PURPOSE

To ensure best practices for processing check payments are adhered to.

AUTHORITIES

Chapter 1.17 of Title 1 of the San Jose Municipal Code Section 1.17.10
Any person desiring to pay an obligation by check shall provide to the person designated by the Director of the Department to whom the payment is to be made, on or before the due date of such payment, a properly completed and signed check in the amount of the obligation.

SCOPE OF APPLICATION

This policy applies to all City employees responsible for handling and processing checks received by the City.

POLICY

The City of San José may accept checks in payment of materials, services, fees, taxes, etc. Checks are to be accepted and deposited in such a manner so as to promote operational efficiency while maintaining the controls necessary to safeguard City assets.

PROCEDURES

Acceptance of Checks

1. Checks may be received over-the-counter, in the field, via bank lockbox, or via mail.

2. Checks must be payable to the City of San José.

3. Checks must be complete with the date, amount, and signature. Written and numerical amounts must agree.

4. Checks payable to other parties (“Second Party” checks) are not to be accepted.

5. All checks must have a Magnetic Ink Character Recognition (MICR) routing code and account number printed on the face.

6. The name, address, and telephone number of the maker should be pre-printed on checks received over-the-counter or in the field.

7. A receipt must be provided when payment is presented in person. The receipt number should be written on the checks and accompanying documentation or invoices.

8. Checks may not be cashed.

9. Checks should be for the amount due. If a person presents a check to the Finance Department’s Treasury Division, cashiering staff, or to a City employee in the field that is written for an amount other than the amount due, the following actions should be taken:
Check Processing

5.3.2

a) Request an alternate form of payment, such as credit or debit card.

b) Attempt to obtain a new check for the correct amount.

c) Attempt to have the writer of the check alter the check to the correct amount, initialing the alteration.

d) Refer to the applicable Department’s process for handling overpayments and refunds.

e) Cash refunds should not be issued for overpayments.

10. For RevenuePlus (Citywide Accounts Receivable System) refunds, the procedure and refund form can be found at: http://finance.sjcity.net/admincite/RevenuePlusRefundReq.pdf.

11. Some payments for fees and permits require the amount to be determined at a later time when the application and/or documentation are processed. The customer will be required to wait to make the payment until the proper amount can be determined; the City will not be responsible for holding checks in the interim.

12. If there is an operational limitation which necessitates accepting checks for amounts other than the amount due, approval must be obtained from the Director of Finance.

Acceptance of Large Checks of $20,000 or more received without documentation

If a check is received by the Finance Department for an amount of $20,000 or more, all attempts should be made to have the funds deposited immediately. If there are no accompanying documents or if there are extenuating circumstances related to the applicable Department, this may not be possible. In such a circumstance, the following should be done:

1. The Finance Department Treasury Division payment processing staff and cashiering staff should make their best effort to determine which City Department is responsible for the revenue and contact them for further information.

2. Once a determination is made, the Department must be contacted and will be required to pick up the check as soon as possible. The Department will be responsible for preparing the deposit and entries into the Citywide Financial Management System.

3. If it is requested that the check be deposited by the payment processing staff or cashiering staff, it should be done immediately using the Bank’s digital deposit system. Once deposited, the payment shall be processed as usual.

4. If backup documentation is not available, the payment processing staff and cashiering staff may hold on to the check for no more than 24 hours. If documentation is not received within this time, the check will be deposited immediately using Desktop Deposit and will remain un-booked in the accounting system until the documentation is received.

5. If the funds are not booked at month-end, they will be placed in the Citywide Miscellaneous visible code (001-42-000000-7999) until the documentation is received.
Check Processing

5.3.2

Refer to Maker – Insufficient Funds

If a check is returned to the bank unpaid for any reason, the bank will automatically present it for payment a second time. If it is returned to the bank again, the bank will post the image onto the banking platform for the Treasury Division cashiering staff to review. Upon receipt, the following should be done:

1. Cashiering staff sends an image of the check to the Department or the Payment Processor responsible for the payment.

2. The Department or the Payment Processor must reverse the payment from the appropriate system.

3. Cashiering staff must make an entry into the Citywide Financial Management System to chargeback the payment.

4. The customer is charged a service charge on returned checks. The Department that initiated the receivable is responsible for invoicing the customer the returned check fee. The amount of the fee varies annually, is calculated by the Finance Department, and is the same amount Citywide. The returned check fee is included in the Annual Fees and Charges document produced by the City Manager’s Budget Office.

Approved:

/s/ Julia H. Cooper 01/23/2015

Director of Finance Date