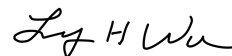


Procedure Number: AC047

Date: January 5, 2023



Lih Wu, Chief Financial Officer

Title: Deposited Check or ACH Returned by the Bank

Statement

This procedure is established to document the processing of checks or ACH previously deposited by TUC that are returned by the bank.

Purpose

To provide The University Corporation (TUC) with a procedure for the handling of checks or ACH deposits that are returned by the bank.

Procedure

When checks deposited or ACH deposits posted by TUC are returned by the bank, the bank will send a list of the returned items with copies of checks that are being returned and their respective return reasons. The U.S. Department of the Treasury has published the following 21 check return codes:

- 'A' NSF - Not Sufficient Funds
- 'B' UCF - Uncollected Funds Hold (eligible for redeposit)
- 'C' - Stop Payment
- 'D' - Closed Account
- 'E' UTLA - Unable to Locate Account (review copy of check to see if bank has provided helpful information to locate account)
- 'F' - Frozen/Blocked Account
- 'G' - Stale Dated
- 'H' - Post Dated
- 'I' - Endorsement Missing – if possible, add endorsement and redeposit
- 'J' - Endorsement Irregular – if possible, add endorsement and redeposit
- 'K' - Signature(s) Missing
- 'L' - Signature(s) Irregular
- 'M' - Non -Cash Item (Non - Negotiable)
- 'N' - Altered/Fictitious Item
- 'P' - Items Exceeds Dollar Limit
- 'Q' - Not Authorized
- 'R' - Branch/Account Sold (Wrong Bank)
- 'S' - Refer to Maker
- 'T' - Stop Payment Suspect
- 'W' - Cannot Determine Amount'

'X' - Refer to Image

When returned items are received by TUC, Accounting will:

- Reverse the related deposit journal entries in the General Ledger (GL)
- Research the item:
 - The research process includes reviewing the copy of the check to decipher the reason for return and also the notes in the GL system.
 - If the check endorsement, i.e. payment, is the issue and can be corrected, the check will be re-deposited, the processing will then end.
 - If the payment was a stop payment initiated by the payer, determine if it is a duplication. If payment is a duplicate, the payment will be reversed in the system.
 - If the customer has notified TUC in advance but the check was not caught in time, no notice to customer will be needed.
 - If customer did not notify TUC and the error was made by the customer, TUC will send a notice advising customer not to submit duplicates in the future.
- Contact the department that the payment was for to determine if there is any special handling process is needed.
- Notify the customer regarding the returned item when a replacement check is needed. Send a letter to the person who sent the payment, copying the affected department. The letter should include,
 - Check number
 - Dollar amount of the check
 - Reason for the return
 - Request payment with guaranteed funds by cashier's check, certified check, or the option of dropping the cash off in person
 - Fees for the returned item if the payment returned was assessed a service fee by the bank.
 - Time frame to replace the payment, i.e. 15 business days
 - Consequences of not replacing payment in a timely manner
 - Before mailing the letter , route the letter to Associate Director of Accounting for signature
- When replacement payment is received, it will be handled the same process as other check receipts.
- If replacement not received within the time frame, continue with a reasonable attempt to pursue. When all are in vain, send the case to collection agencies and/or report to police as needed.