**Unclaimed Property: Due Diligence Procedure for Stale-dated Disbursements Checks**

**Effective Date:** May, 2009

**Revised:** May, 2021

**Background:**

State laws require organizations such as the University of Pennsylvania to report unclaimed property at the end of its dormancy period. The states then hold the property until claimed by the rightful owner.

The principal causes of uncashed stale-dated checks are an incorrect address for the payee, an incorrect vendor selected in Penn Marketplace, checks received by the payee but not cashed and due diligence efforts performed years after the check becomes stale. In an effort to improve the due diligence process related to the stale-dated accounts payable checks, emphasis should be placed on performing due diligence on uncashed checks as they become stale, rather than waiting until the end of the dormancy period.

**Responsibility**

*Schools/Centers*

Schools and Centers have the responsibility for performing due diligence on uncashed, stale-dated checks issued on behalf of their school/center. As part of the procurement process, schools and centers are responsible for identifying the correct vendors and ensuring that the vendor paysite information is correct. Likewise, when processing Non-PO Payment requests, it is the school and centers’ responsibility to ensure that the correct vendor and paysite information is entered correctly into the Non-PO Payment request before approval and processing of the request. Doing so reduces the number of misdirected payments which are a significant cause of uncashed checks. Performing due diligence on the uncashed checks will further enable the schools and centers to identify where weaknesses exist in their internal processes with regard to initiating and approving Non-PO Payment request so they can be corrected.

*Student Registration and Financial Services*

Student Registration and Financial Services (SRFS) has the responsibility for performing due diligence on uncashed, stale-dated checks issued on its behalf to students. SRFS is responsible for billing and collection of tuition from students as well as processing refunds 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*

Corporate Tax, Compliance & Payroll

Corporate Tax, Compliance & Payroll is responsible for managing all of the annual reporting of unclaimed property on behalf of the schools and centers to the state listed in the address of the payee. 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 performing due diligence on checks which are issued to make payment on transactions for multiple Schools/Centers.

Disbursements

Disbursements 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

[250.SCH: Uncashed Check – Single CNAC Extract](https://benhelps.upenn.edu/support/solutions/articles/15000055238-250-sch-uncashed-check-single-cnac-extract)

1. 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.
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 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.
4. Once due diligence efforts have been completed, one of the following will occur:
	1. The original check will be voided 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 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 voided and reissued*”. **Under no circumstances should a valid payment be voided without being reissued.**
	2. The original check will be voided without being reissued. 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. Supporting documentation will need to be attached to the void check request, either a letter signed by the payee that the check is not due or documentation that shows that the check was previously paid by another check. Once the check is 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 “*Payment is invalid - check has been voided without reissue*”.
	3. 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:
		1. “*Escheat - Due diligence letter sent; returned by post office. No other address available*”.
		2. “*Escheat – Due diligence letter sent; no response received.”*
		3. *“Escheat –* [Insert other reason here]*”*
5. The School/Center will have between 60 and 120 days to complete due diligence, as set forth in the due diligence calendar in Appendix A. While due diligence is performed monthly, reporting the results of due diligence efforts to Corporate Tax, Compliance & Payroll is done on a quarterly basis. Sixty days after the end of each quarter, the School/Center must forward the Excel spreadsheet to Corporate Tax, Compliance & Payroll with the “Status” column completed for all checks for which due diligence was performed in that quarter. See Appendix C for an example of a completed spreadsheet. Due dates for submission of the spreadsheets are included in Appendix A. If the School/Center has no uncashed stale-dated checks for the period, it should send an email notification to Corporate Tax, Compliance & Payroll indicating that it has run the 250 report and there are no outstanding stale-dated checks for the period.
6. 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 | August 31 |
| February 1 – 28 | May 31 | June 1 | August 31 |
| March 1 – 31 | June 30 | July 1 | August 31 |
| April 1 – 30 | July 31 | August 1 | November 30 |
| May 1 – 31 | August 31 | September 1 | November 30 |
| June 1 – 30 | September 30 | October 1 | November 30 |
| July 1 – 31 | October 31 | November 1 | February 28 |
| August 1 – 31 | November 30 | December 1 | February 28 |
| September 1 – 30 | December 31 | January 1 | February 28 |
| October 1 – 31 | January 31 | February 1 | May 31 |
| November 1 – 30 | February 28 | March 1 | May 31 |
| December 1 – 31 | March 31 | April 1 | May 31 |

**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>

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**RE: Property Type:** ACCOUNTS PAYABLE UNCASHED CHECK

**Last Activity: <Issue date of check>**

**Check #: <Check Number>**

**Check Amount $<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 or not.

Check the appropriate statement below and sign on the space provided. Return this letter to the address provided below. If the address on this letter is incorrect, kindly indicate the address where you would like us to send your re-issued check on the “New Mailing Address” lines below.

We would appreciate receiving your response no later than **<Response Date>**. If we do not hear from you, your funds will be reported to the appropriate State entity that governs Unclaimed Property.

\_\_\_\_ 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 Report Spreadsheet with Status**

*Below is an example of a completed Due Diligence Spreadsheet. Columns A through X are from the 250 Report 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.*



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