



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

## Operating Policy and Procedure

**HSCEP OP:** 50.12, **Check Collections and Returned Checks**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish rules and guidelines for the receipt and processing of returned checks.

**REVIEW:** This HSCEP OP will be reviewed by April 1 of each even numbered year (ENY) by the directors of Accounting Services and Student Business Services, with recommendations for revisions submitted to the chief financial officer, or his/her designee, by April 15.

### **POLICY/PROCEDURE:**

#### **I. Responsibilities.**

- A. Accounting Services is responsible for establishing guidelines for the acceptance of checks by departments and for the processing and collection of returned checks.

#### **II. General Guidelines for the Acceptance of Checks by Departments.**

- A. To facilitate rapid and accurate check collection, all checks accepted by departments must be made payable to TTUHSC El Paso, to the department by name followed by TTUHSC El Paso, or to the Texas Tech Foundation Inc. (TTFI). Any check drawn on a foreign bank must be forwarded to Student Business Services (SBS). Checks drawn on foreign banks will not be considered payment until the funds are collected.
- B. Prior to accepting a check, the department is responsible for verifying that the following information is present on the check:
  - 1) Signature of the payer
  - 2) Current date (postdated checks must not be accepted)
  - 3) Numeric amount that agrees with the amount due and the written amount (checks written for more than the amount due must not be accepted)
  - 4) Notation indicating the service or goods for which the payment is made
  - 5) Complete driver's license information of the payer, or other form of valid ID
  - 6) Imprint of magnetic ink characters for account identification
  - 7) Payer's preprinted name and address of the payer
- C. State law requires the timely deposit of receipts. Receipts must be deposited within three (3) business days with no exceptions. Receipts totaling \$500 or more must be deposited by the following business day.
- D. Checks received by departments must be endorsed immediately upon receipt with a restrictive TTUHSC El Paso endorsement stamp. The stamp imprint must be clear and legible. Refer to HSCEP OP 50.10 for procedures related to obtaining and using endorsement stamps.

#### **III. Redeposit of Insufficient Funds Checks.**

TTUHSC El Paso has established a policy with our primary bank to redeposit all checks returned for insufficient funds. Therefore, departments must not attempt to redeposit insufficient funds checks. Insufficient funds checks must be forwarded for collection as described in Section IV of this HSCEP OP. All communications regarding returned checks must be directed to Accounting Services. Departments must not accept repayment of a returned check without express approval by Accounting Services.

#### **IV. Processing of Returned Checks.**

- A. Returned checks will be forwarded from the respective banks either to Accounting Services or to the MPIP Business Office as frequently as daily. For the depository accounts utilized by the MPIP Business Office, copies of the returned checks will be made so that the MPIP Business Office can have either copies or the originals of the returned checks and Accounting Services can have the other.
- B. When the MPIP Business Office receives the returned check log and the original or copied returned checks, they must segregate between MPIP payments and other payments. For those returned checks that represent dishonored MPIP patient payments, a transaction must be entered into the Patient Management System to reinstate the outstanding patient receivable balance. For those that do not represent patient payments, the MPIP Business Office will need to work directly with Accounting Services to determine which department originally deposited the returned check and what deposit coding was originally used.
- C. When Accounting Services receives the returned checks, a journal entry will be prepared to reduce the MPIP clearing fund or other applicable revenue coding for the corresponding account. Accounting Services will assume initially that all returned checks for the MPIP deposit accounts relate to MPIP patient collections and will reduce the clearing fund revenue for the entire amount. Once the MPIP Business Office advises Accounting Services of the amount of the returned checks that do not relate to MPIP patient collections, the related clearing fund revenue will be reinstated. For returned checks that do not relate to MPIP collections, Accounting Services will contact the appropriate endorsement stamp contact as determined by the endorsement number printed on the returned check.
- D. Immediate reduction of the MPIP clearing fund revenue for MPIP patient returned checks helps to ensure that the MPIP Business Office is able to reconcile between clearing fund activity and the Patient Management System.
- E. Subsequent collections of funds by the approved contractor or by express authorization of Accounting Services will result in a deposit to the clearing fund or other applicable revenue.
- F. The MPIP Business Office is responsible for collection of returned checks associated with its patient revenues. Collection efforts may involve direct contact with the patient and/or referral to a third-party collection agency or the appropriate legal authorities.
- G. Accounting Services may initiate collection efforts for all checks returned by banks using a university-contracted check collection service. Departments are responsible for additional collection efforts for any items returned as "stop payments." Items deemed uncollectible by the check collection service may be referred to the District Attorney's Office for prosecution and collection.
- H. The maker of the returned check will be required to pay directly to the collection agency (or other collecting organization) the amount owed resulting from the returned check and

any applicable service charge, in the form of cash, money order, or cashier's check. Any waiver of a returned check service charge associated with collection agency efforts is governed by the contract in effect with the collection agency unless collection is obtained prior to the check being submitted to the collection agency, in which case collection of an additional fee will be at the discretion and use of the collecting department. Collections by departments require the prior express approval of Accounting Services.

- I. In all aspects of returned check processing, it is essential that strong communication exists between departments and that information is provided in a timely manner.

#### **V. Record Holds and Termination of Check Cashing Privileges.**

- A. Checks or web checks received from students that are returned to a department as uncollectible may result in a hold being placed on the student's records. The department is responsible for placing a hold on the student's records and for removing it when appropriate.
- B. Departments may, at their discretion, establish policies regarding actions to be taken against faculty or staff who issue checks that are returned or deemed to be uncollectible. Where permitted by law, previously uncollected checks from faculty or staff may be applied against any balance due to the employee.
- C. A department may refuse to accept checks as a form of payment when they deem such action is in the best interest of the institution.

#### **VI. Returned Checks for Student Tuition and Fees.**

- A. The collection of returned checks or web checks for tuition and fees for students attending TTUHSC El Paso is the responsibility of SBS. SBS will reinstate the student's accounts receivable balance in Banner, assess a returned check fee, and immediately commence collection efforts. Any questions regarding the collection of these checks should be directed to SBS.