

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Accounting Services Department

RETURNED CHECK PROCESSING

As often as daily, returned checks are forwarded from the respective banks either to Accounting Services or, in the case of the secondary depository in El Paso, to the El Paso MPIP Business Office. For the four depository accounts utilized by the MPIP Business Offices, copies of the returned checks are made so that each Business Office can have the originals of the returned checks and Accounting Services can have copies.

For any account, even the secondary depository accounts used by the MPIP Business Offices, it is possible that some of the returned checks will represent collections for activity other than MPIP revenues. As such, some of the original returned checks must be forwarded to Accounting Services or a separate department for collection efforts.

When the MPIP Business Offices receive 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 IDX (paycode 96) to reinstate the outstanding patient receivable balance. For those that do not represent patient payments, the MPIP Business Offices work directly with Accounting Services to determine which department originally deposited the returned check and what deposit coding was originally used.

When Accounting Services receives copies of the returned checks, a journal entry is prepared to reduce trust fund revenue for the corresponding campus. Except in the case of El Paso, Accounting Services assumes initially that all returned checks for the MPIP deposit accounts relate to MPIP patient collections and will reduce trust fund revenue for the entire amount. Once the MPIP Business Offices advise Accounting Services of the amount of the returned checks that do not relate to MPIP patient collections, the trust fund revenue is reinstated. For returned checks that do not relate to MPIP collections, Accounting Services either reverses the original deposit, if determinable, or establishes a returned check receivable asset.

Immediate reduction of trust fund revenue for MPIP patient returned checks helps to ensure that the MPIP Business Offices are able to reconcile between trust fund activity and IDX activity. Though returned checks represent a legitimate expense of doing business, lack of materiality allows for recognition of returned checks as a revenue reduction and not as an expense.

For returned checks not related to MPIP patient revenue, timely identification of the original deposit coding and responsible department is very important. Returned check receivables must be collected or written off within four months of establishment. It is generally assumed that returned check receivable balances are highly uncollectible.

Considering that claims against returned checks are generally uncollectible, it is most desirable that all returned checks be recorded as an offset to the original deposit. A returned check that is initially posted to the receivable account must be recoded to offset the original deposit as soon as the original deposit coding is identified, even if collection efforts are ongoing.

For returned checks related to MPIP patient payments, subsequent collections result in a deposit to trust fund revenue. Subsequent collections on returned checks not related to MPIP revenues are deposited either against the returned check receivable, if established and still outstanding, or as an increase coded identical to the original deposit.

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MPIP Business Offices at the regional campuses are responsible for collection efforts for returned checks that relate to their respective MPIP patient revenues. Collection efforts often involve direct contact with the patient and/or referral to a third-party collection agent or the appropriate legal authorities.

For returned checks not related to MPIP patient receipts, the depositing department and/or Accounting Services are responsible for collection. For Lubbock returned checks related to MPIP patient payments, as well as other returned checks related to Lubbock receipts, Accounting Services initiates the collection efforts using a local third-party agent.

The department that successfully collects on a returned check is entitled to any applicable service charge revenue. Most agreements with third-party collection agents provide for recovery of a collection fee, a portion of which is usually provided to TTUHSC.

In all aspects of returned check processing, it is extremely important that strong communications exist between departments and that information is provided timely.

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