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CITY OF SPOKANE ADMINISTRATIVE POLICY AND PROCEDURE	ADMIN 0410-21-06 LGL 2021-0031
TITLE: RETURNED CHECKS EFFECTIVE DATE: January 1, 2022 REVISION DATE (IF APPLICABLE)	

1.0 GENERAL

1.1 PURPOSE

In the course of conducting business with the general public, the City of Spokane accepts personal and business checks as payment for various taxes, permits, licenses and other municipal services.

The purpose of this administrative policy and procedure is to establish minimum standards for handling returned checks.

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2.0 DEPARTMENTS/DIVISIONS AFFECTED

This policy and procedure shall apply to all City divisions and departments.

3.0 REFERENCES

SMC 07.03.200 Imprest Funds, Accounting Department
SMC 13.01.0314 Public Utilities, General Provisions, Miscellaneous
RCW 62A.3-515
RCW 62A.3-520
ADMIN 0410-21-03 Cash Handling Manual
ADMIN 0410-21-05 Cash Policy and Procedure

4.0 DEFINITIONS

- 4.1 "CT (Cash Transfer) batch" means a journal entry, used to transfer cash between city funds in the City's financial System.

- 4.2 "Non-Sufficient Funds (NSF)" refers to the status of a checking account that does not enough money to cover transactions. This term is often used interchangeably with "Returned Check".
- 4.3 "NS Batch" means a journal entry, used specifically for processing returned checks and transferring handling fees to Finance, Treasury and Administration.
- 4.4 "Master Consolidated Account" is the name given to the City's primary depository account at the bank.
- 4.5 "Returned Check" means a check that is not paid by the bank on which it is written (drawn). Checks may be returned due to insufficient funds, closed accounts, invalid signatures, stop payments, or any other condition making the check invalid.
- 4.6 "Stop payment" means a request by a check drawer to cancel a payment before it is processed.

5.0 POLICY

- 5.1 This policy shall apply to all checks which are made payable to the City of Spokane, or department, or office and deposited in the City's primary and secondary depository accounts.
- 5.2 Any check which is returned to the City Treasurer having not been honored by the payer's bank, will be subject to a reasonable handling fee, pursuant to Washington State RCW, Chapter 62A.3-515. The handling fee charged by the City of Spokane is twenty-five dollars (\$25).
- 5.3 It shall be the responsibility of depositing departments to collect funds and handling fees for returned checks, and for referring the uncollected check to the office of the City Attorney for collection assistance.
- 5.4 Departments shall be responsible for reimbursing the Finance, Treasury and Administration Division/Department for the handling fee associated with dishonored checks.

6.0 PROCEDURE

- 6.1 Account Establishment and Reconciliation
 - 6.1.1 The Finance, Treasury and Administration Division/Department shall maintain a separate bank account (NSF account), with an authorized balance, as established by SMC 07.03.200 B, to cover checks dishonored by the depository bank, and to recoup the amount of the checks and expenses from the depositing departments.

- 6.1.2 The Finance, Treasury and Administration Division/Department shall maintain a database to account for all returned checks, and to reconcile the NSF account to the cash management and general ledger systems. The division/department will send all returned checks to the depositing department within one business day.
- 6.1.3 The NSF account shall be replenished weekly, except under limited circumstances as outlined in 6.1.4. By noon each Tuesday, all department accounting staff with NSF checks will enter journal entries (NS Batch) into the Financial Management System (FMS), and submit backup documentation to Treasury Services. The total NS batches are posted to FMS by the Treasurer's accountant and a book transfer initiated. On Wednesdays, the total NSF amount is transferred from the Master Consolidated Account to NSF account at the bank. The backup is entered into the NSF database by the treasury staff.
- 6.1.4 For returned checks exceeding \$8,000, the NSF account shall be replenished within two (2) business days.
- 6.1.5 Journal entries (NS Batch) to record returned checks must include entries to record transfer of handling fees from the department to Finance, Treasury and Administration Division/Department.

Fees and Costs to be covered

- 6.2.1 When a check issued to the City of Spokane is returned by the bank as uncollectable, the City shall charge a handling fee of twenty-five dollars (\$25) to cover the administrative processing cost of the returned check, in addition to the original amount of the returned check to the person who issued the check. Except under limited circumstances, this handling fee shall be remitted to Finance, Treasury and Administration Division/Department.

Notification Process

- 6.3.1 If a check is returned to the City as uncollectable, immediate efforts will be made to contact the individual(s), business(es) or other entity(ies) who issued the check to report the situation and make arrangements for it to be corrected. Individual departments shall send Notices of Dishonor to the drawers last known address and within two (2) business days. Notice of Dishonor shall be substantially in the form as required by RCW 62A.3-520.
- 6.3.2 If a check is returned because of bank error, the originating department must provide documentation to be granted a waiver to be approved by the City Treasurer, or their designee.

6.3.3 Should fifteen (15) days pass from the date of the returned check being received by the City, and the individual(s), business(es) or other entity(ies) responsible for paying the tax or fee has the not corrected the situation, and/or the City has not been able to reach the individual(s), business(es) or other entity(ies), the City may refer the claim to the office of the City Attorney for collection assistance.

Frequency of Returned Checks

6.4.1 In the event an individual(s), business or other entity makes two payments to the City, in a twelve (12) month period or less, which are returned as uncollectable; only cash, electronic payment, money order, or bank teller's check will be accepted by that payer for a period no less than twelve (12) months.

Exceptions

6.5.1 The Utilities Billing Department is able to reverse payments to established utility accounts. Utilities billing may transfer the amount returned checks from their daily deposit to reimburse the NSF bank account through the MySpokane cashiering process. Utilities Billing will initiate a monthly CT batch for fifty percent of check handling fees.

7.0 RESPONSIBILITIES

- 7.1 The City Treasurer, or designee, is responsible for establishing and maintaining sound fiscal management practices for the proper receiving, safekeeping, and disbursing of city funds.
- 7.2 It shall be the responsibility of depositing departments to collect funds and handling fees for returned checks, and for referring the uncollected check to the office of the City Attorney for collection assistance.
- 7.3 The Finance, Treasury and Administration Division/Department shall assist departments in complying with this policy.

8.0 APPENDICES

APPROVED BY:

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Dec 17, 2021

Date











COS ADMIN Policy and Procedures - Returned Checks - DRAFT v2 (revised) - 11.20.21 (002)

Final Audit Report

2021-12-17

Created:	2021-12-17
By:	Jillann Hansen (jehansen@spokanecity.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAymvMjnwv1hvQo7mg-ItqIrYUBCKRwjW2

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