

Unclaimed Property: Review Procedures for Uncashed Stale-dated Checks

Effective Date: May, 2009

Revised: October, 2009

Background:

Uncashed stale dated checks are generally an indication of a process exception during the school/center preparation of the related purchasing documentation. Process exceptions include incorrect address for the payee, incorrect vendor numbers, and inadvertent authorization of duplicate payments. Processing “keying errors” not detected during school/center transaction reviews are also a contributing factor.

If these process exceptions are not detected and addressed promptly, checks remain uncashed, and State laws require the University of Pennsylvania to remit the cash to the state as unclaimed property at the end of specified dormancy periods. The state then holds the cash until claimed by the rightful owner.

Timely reviews of uncashed checks by schools/centers are required to ensure that payments are proper and have been sent to the appropriate address of the payee. In addition, timely reviews facilitate the implementation of corrective actions that prevent additional uncashed stale dated checks.

Responsibility

Schools/Centers

Schools and Centers have the responsibility for reviewing and resolving uncashed, stale-dated checks issued on behalf of their school/center and documenting the results of the review process.

Student Financial Services

Student Financial Services (SFS) has the responsibility for reviewing and resolving uncashed, stale-dated checks issued on its behalf to students. It is responsible for investigation and resolution of any credit balances on the students’ accounts, including applying such credits to student or loan receivables or issuing a refund to the student.

Comptroller’s Office

Accounting Operations

Accounting Operations is responsible for the annual reporting of unclaimed property on behalf of the schools and centers. As such, it has oversight responsibility for ensuring that due diligence efforts are performed to reunite unclaimed property with its owner. It also has responsibility for reviewing and resolving uncashed, stale-dated checks which are issued to make payment on transactions for multiple Schools/Centers.

Accounts Payable

Accounts Payable is responsible for voiding or for voiding and reissuing checks at the request of appropriate personnel.

Procedures

1. On a monthly basis the School/Center should run the 250 Uncashed Check – Single CNAC Extract (250 Extract) for its School/Center. For instructions on how to run the extract and export it into Excel, see

http://www.finance.upenn.edu/ben/benfin/documentation/reportdoc/quickv/250_UncashedCheck.pdf

The date parameter should be the beginning and ending dates of the month for which the checks have become stale. See Appendix A for the schedule on when to run the 250 Extract for each month. Note that although the checks become stale after 90 days, the system does not mark them as stale until the tenth workday of the month following the month in which the check becomes stale (e.g., checks issued in January become stale in April, but would not be marked 'stale' in the system until the tenth workday in May).

2. After exporting the 250 Extract into Excel, the School/Center should add a column at the far right entitled "Status", in which it will indicate the results of its due diligence process. Suggested comments to enter in the "Status" field are provided in section 4 below. See Appendix C for a sample completed worksheet.
3. Once the 250 Extract has been run and downloaded into an Excel spreadsheet, the due diligence process can begin. Due diligence includes, but is not limited to, reviewing the payment information to ensure it is correct and/or reaching out to the payee to determine if there are any issues with receiving and/or cashing the check. The payee may be contacted either via telephone or by mail. A sample due diligence letter is included in Appendix B. The school/center should make a reasonable effort to reunite the uncashed check with its owner.
4. Once due diligence efforts have been completed on a check, one of the following will occur:
 - a. The original check will be voided, stop payment and reissued. This will happen if it is determined that the original payment represents a **valid** payment and can be resent to the payee (either at the request of the payee or due to better information being available to reunite the property with its owner). Once the check is stopped/voided, it will no longer appear on the 250 Extract if run for that period. The School/Center should indicate in the "Status" column on the spreadsheet that the *"Check has been stopped and reissued"*. **Under no circumstances should a valid payment be stopped without being reissued.**
 - b. The original check will be voided, stop payment without being reissued and the invoice cancelled. This will happen if it is determined that the original payment represents an **invalid** payment, that is, it represents a duplicate or erroneous payment, either through the School/Center's review of the payment or based on a written response from the payee that no payment is due. Once the check is voided/stopped, it will no longer appear on the 250 Extract if run for that period. When the invoice is cancelled the original 26-digit account string(s) will be credited. The School/Center should indicate in the "Status" column on the spreadsheet that *"Payment is invalid - check has been stopped without reissue"*.
 - c. The original check will remain as a stale-dated check to be reported to the state. This will happen if it is determined that the original payment represents a **valid** payment and, after due diligence efforts, the payee cannot be located or otherwise does not respond to due diligence efforts. These checks will remain as outstanding and will appear on the 250 Extract if run for the same period until such time as the check is reissued at the request of the payee or it is escheated, whichever comes first. The School/Center should indicate in the "Status" column on the spreadsheet that due diligence efforts have been unsuccessful, for example:
 - i. *"Escheat - Due diligence letter sent; returned by post office. No other address available"*.
 - ii. *"Escheat - Due diligence letter sent; no response received."*
 - iii. *"Escheat - [Insert other reason here]"*

5. The School/Center will have 60 days to complete this review. At the end of the 60 days, the School/Center must forward the Excel spreadsheet to the Comptroller's Office with the "Status" column completed for all checks. See Appendix C for an example of a completed spreadsheet. Due dates for submission of the spreadsheets are included in Appendix A.

