the Joint Check Clearing bank; enter the same check number and date used for the deposit. Click Ok when finished.



Step 3 - Reconcile the Bank.

From the Manage menu, select Bank Register.



Click the Reconcile Tab. Enter a statement date and leave the balance blank or zero. Clear the related deposits and checks. The activity should offset to zero. Click Save when finished.

