

**SOPP# 122****Prepared By: Department of Finance (DOF)****Effective Date:  
01/05/2022****Approved By: Bosede A. Bruce****Title****DISHONORED CHECKS****Purpose**

The purpose of this policy is to establish general controls at the departmental level for management of dishonored checks.

Historical practices shall not constitute justification for deviation from the following guidelines.

**Policy**

- 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.
  - DOF will maintain a spreadsheet of all checks received from bank sorted by department.
  - DOF will notify Departments of checks returned by bank within 24 hours and transmit checks to the various departments/agencies.
  - If payment has been receipted and check has been dishonored by bank, payment on the customer's account shall be reversed.
  - Return checks not paid 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.
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<p><b>Responsibilities</b></p>	<p>Departments and Agencies are responsible for:</p> <p>Departments will maintain accurate records in the receipting computer database when a check has been returned and/or rejected.</p> <p>Departments will maintain an excel spreadsheet on the checks received from the Department of Finance showing all activity as relate to the checks.</p> <p>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.</p> <p>Departments will apply the applicable fees and penalties. Any waiver of fees by the appropriate level of authority shall be documented.</p> <p>Departments will aggressively pursue the collections of funds utilizing their Enforcement Officers as necessary.</p> <p><b>Bureau of Internal Revenue</b></p> <p>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.</p> <p>Bureau of Internal Revenue will maintain accurate records in the receipting computer database when a check has been returned and/or rejected.</p> <p>Bureau of Internal Revenue will maintain information regarding the payee and/or signer of dishonored checks in the ERP Customer File.</p> <p><b>Department of Finance is responsible for:</b></p> <p>DOF will maintain information regarding the payee and/or signer of dishonored checks in the ERP Customer File.</p> <p>DOF will contact Agencies within 24 hours when a deposited check has been returned bythe bank.</p> <p>DOF is responsible for monitoring the timely collection activities for the recovery of monies due to the Government as a result of dishonored checks.</p>
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<b>Procedure</b>	<b>ERP Customer File</b>
	<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.</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>

**Revision History**

<b>Revision#</b>	<b>Date</b>	<b>Description of changes</b>	
1	12/28/2021	Updates per new banking structure and technology	WG
2	01/05/2022	Final Review and Approval	BB