



County of Santa Clara

Policy Name: Returned Checks

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Policy Type: Administrative

Category: Fiscal and Budget **Sub-Category:** Payments and Fees

Policy Name: Returned Checks

Policy Owner: Controller-Treasurer Department

Policy Purpose

The purpose of this policy is to establish a set fee for returned checks and to provide departments with a standardized process for recovering payments after a check is returned unpaid.

Policy Summary

Each department shall promptly process checks returned unpaid by the bank in a manner which will maximize the recovery of lost revenue and shall impose a fee for the cost of handling the returned items. Whenever possible, goods and services shall be withheld until the check is made good and the returned check fee is paid.

County Ordinance Sec. A14-30 authorizes the Director of Finance to impose a charge for returned checks. Pursuant to Cal. Gov. Code § 6157, this charge shall not exceed the actual process and collection costs incurred by the County. The charge for returned checks is currently set by the Director of Finance at \$50.



Procedures

Collecting Payment and Recording Returned Checks

- 1) Upon receiving a returned check from the bank, the department performs the following actions:
 - 1a) Determine the purpose of the payment.
 - 1b) Reverse the payment record in accounts receivable or other department records.
 - 1c) Add returned check charge to the amount due.
 - 1d) When appropriate, suspend service that returned check was intended to pay for.
 - 1e) Notify the payer that the check was returned and that a new payment (plus the returned check charge) is due immediately.
- 2) Upon receipt of a replacement payment that includes the returned check charge, the department deposits the payment as if it were a new payment, crediting the returned check charge to the appropriate account.
- 3) Upon receipt of a replacement payment that does not include the returned check charge, the department may respond in one of the following ways:
 - 3a) Waive the fee if the returned check was the result of a good faith dispute or due to circumstances beyond the control of the payer.



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- 3b) Deposit the replacement payment and make one more attempt to collect the returned check charge.
- 4) If the payer does not respond to a notification of a returned check within 15 days, the department performs the following actions:
 - 4a) Implement department procedures for collection of bad debts.
 - 4b) Advise department staff that checks will no longer be accepted from the payer firm or individual and that new payments must be via cash, cashier's check, or money order.
- 5) If the returned check was for \$500 or more and the payer does not respond within 30 days of the second effort to collect a replacement payment, the department shall refer the matter to the District Attorney for possible criminal action.

Definitions

For the purposes of this policy, the following definitions apply:

- 1) **"Returned Check"** means a check that has been returned unpaid by the bank.

Frequently Asked Questions

None.

Related Policies

None.



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Related Forms and Information

None.

History

Date	Changes Made
2/26/2014	Policy uploaded. (John Myers)