

# MANAGEMENT DIRECTIVE

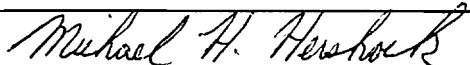
Commonwealth of Pennsylvania  
GOVERNOR'S OFFICE

305.15  
Number

Subject:

Processing and Distributing Returned Checks

By Direction of:

  
Michael H. Hershock, Secretary of the Budget

Date:

August 30, 1989

This directive details procedures for processing and distributing checks returned to the Treasury Department by financial institutions.

**1. PURPOSE.** To provide policy and procedures governing the processing and distributing of checks returned to the Treasury Department by financial institutions.

**2. SCOPE.** This directive applies to all departments, boards, and commissions (hereafter referred to as agencies) under the Governor's jurisdiction.

**3. OBJECTIVE.** To establish policy and provide efficient procedures for processing and distributing checks returned to the Treasury Department by financial institutions.

**4. POLICY.** The procedures contained in this directive are to be followed by comptrollers and agency personnel when processing returned checks.

**5. DEFINITION. Returned check.** A check presented to a Commonwealth agency and subsequently dishonored by the issuer's bank because of insufficient funds, account closed, or other reason.

## 6. RESPONSIBILITIES.

**a. The Treasury Department is responsible for:**

(1) Preparing Form STD-418, Debit Memorandum, to accompany returned checks.

(2) Forwarding Form STD-418 and returned checks to appropriate depositing sources.

**b. Central Services Comptroller is responsible for:**

(1) Reducing the appropriate revenue code for the amount of returned checks.

(2) Distributing returned checks to the appropriate agency sources.

**c. Commonwealth agencies are responsible for:**

(1) Reversing the accounting transactions relating to returned checks.

(2) Instituting procedures to recover appropriate amounts due.

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**7. PROCEDURES.**

**Procedure 1: Processing returned checks endorsed by the Unemployment Compensation Fund.**

<b>Action By</b>	<b>Step</b>	<b>Action</b>
Treasury Department.	1.	<b>Receives</b> from state depository banks returned checks that were made payable to and endorsed by the Unemployment Compensation Fund.
	2.	Prepares Form STD-418, <i>Debit Memorandum</i> , debiting appropriate revenue code(s).
	3.	Forwards copy 3 of Form STD-418 to Central Services Comptroller.
Central Services Comptroller.	4.	Receives from Treasury Department copy 3 of Form STD-418.
	5.	Debits appropriate revenue code(s) for returned checks.
Treasury Department.	6.	Forwards copies 4 and 5 of Form STD-418, with returned checks, to the Unemployment Compensation Fund.
Unemployment Compensation Fund.	7.	Receives from Treasury Department copies 4 and 5 of Form STD-418, with returned checks.
	a.	Initiates procedures to recover appropriate amounts due.
Treasury Department.	9.	Retains copies 1, 2, 6, 7, and 8 of Form STD-418.

**Procedure 2: Processing returned checks endorsed by the Department of Transportation.**

<b>Action By</b>	<b>Step</b>	<b>Action</b>
Treasury Department,	1.	Receives from state depository banks returned checks that were endorsed by the Department of Transportation.
	2.	Prepares Form STD-418, <i>Debit Memorandum</i> , debiting revenue code 010410-008000-133.
	3.	Forwards copy 3 of Form STD-418 to Central Services Comptroller.
Central Services Comptroller.	4.	Receives from Treasury Department copy 3 of Form STD-418.
	5.	Debits revenue code 010410-008000-133.
Treasury Department.	6.	Forwards copies 4 and 5 of Form STD-418, with returned checks, <b>to</b> the Accounts Division, Bureau of Motor Vehicles and Licenses, Department of Transportation.
Department of Transportation.	7.	Receives from Treasury Department copies 4 and 5 of Form STD-418, with returned checks.
	8.	Initiates procedures to recover appropriate amounts due.
Treasury Department.	9.	Retains copies 1, 2, 6, 7, and 8 of Form STD-418.

**Procedure 3: Processing returned checks for all other endorsements.**

<b>Action By</b>	<b>Step</b>	<b>Action</b>
Treasury Department.	1.	Receives from state depository banks returned checks that were endorsed by other than the Unemployment Compensation Fund or the Department of Transportation.
	2.	Prepares Form STD-418, Debit <i>Memorandum</i> , debiting revenue code 001430-003000-102 Returned Check Clearing Account.
	3.	Forwards the Treasury receipted copies 3, 4, and 5 of Form STD-418 with returned checks to the Central Services Comptroller.
		<b>NOTE:</b> Copy 3 is forwarded from Treasury Automated Bookkeeping System; copies 4 and 5, with returned checks, are forwarded from Treasury Fiscal Operations.
Central Services Comptroller.	4.	Receives from Treasury Department copies 3, 4, and 5 of Form STD-418, with returned checks.
	5.	a. Prepares Form STD-417, <i>Adjustment Memorandum</i> , transferring the returned check amount(s) from revenue code 001430-003000-102 to the revenue code(s) used to deposit the check(s) originally.
		b. Includes the following data in "Reason for Correction" section of Form STD-417: (1) The statement "Transfer of returned items received from state depository banks." (2) The number of checks. (3) Applicable Form STD-418 number(s) and treasury receipt date(s).
	6.	Obtains Treasury Department's receipt on all copies of Form STD-417.
	7.	Distributes Form STD-417 as follows:

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1 and 2	State Treasury Department, Bureau of Cash Management.
3 and 7	Central Services Comptroller.
4 and 6	Depositing agency comptroller (with returned checks and other related documentation).
5	State Treasury Department, Fiscal Office.