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THE COMMISSIONER

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GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS

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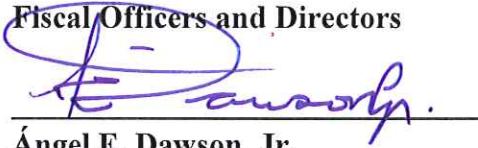
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DEPARTMENT OF FINANCE

FINANCE MEMORANDUM NO. 013-2012

**TO:** Department Heads, Agencies and Activities

**SPECIAL ATTENTION TO:**  
Directors, Business and Administrative Services,  
Fiscal Officers and Directors

**FROM:**   
Ángel E. Dawson, Jr.  
Commissioner

**DATE:** June 27, 2012

**Re:** Statement of Policies and Procedures (SOPP) #122 – Dishonored Checks

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This memorandum transmits Statement of Policies and Procedures (SOPP) # 122, which addresses dishonored checks received by the Government of the Virgin Islands. It sets forth guidance from the point that a check is returned to the Department of Finance by a financial institution to the point that said check is referred to the Department of Justice for legal action.

Although the number and dollar value of dishonored checks received by V.I. Government collectors has declined significantly since the introduction of Tele Check services in Fiscal Year 2010, when dishonored checks are received they must be accurately accounted for and vigorously collected by the receiving department or agency, in conjunction with the Department of Finance and (when necessary) the Department of Justice.

This SOPP is intended to provide the necessary guidance to foster improved accounting and collection of dishonored checks. Associated training sessions for V.I. Government

collectors and fiscal officers will be arranged by the Department of Finance, under the auspices of the Treasury Division.

If you have any questions or concerns, or need further clarification, please do not hesitate to contact Mrs. Laurel Payne, Director, Treasury Division at 774-4750 Ext. 2279, or Ms. Geneva Weekes at Ext. 2278.

<b>SOPP # 122</b>	<b><u>Prepared By:</u> Department of Finance (DOF)</b>
<b><u>Effective Date:</u> 6/27/12</b>	<b><u>Approved By:</u> Angel E. Dawson, Jr.</b>
<b>Title</b>	<b>DISHONORED CHECKS</b>
<b>Purpose</b>	<p>The purpose of this policy is to establish general controls at the departmental level for management of dishonored checks.</p> <p>Historical practices shall not constitute justification for deviation from the following guidelines.</p>
<b>Policy</b>	<ul style="list-style-type: none"><li>• When a check or other instrument has been dishonored by non-acceptance or nonpayment, it is returned to the Department of Finance(DOF) from the bank.</li><li>• Department of Finance will maintain a spreadsheet of all checks received from bank by departments.</li><li>• Department of Finance will notify Departments of checks returned by bank within 24 hours and transmit checks to the various departments/agencies.</li><li>• If payment has been receipted and check has been dishonored by bank, payment on the customer's account shall be reversed.</li><li>• Departments will maintain records in ERP using the Customer file and special condition flags to identify dishonored checks.</li><li>• Checks not redeemed within 90 days will be transmitted by the respective departments to the Department of Justice for further action. A copy of the transmittal shall be sent to DOF.</li></ul>

<b>Responsibilities</b>	<p>Departments and Agencies are responsible for:</p> <ul style="list-style-type: none"><li>✓ Departments will maintain accurate records in the receipting computer database when a check has been returned and/or rejected.</li><li>✓ Departments will maintain an excel spreadsheet on the checks received from the Department of Finance showing all activity as relate to the checks.</li><li>✓ Departments will transmit to DOF a Report (Excel Spreadsheet) showing the Disposition/Status of the Dishonored Checks received from DOF. Report shall be sent to DOF by the 10<sup>th</sup> of the month.</li><li>✓ Departments will apply the applicable fees and penalties. Any waiver of fees by the appropriate level of authority shall be documented.</li><li>✓ Departments will aggressively pursue the collections of funds utilizing their Enforcement Officers as necessary.</li></ul> <p>Bureau of Internal Revenue</p> <ul style="list-style-type: none"><li>✓ Bureau of Internal Revenue is responsible for timely collection activities for the recovery of monies due to the Bureau of Internal Revenue as a result of dishonored checks.</li><li>✓ Bureau of Internal Revenue will maintain accurate records in the receipting computer database when a check has been returned and/or rejected.</li><li>✓ Bureau of Internal Revenue will maintain information regarding the payee and/or signer of dishonored checks in the ERP Customer File.</li></ul> <p>Department of Finance is responsible for:</p> <ul style="list-style-type: none"><li>✓ DOF will maintain information regarding the payee and/or signer of dishonored checks in the ERP Customer File.</li><li>✓ Department of Finance will contact Departments within 24 hours when a deposited check has been returned by the bank as dishonored.</li><li>✓ DOF is responsible for monitoring the timely collection activities for the recovery of monies due to the Government as a result of dishonored checks.</li></ul>
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<b>Procedure</b>	<p><b>ERP Customer File</b></p> <ul style="list-style-type: none"><li>• When a check has been returned by bank as dishonored, the receiving department (DOF) will update the ERP Customer file with the following:<ul style="list-style-type: none"><li>✓ Payee Name, Address, Phone numbers; other available information as appropriate;</li><li>✓ Special Condition Code – to indicate “Accept Cash Only”;</li><li>✓ Notes Section – include date &amp; department, with any pertinent notes (i.e.” 5/10/2012 DOF- Bank returned check #123456 for stale date”).</li></ul></li></ul> <p><b>Dishonored Checks at Point of Sale</b></p> <ul style="list-style-type: none"><li>• Cashiers will verify that the check signer is not flagged as ‘dishonored’ or ‘cash only’ in the ERP Customer file or any other available source such as Telecheck or Check-21.</li><li>• With only certain appropriately approved exceptions, cashiers will verify the check using the Telecheck verification system before applying payment.</li><li>• If the check is rejected by Telecheck or check signer is flagged in ERP Customer file, the check will be returned to customer and payment will not be applied. Payment shall then be made by cash, credit card, bank check, or U.S. Postal Service money order.</li></ul> <p><b>Dishonored Checks Returned by Bank</b></p> <ul style="list-style-type: none"><li>• When checks that have been deposited are returned by the bank, Department of Finance will contact departments within 24 hours and transmit checks to them.</li><li>• Department will reverse, void or cancel the receipt associated with the dishonored check. (Adjust Accounts Receivable system where applicable)</li><li>• DOF will post Debit Advices to ERP to adjust the General Ledger</li><li>• DOF will update the ERP Customer file.</li></ul>
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**Revision History**

Revision #	Date	Description of changes	Requested By