Note: To allow for the transition to the change in procedures, for the first three months of 2009, Schools/Centers will have 90 days to complete due diligence.

6. Each quarter the Senior Business Administrator will send an e-mail to the Comptroller's Office certifying that due diligence was performed on its stale-dated checks for the previous quarter. A copy of the completed spreadsheet should also be sent to the ORS Assistant Director(s) at the same time. See Appendix D for due dates for submission of the certification. The certification should include language to the effect that the School/Center has reviewed stale checks for the months of x, y and z, 20xx, and that reasonable effort was made to reunite the valid uncashed checks with their owner and that any duplicate or invalid checks were stopped without being reissued.
7. On an annual basis the Chief Financial Officer of each School/Center will include in his/her representations in the Representation Letter that due diligence was performed on its stale-dated checks in accordance with University policy and procedures.

Appendix A: Unclaimed Property Due Diligence Calendar

Check Issue Date	Check Becomes Stale-dated	School/ Center Due Diligence Begins	Due Diligence Spreadsheet Due to Controller's Office*
January 1 – 31	April 30	May 1	2009 – July 31 2010 & after – June 30
February 1 – 28	May 31	June 1	2009 – August 31 2010 & after – July 31
March 1 – 31	June 30	July 1	2009 – September 30 2010 & after – August 31
April 1 – 30	July 31	August 1	September 30
May 1 – 31	August 31	September 1	October 31
June 1 – 30	September 30	October 1	November 30
July 1 – 31	October 31	November 1	December 31
August 1 – 31	November 30	December 1	January 31
September 1 – 30	December 31	January 1	February 28
October 1 – 31	January 31	February 1	March 31
November 1 – 30	February 28	March 1	April 30
December 1 – 31	March 31	April 1	May 31

* Note: For the first three months of 2009, 90 days will be allowed to perform due diligence efforts. Beginning for checks issued April 1, 2009, 60 days will be allowed to complete due diligence.

Appendix B: Sample Due Diligence Letter

Below is a sample due diligence letter for use in contacting payees regarding their uncashed checks. The letter should be sent out on University letterhead. Information in brackets "< >" should be entered by the School/Center prior to sending the letter.

<Current Date>

<Name Of Payee>

<Address of Payee>

RE: Property Type: ACCOUNTSPAYABLE UNCASHED CHECK

Last Activity: <Issue date of check> Customer/ **Check #:** <Check Number>

Cash \$<Amount of Check>

The above referenced check has been found in our records as outstanding. Please let us know if this payment is still due to you. We need to **hear back from you** no later than **<Response Date>**. If we do not hear from you your money will be reported to the State entity that governs the Unclaimed Property. Please use this as a correspondence to respond. Please check the appropriate statement and sign on the space provided below. For our records, please indicate the forwarding address that you would like us to use for your re-issued check. Please note that if you are a **current employee** of the University of Penn with direct deposit for payroll, we will re-issue your Unclaimed Property check via **EFT**.

_____ Yes, this payment is still due.

_____ No, this payment has been settled or I am not entitled to receive this payment

Name (if different than above): _____

New Mailing Address: _____

State/ City/ Zip code: _____

Signature: _____ **Date:** _____

If you have any questions please feel free to contact me.

Sincerely yours,

<Name of School/ Center Contact>

<Title>

<Address>

<Telephone>

<Fax Number>

<e-mail address>

Appendix C – Sample 250 Extract Spreadsheet with Status

Below is an example of a completed due diligence review spreadsheet. Columns A through X are from the 250 Extract exported into an Excel spreadsheet. (Note that not all columns are displayed.) The School and Center adds the “Status” column (column Y– highlighted in yellow) and indicates the result of due diligence efforts as per section 4 of the procedures.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
1	Check #	Check Amount	Check Date	Check State	Check Date	Vendor Name	Vendor	Vendor Type	Vendor Site Code	City	State	Zip	Status												
2	301	3,500.00	05-JAN-09	30-APR-2009	MUNSTER, HERMAN	XXXXXX	Individual	1313 MOCKINGBIRD	PHILADEL	PA	19104	Payment is invalid - check has been voided													
3	327	475.00	09-JAN-09	30-APR-2009	MR. HOOPER'S STORE	XXXXXX	Non-Contract	123 SESAME STREET	PHILADEL	PA	19104	Escheat - Due diligence letter sent; no response													
4	348	52.30	20-JAN-09	30-APR-2009	HENHOUSE, HENRY CABOT	XXXXXX	EMPLOYEE	317A FB/3684					Check has been voided and reissued												
5																									
6																									

Note: All information in this spreadsheet is fictional and has been created solely for illustrative purposes.

Appendix D – Quarterly Certification Calendar

Check Issue Date	Certification Due to Controller's Office*
January, February, March	2009 – September 30 2010 & after – August 31
April, May, June	November 30
July, August, September	February 28
October, November, December	May 31

* Note: For the first three months of 2009, 90 days will be allowed to perform due diligence efforts. Beginning for checks issued April 1, 2009, 60 days will be allowed to complete due diligence.