**Unclaimed Property: Due Diligence Monitoring for Accounts Receivable Credits**

**Effective Date:** January, 2014

**Revised:** May, 2021

**Due Dates:**

* Due Diligence Monitoring: Quarterly in accordance with calendar below
* Listing of Property to Report to State: Two weeks following request by Corporate Tax, Compliance & Payroll
* Yearly Due Diligence Certification: January 31st of each year

**Background:**

State laws require organizations such as the University of Pennsylvania to report unclaimed property at the end of its dormancy period. Once it is reported, the state then holds the property until claimed by the rightful owner.

Accounts receivable (A/R) credits occur when a patient/client overpays on their account or prepays for services to be rendered. Each school/center should have procedures documenting how to monitor and address its A/R credits, including who is responsible for reviewing the A/R credits, how often they are reviewed, and how to perform due diligence on the A/R credit. Due diligence refers to the reasonable effort that is made to reunite the unclaimed property, in this case the A/R credit, with its owner, in this case, the patient or client.

**Responsibility**

*Schools/Centers*

Schools and Centers have the responsibility for developing and documenting procedures for reviewing and performing due diligence on A/R credits. They are also responsible for refunding any unclaimed credits to the original patient/client. If it is unable to refund the credit, the school/center is responsible for reporting the credit to Corporate Tax, Compliance & Payroll, for subsequent reporting of unclaimed property to the appropriate state. The school/center is also responsible for certifying annually to Corporate Tax, Compliance & Payroll, that it has procedures in place for monitoring and reporting unclaimed A/R credits and that it has followed those procedures and refunded or reported any unclaimed A/R credits as required.

*Comptroller’s Office*

Corporate Tax, Compliance & Payroll

Corporate Tax, Compliance & Payroll is responsible for managing 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.

Accounts Payable

Accounts Payable is responsible for issuing the refund checks for A/R credits at the request of appropriate personnel.

**Procedures**

1. On a periodic basis, but no less than quarterly, the School/Center should review its A/R to identify any credits.
2. If the school/center has A/R credit(s), they must perform due diligence to reunite the abandoned property with its owner in accordance with its procedures. Due diligence efforts should include reaching out to the patient/client to determine the disposition of the credit, that is whether it should be refunded or applied against future services. A sample due diligence letter is below. A/R credits on inactive accounts should be refunded to the owner in accordance with the school/center’s procedures, but not later than two years after the account has become inactive.
3. No A/R credit should be maintained for more than two years. Prior to the A/R credit being on the account for this time period, the school/center should make every attempt to refund the overpayment to the patient/client. If the school/center is unable to issue a refund check, the school/center must report the A/R credit to Corporate Tax, Compliance & Payroll so that it can report the unclaimed property to the appropriate state as required. The information reported to Corporate Tax, Compliance & Payroll should include the name of the owner (patient/client), the owners address, the date the credit was received, the account number and the amount of the credit.
4. Corporate Tax, Compliance & Payroll will report the A/R credits as unclaimed or abandoned property to the appropriate state as required.
5. On an annual basis in January the Senior Business Administrator of each School/Center, or his/her designated representative, will be requested to certify that the school/center has procedures in place to review and perform due diligence on credit A/R balances, that it has reviewed its A/R credits in accordance with its procedures, that it has performed due diligence on such A/R credits to reunite the unclaimed property with its owner; and whether or not it has any unrefunded A/R credits older than two years.
6. Under no circumstances should a credit to an accounts receivable resulting from an overpayment made by the patient/client be taken into revenue. All such overpayments should be returned to the owner or applied to future services at the owner’s request. Any such overpayments on accounts that have become inactive should be returned to the owner or reported as unclaimed property to the appropriate state as required.

**Appendix A: Due Date Calendar**

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| --- | --- | --- |
| Date of Last Activity | School/Center Due Diligence Begins | Due Diligence Spreadsheet Due to Controller’s Office |
| January 1 – 31 | May 1 | August 31 |
| February 1 – 28 | June 1 | August 31 |
| March 1 – 31 | July 1 | August 31 |
| April 1 – 30 | August 1 | November 30 |
| May 1 – 31 | September 1 | November 30 |
| June 1 – 30 | October 1 | November 30 |
| July 1 – 31 | November 1 | February 28 |
| August 1 – 31 | December 1 | February 28 |
| September 1 – 30 | January 1 | February 28 |
| October 1 – 31 | February 1 | May 31 |
| November 1 – 30 | March 1 | May 31 |
| December 1 – 31 | April 1 | May 31 |

**Appendix B: Sample Due Diligence Letter**

*Below is a sample due diligence letter for use in contacting payers regarding their accounts receivable credits. 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 Patient/Client>

<Address of Patient/Client>

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**RE: Property Type: ACCOUNTS RECEIVABLE CREDIT**

**Last Activity: <Date of last activity on account>**

**Customer #: <Client Number>**

**Credit Balance $<Amount of Credit>**

The above referenced Accounts Receivable credit has been found in our records as outstanding. Please let us know if you would like this credit refunded back or if you would like us to retain the credit and apply it to future visits/services.

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 or any future correspondence on the “New Mailing Address” lines below.

We would appreciate receiving your response by **<Response Date>**. If we do not hear from you, your funds will be reported to the State entity that governs Unclaimed Property.

\_\_\_\_ Yes, please return the credit/overpayment to me.

\_\_\_\_ No, please retain the credit for future visits/services. (Note that if the account remains inactive after 90 days, the credit will be returned to you at the address on record.)

***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>