University of Missouri System
Accounting Policies and Procedures

Policy Number: APM-50.21

**Policy Name: Payments Processing – Stop Pay and
                              Replacement Checks**

General Policy and Procedure Overview:

At infrequent times, Accounting or Payroll offices feel they must stop payment on checks that have been issued from PeopleSoft Accounts Payable (AP) or PeopleSoft Payroll. This establishes the policy and procedures necessary to stop payment and reissue the check when desired.

Definition of Key Terms:

CRR: Cash Receipt Report – A means for a department to record the money coming in or going out of the bank that includes the correct ChartField to be credited or debited.

Stop Pay: the act of notifying the bank that the check should not be honored if the payment is presented to the bank. This stop payment takes effect immediately with no delay.

Void: the process of notifying the bank that a payment is voided and should not be honored. This can apply to checks from AP or Payroll (note that the term for a void check is a reversed check in Payroll).   The nightly process submits information to the bank for newly issued checks, called the positive pay file, to notify the bank that they should honor certain check numbers for a specified amount. Additionally, the process submits information to notify the bank that certain checks are no longer valid and should not be honored—these are voided checks. If the payee presents the check for payment at the bank, the bank will contact us to validate whether the University intended to void the check and let us know someone is trying to present it for payment.

Replacement Check: a check issued to a vendor when the original check is determined to be missing or destroyed.

Reversed Check: a check that has been voided in Payroll. The PeopleSoft Human Resources System (HR) uses a reversal process to make a copy of the original payroll check and reverses the sign (plus/minus) on the amount fields. The process effectively backs the check out of the HR System. This process requires additional action to notify the bank of the voided check.

Commerce Connections: an online tool provided by Commerce Bank for the viewing of payment status and managing the positive pay system on checks issued by the University.

Detail Policy:

Banks charge the University a fee to stop payment on checks and so the use of this procedure should be exercised with prudent stewardship. To "stop payment" means that once the University notifies the bank to stop payment of a check, the check is technically still outstanding but will not be honored by the bank effective immediately. As an alternate procedure that does not cost the University a fee, a check can be voided in AP or Payroll and the bank will not honor the check beginning the next regular business day.

This policy does not specify when a stop pay must be issued. It is at the discretion of management, with the knowledge that a stop payment takes affect immediately and the drawer bank assesses a stop payment fee for each check that is stopped. There are several factors that may be considered in deciding to issue a stop payment. A few examples may be whether the check was issued to an employee, the imminent likelihood of fraud or alteration of a check, vendor reliability, or frequency and volume of business from a vendor. If management believes there is a significant financial risk that needs to be mitigated within the next 24 hours (since the no-cost procedure utilizing the positive-pay system is effective within 24 hours), then the following detail procedures may be followed.

Paper Checks:

Management evaluates the request for a replacement check and if the original check is not available and has been outstanding for more than two weeks or the original check is available then a replacement check is issued.

If the original check is not available, an inquiry must be done with Commerce Connections to determine the status of the check. If the check is still outstanding, the check should be voided and may be replaced the following banking business day if it still has not been presented for payment at the bank. If the original non-negotiated check is in the possession of Accounting Services then the check is to be voided and can be reissued immediately.

If the check is not in the possession of the University and management feels that a significant risk is evident to the University, then a stop payment may be issued. Once the stop payment is issued, a replacement check may be issued immediately.

1. General Expense Accounts Payable checks may be stopped for two basic reasons.
   a. When a request for a replacement AP check is received due to lost, stolen, never received, or check torn during processing, give to the individual with appropriate PeopleSoft Access Role in AP to void the check. Mark the payment void/reissue in PS. This has the effect of debiting cash and crediting the liability account. The normal Payables process is followed to process and pay the voucher.
   b. When a payment is stopped because of non-performance or a dispute as to the validity of the expense, the payment is marked as a void/close. This has the effect of debiting cash, and reversing the expense. A check will not be re-issued.
2. If a stop payment is warranted, request that the Accounting Office execute a stop payment, and the appropriate person will log in to the Commerce Connections web-site and stop payment for the specified check.
3. The Accounting Office will process payment as necessary. If an express check is necessary, that procedure is available in the PS 8.8 Voucher Create training guide.

Official Accounting Policies and Procedures of the University of Missouri System are Authorized and Issued by the Office of the Controller

ACH:

ACH Rejects**:**

The bank may notify the University that a payment has rejected for a number of reasons that may include a bad transit and routing number, bad account number, account closed, etc. Notification will be received in the Office of the Controller

- An advice will be sent to the applicable originating department.
- The Office of the Controller will prepare the CRR to credit the bank account and credit a clearing account.
- The originating department will prepare a voucher requesting generation of the payment moving the funds out of the clearing account into the bank account.
- A check will be generated.

ACH Pull Backs**:**

It may be necessary to stop an ACH payment due to an overpayment, duplicate payment, payment to the wrong vendor, etc. If the error is detected within 3 business days of the origination of the ACH, the University is able to reverse the ACH transaction and re-process the payment.
- The originating department notices the Office of the Controller of the error.
- The Treasurer's Office will reverse the ACH.
- The Office of the Controller will prepare the CRR to credit the bank account and credit a clearing account.
- The originating department will prepare a voucher requesting generation of the payment moving the funds out of the clearing account into the bank account.
- A check will be generated.

RESPONSIBILITY

Office of the Controller
- Reconcile and clear the clearing account ChartFields
- Process and control notices of rejected ACH Transactions

Treasurer's Office
- Pull back erroneous ACH payments

Department:
- Resolve issues as regards the payment errors
- Approve and process requests for replacement checks

Effective Date: July 1, 2006
Revised Date: May 7, 2007

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.

Affidavit

Return this form to Campus Payroll Department after signature

_____/EMPLID_____ states: that Affiant was the payee of a check issued by the Curators of the University of Missouri, a public corporation of the State of Missouri, which the University identifies at check number_____, dated _____, and in the amount of _____ was (circle one) Lost,   Destroyed,   Stolen or   Not Received under the following circumstances:_____ _____ _____ and Affiant further requests the University of Missouri issue a replacement check. If the original check is received or recovered, I will not cash it but will return it to the University of Missouri Payroll Office.

_____/Date_____
Payee Signature

_____
Payees Address of record

Payees FEDERAL ID number_____

Campus Accounting	UM System Accounting	Outstanding as of:

Official Accounting Policies and Procedures of the University of Missouri System are Authorized and Issued by the Office of the Controller